#

ASX ANNOUNCEMENT

27 September, 2013

2013 ANNUAL REPORT

Attached is a copy of the Company's Annual report for the year ended 30 June, 2013, which will be dispatched to shareholders today.

The Company's Annual Report is available for download from the Company's website at www.tattsgroup.com/investors/agm.

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Tatts Group

Tatts Group Limited ABN 19 108 686 040

Be part of it

Annual Report 2013

The Group employs more than 3,000 people across all states and territories of Australia, and in the United Kingdom.

Tatts Group – Be part of it

- Global leader in lotteries and lottery systems
- Major wagering and sports betting operator
- Expert gaming and technical solutions provider

Contents

Key Highlights

$2.01b
record lotteries revenue

$294.6m
record lotteries EBITDA

39
record lotteries jackpot sequence at or above $15 million

$427m
acquisition of SA Lotteries management rights

214
new lottery millionaires for the year

$1.25b
paid in lottery taxes

Online

8.2%
of total lottery sales now from online channels

20.2%
of wagering sales from online channels

Over 900,000 customers signed-up to Tatts.com

Wagering revenue up
5.2%

Improved win rate on tote and fixed price betting

GROUP	FY13 $million	FY12 $million	Change on pcp
Revenue	**2,948.8**	2,656.9	11.0%
EBITDA	**490.2**	**415.6**	**17.9%**
Depreciation & Amortisation	(84.1)	(91.0)	(7.6%)
Net Interest	(103.0)	(99.3)	3.8%
Taxation	(75.7)	(63.8)	18.5%
Profit from Continuing Operations	**227.4**	**161.5**	**40.8%**
Profit from Discontinuing Operations	19.9	157.6	(87.4%)
Net Profit after Tax	**247.3**	**319.1**	**(22.5%)**

LOTTERIES	FY13 $million	FY12 $million	Change on pcp
Revenue	2,008.6	1,767.5	**13.6%**
EBITDA	294.6	223.8	**31.6%**
EBIT	269.5	202.6	**33.0%**

WAGERING	FY13 $million	FY12 $million	Change on pcp
Revenue	655.7	623.3	**5.2%**
EBITDA	173.9	144.1	**20.7%**
EBIT	155.6	124.1	**25.4%**

+11.0%

REVENUE

Revenue from continuing operations excludes Pokies revenue of **$167.1 million**

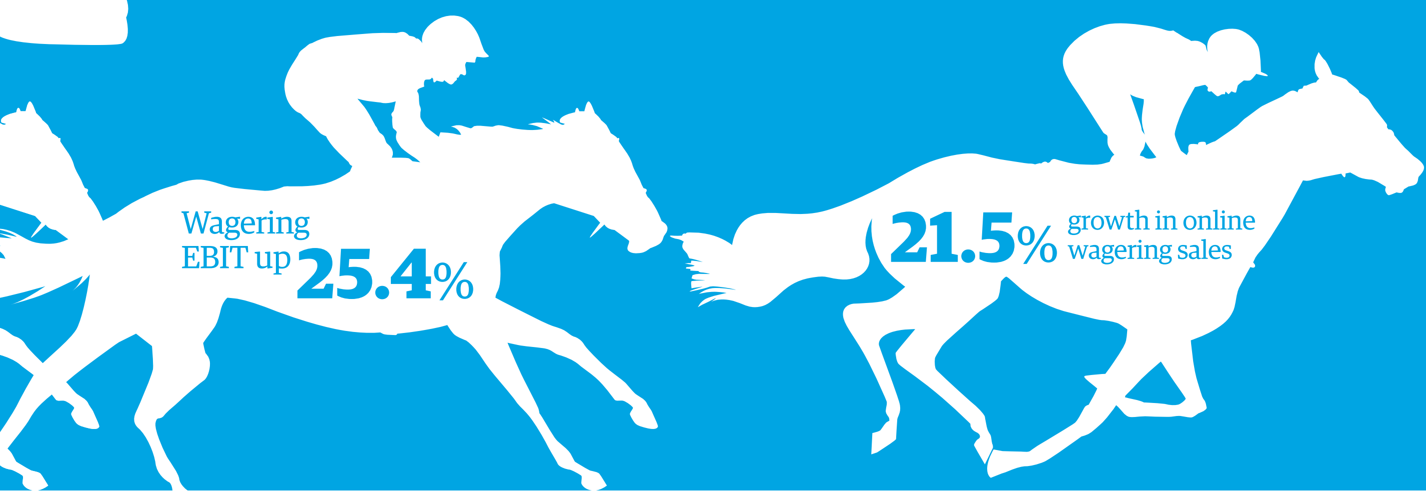
+17.9%

EBITDA

Improved EBITDA margins for both lotteries and wagering from benefits of scale

+40.8%

PROFIT FROM CONTINUING OPERATIONS



Chairman's Report

In a snapshot – a year of change

The 2013 financial year was one of transition at Tatts – with many changes being made to better position the Group for future growth. The year saw us recruit and install a new CEO who not only brings new experience from the online industry, but who also represents generational change to better address the tech-savvy customers of the future.

We set in motion actions designed to:

- lift our product innovation;
- expand our customer base through more effective online marketing activities;
- build closer partnerships with our key business partners and stakeholders;
- accelerate the development of a best of breed online offering; and
- develop a new retail image and brand proposition.

We are undertaking this repositioning in a way that remains true to our corporate DNA with a single minded focus on driving long term sustainable value for our shareholders.

Significant organisational change has occurred in parallel with these initiatives. In addition to recruiting a new CEO, we welcomed the appointment of a new CFO from our internal team, relocated our head office to Queensland, and refined our organisational structure to better support the scaling up of our online and marketing capabilities.

Operationally the highlight in the year was winning the management rights for the SA Lotteries, which pleasingly has delivered to our expectations. This success was tempered by the well-flagged and smoothly executed exit from our Victorian pokies business, following the expiry of our licence after 20 successful years of operation.

Outstanding results delivered again

It is a privilege to again be able to report that the Group's financial results for 2013 have been outstanding.

The team has lifted after tax profits from continuing operations[1] by an impressive 40.8% to $227.4[2] million from revenues of $2.95 billion (up 11.0%). This after tax result increases to $247.3 million if profits from our discontinued pokies operations are included. Of course, net profit after tax compared to last year declined by 22.5% due to these discontinued pokies operations only contributing for 46 days in FY13 compared to FY12's full-year of contribution.

Our lotteries operation has been the standout division with revenue growth of 13.6% and EBIT growth of 33.0%. Excluding the results from SA Lotteries, integrated partway through the year, our lotteries EBIT grew by 21.8%. The main drivers of this out-performance were:

- the strong run of jackpots which continued into the second-half of the year;
- our continued investment in our retail franchise which remains the cornerstone of our distribution network;
- game changes to Powerball which were well received by our customers; and
- the continued growth of our business through online sales.

Our wagering operations also had a great year with revenues up 5.2%. This performance flowed through to very strong EBITDA and EBIT growth of 20.7% and 25.4% respectively. For the first time, we saw sales from fixed price betting exceed the $1 billion mark. The contribution from TOTE Tasmania (which was acquired in March 2012) pleasingly met our acquisition targets and now achieves improved win rates consistent with those accomplished elsewhere in our operation.

1. Excluding the Tatts Pokies operation which ceased operating at midnight on 15 August 2012.
2. This result includes a one-off tax benefit of $16.2 million in relation to the Golden Casket tax claim following a settlement reached with the ATO over the deductibility of a payment made by Tatts relating to the acquisition of Golden Casket.

"...positioning the Group for future growth"

SA Lotteries a success

Importantly for our shareholders, the $427 million paid for the exclusive management rights for the SA Lotteries has already proven a successful investment. With that operation now fully integrated with our other lotteries businesses, an additional $24.8 million in EBITDA was contributed to the Group result for the financial year from just over six months of operation.

As has been the case with our previous acquisition activities, the SA Lotteries integration was executed on time and within budget by a Tatts team that has a demonstrated and exceptional integration track record.

Government, industry and community the winners

As a long established Australian business with a proud history of supporting the communities in which we operate, Tatts continues to make significant community contributions from wagering and lotteries taxes. In the 2013 financial year, we contributed a total of $1.2 billion to state governments (excluding corporate taxes). The most significant contributions being:

- Queensland - $299.2 million
- New South Wales - $368.0 million
- Victoria - $501.6 million

Additionally, and as mentioned above, $427 million was paid to the State of South Australia for the SA Lotteries exclusive management rights.

We are also a major contributor to the racing industry in Australia with payments of $183.5 million (excluding GST) in the form of product and program fees and race information fees. The majority of these monies (73.5%) were paid to the Queensland racing industry being our main market.

Our support of the Royal Children's Hospital Foundation, the Mater Children's Hospital and various rural children's health services continued during the year with an additional contribution of $1.5 million made. This takes our total contribution to $9.0 million for these important children's health services.

We are also very proud to have agreed in principle a sponsorship to help support the Sydney Opera House with its fund raising efforts through the hosting of a series of special lottery draws in November. The sponsorship will assist in the renewal of one of the most iconic buildings in the world, which incidentally, was funded from the proceeds of lottery draws over a period of 39 years.

Strong returns for shareholders

As has been the case in prior years we continue to maintain a high dividend payout ratio for the 2013 financial year through the payment of a dividend of 15.5 cents per share, representing 95.1% of our profits from continuing operations. We have retained the Dividend Reinvestment Plan this year offering our shareholders a 1.5% discount.

Total shareholder return for FY13 from a combination of dividends and share price growth has been 27.8%, outperforming the ASX200 by 4.9% over the period.

Exceptional team

Great results such as those delivered in the year can only be produced from the dedicated efforts of engaged, enthusiastic and energised teams. We are indeed fortunate that Tatts' talent pool ticks all these boxes and I take this opportunity to thank the entire Tatts team for their excellent efforts in driving the year's result.

Diversity in our business remains a significant area of focus and we have in place active programs aimed at improving diversity balance at all levels within our organisation. Whilst this is a continuing journey, we are making good progress with women comprising over 40% of the total Tatts team and 22% of our executive management team.

Legal actions in progress

We are currently engaged in two separate legal actions against the State of Victoria. The first is for compensation on expiry of our Gaming Operator Licence and is expected to be heard in the Supreme Court of Victoria in February 2014.

The other action relates to the amount of a Health Benefit Levy imposed on our pokies operations for the 46 days of operations in FY13. We were successful in this action in a decision of the Supreme Court of Victoria in June; however the State has appealed the decision.

It is uncertain when these matters will come to a final conclusion.

Looking into the 2014 financial year

Our focus for FY14 is to continue re-positioning our business to better serve our customers and to respond to the ever changing environment in which we operate. We will continue the in-progress review and revitalisation of our brands, the evolution of our online product offering and the step change in our online marketing activities. Building on our engagement with our industry partners to seek to deliver mutually beneficial outcomes will also remain a key focus.

The year will see the Tatts Group continuing a pro-active approach to identifying and evaluating new business opportunities both in Australia and internationally. As has been our model to date, we will sensibly pursue those opportunities that present commercially attractive and strategic outcomes which benefit from Tatts' established operating capabilities.

Our future is exciting and we are pleased that as shareholders you will continue to be "Part of it"!

Harry Boon
Chairman

Managing Director's Report

In review – a great year

FY13 has proven to be an outstanding year for Tatts with our continuing operations delivering ahead of our expectations.

When looking back to February, on the release of our half-year results, we were cautioning against simply extrapolating our six-month performance and growth rates. This stance recognised the challenge in replicating the exceptional run of jackpots, and also the lift from an initial year's contribution by TOTE Tasmania – which was to be cycled over on 27 March 2013 (being the acquisition anniversary). The reality has been much stronger than our expectations in February, with our second-half result not disappointing in the slightest.

Our business has delivered a standout set of numbers for the year with:

- after tax profits from continuing operations lifting 40.8% and reaching $227.4 million - noting that continuing operations provide a more meaningful comparative on a go-forward basis following the cessation of our Victorian pokies business (on 15 August 2012);
- after tax profits on a statutory basis reaching $247.3 million – this includes only 46 days contribution from our discontinued pokies business. When compared to FY12 this represents a 22.5% reduction due to the benefit of a full-year's contribution from the pokies operations.

Having stepped into the CEO role in January, I can say it is a true credit to the Tatts' team to have not missed a beat in continuing to drive the business, despite the uncertainty that inevitably arises when entering into periods of organisational change. The proof of this lies in the accelerating performance in our operations in the second half of FY13, which is best viewed at an EBIT level to remove the once–off benefit from the Golden Casket tax claim (discussed further below). This analysis shows that whilst our EBIT in the first-half of FY13 grew an impressive 23.7% (compared with first-half FY12), in the second-half this extended to an even stronger 26.6% (again on a same-half basis).

Beyond the great financial outcomes in the year there have been many other highlights - those worthy of particular note are (and each of these is discussed in more depth later):

- winning the SA Lotteries management rights and successfully integrating that operation;
- the positive contribution accomplished from TOTE Tasmania after 12 months of ownership;
- the lift in our online penetration for both lotteries (now 8.2% of lottery sales excluding SA Lotteries) and wagering (now 20.2% of sales);
- the successful implementation of the Powerball game changes;
- concluding the work on some of the underlying systems necessary to give us more flexibility and capabilities for our online ambitions;
- commencing the process to drive our online marketing efforts; and
- embarking on developing and repositioning our brands and retailing proposition.

On a personal note the positive engagement and acceptance from the entire team at Tatts to a new management approach has made hitting the deck running a smooth and enjoyable process – which is testament to the positive culture at Tatts.

In more detail - a nice set of numbers ex-pokies

The strong trading performance of our lotteries and wagering operations shone through in the Group's full-year results, as was the case at half-year. This performance delivered the following outcomes:

Revenue

Revenue from continuing operations (excluding our Victorian pokies business) reached $2,948.8 million up 11.0% (FY12: $2,656.9 million). This incorporates six months contribution from SA Lotteries following Tatts' acquisition of the exclusive rights to manage the lottery and wide area Keno service in South Australia on behalf of the government owned Lotteries Commission of South Australia from 11 December 2012. If revenues from our discontinued pokies operations are included our revenue lifts to $3,115.9 million. However this represents a 20.1% reduction on FY12 – as that year had the benefit of a full-year's contribution from pokies.

"...continuing operations delivering ahead of our expectations"

Lotteries and wagering were the key drivers of this performance, with strong contributions being made by each operation. Lotteries was the standout and succeeded in lifting its revenues to a new record high of $2,008.6 million up 13.6% (FY12: $1,767.5 million) – benefiting from a strong run of jackpots (39 jackpots at or over $15 million in the year vs. 22 in FY12) and a part year contribution from SA Lotteries.

Wagering revenues also increased strongly up 5.2% to $655.7 million (FY12: $623.3 million). Wagering continued to benefit from the first full-year of contribution from TOTE Tasmania (however this benefit dropped away on 27 March 2013 being the acquisition anniversary).

EBITDA

EBITDA from continuing operations reached $490.2 million up 17.9% (FY12: $415.6 million). This lifts to $544.1 million if our discontinued pokies operation is included – which represents a reduction of 16.3% against FY12 (which again had the benefit of a full-year's contribution from pokies).

The EBITDA contribution of both our lotteries and wagering businesses is compelling. Lotteries EBITDA reached a record $294.6 million up 31.6% (FY12: $223.8 million) whilst our wagering operation achieved a lift of 20.7% to $173.9 million (FY12: $144.1 million).

EBIT

Continuing operations EBIT jumped 25.1% to $406.1 million (FY12: $324.6 million). With the discontinued operations included, EBIT lifts to $441.9 million, which represents a 19.6% reduction when compared to the FY12 result (which is distorted by the full-year contribution from pokies).

Lotteries produced an EBIT segment result of $269.5 million – up an outstanding 33.0% (FY12: $202.6 million). Whilst wagering delivered $155.6 million in EBIT (FY12: $124.1 million) - an impressive 25.4% increase.

In both wagering and lotteries, operating leverage is apparent with EBIT margins improving significantly:

- lotteries EBIT margin 13.4% (FY12 : 11.5%);
- wagering EBIT margin 23.7% (FY12 : 19.9%).

This improvement flows from the benefits of scale accompanied by a strong focus on controlling our fixed cost base.

NPAT

As mentioned earlier our net profit after tax from continuing operations lifted 40.8% reaching $227.4 million (FY12: $161.5 million) - noting that continuing operations provide a more meaningful comparison on a go-forward basis following the cessation of our Victorian pokies business (on 15 August 2012). As mentioned this result includes a once-off tax benefit in relation to the Golden Casket tax claim of $16.2 million.

On a statutory basis, net profit after tax was $247.3 million (FY12: $319.1 million) – this includes only 46 days contribution from our discontinued pokies business and the impact of restructuring costs associated with the relocation of head office and consequent redundancies. When compared to FY12 this represents a 22.5% reduction (due to that year having the benefit of a full-year's contribution from pokies).

Organisational renewal – thinking differently

Tatts' robustness, demonstrated by the performance achieved during the leadership transition process, is one of the many strong organisational traits that are part of the legacy left by my predecessor, Dick McIlwain. After more than 20 years in the chair (going back to his time leading UNiTAB Limited which merged with Tatts in 2006), Dick, well deservedly, retired from the Group in early January 2013. The Group is indeed fortunate to have had such a strategic leader who skilfully navigated it through many transformational events and drove significant shareholder returns during his tenure.

In a post-McIlwain era, the challenge for my team is to drive the business up to the next level. Organisational renewal is an opportunity to re-examine accepted ways of operating and to challenge, rethink and refresh. This process is well underway.

Some particular areas of focus (in no specific order) and by no means presenting the complete portfolio of initiatives in train include:

Team structure - We have redesigned the organisation to breakdown divisional silos run by six individual CEOs. In place of this we have established three key operational units (lotteries, wagering and gaming solutions) headed by three COOs. The ambition is to achieve a more singularly focused and unified Group in which common and shared expertise can readily be accessed by and across the business as a whole.

Bench-strength – On undertaking a review of our organisational "bench", a number of gaps were revealed in resources and skills viewed as critical in targeting identified growth opportunities. We have placed, and will continue over FY14, to place further resources into our online team. Additionally we will be significantly expanding our marketing capability in our wagering team and this will coincide with up-scaling our bookmaking group.

We will also continue to critically assess our resourcing levels throughout the organisation to ensure we have the right balance of skills, resources, experience and diversity to achieve our goals and to ensure cost effective and profitable outcomes. In this regard we have in the last six months seen this process result in streamlining overheads in a number of areas in the Group, and the more efficient utilisation and deployment of some existing resources.

Group HQ – With the relocation of the Group's corporate headquarters to Brisbane and approximately 1,200 personnel now based in Brisbane, we are faced with the challenge of a team spread over six separate locations across Brisbane. To solve the inefficiencies that flow from such a dispersed team, we have secured a new location in Brisbane for a central HQ.

The selected greenfield site sits in the Newstead Riverpark renewal precinct next to the gasworks development – a vibrant new commercial, retail and residential centre near the Brisbane CBD. It is anticipated that construction will be completed, and this will become the Group's new home, in 2015. In the interim we are optimising and rationalising our existing property portfolio.

Managing Director's Report (continued)

This is another major commitment by the Group to Queensland and sees a highly skilled IT focused workforce expanding in Brisbane. Queensland now provides the management and operational hub for our Australian and global operations and aspirations.

Brand and retail positioning – A strategically significant project is underway to provide a clearer retail position for our wagering operations and to enable the Group to work more effectively across all our points of distribution. The Group engaged with a leading brand agency in March 2013 to assist in this endeavour and the project is advancing well.

Not only will changes be generated from a brand point of view, but also all our points of customer interaction will benefit - including our physical retail network and our retailing presentation. The results of this work will start to be seen in the second-half of FY14 with a progressive rollout across our entire network over the following years.

Product improvement and innovation – We have a re-energised focus on product innovation and improvement - across both lotteries and wagering.

Within our wagering operation there is an obvious, significant and growing consumer appetite for fixed price betting products. There is a clear opportunity for Tatts to more effectively leverage its unique customer footprint by expanding not only the depth of our offering (both across sport and racing) but also its availability and our customer reach.

We are also perfectly positioned to innovate our lotteries products by exploring opportunities that take advantage of our multi-jurisdictional customer base and thereby provide our players access to larger prize pools and more frequent draws.

Online demand generation – This is seen as one of the more significant marketing opportunities for the Group going forward both from a lotteries and wagering perspective. Simply put, the Group has not been a "player" of any note in the extremely important areas of SEM (search engine marketing) and SEO (search engine optimisation). We also have a significant opportunity to put in place affiliate marketing programs and to implement sophisticated newsletter marketing capabilities.

We have over the past six months been building our capabilities in these important areas and are positioned to start engaging.

Industry partnership – We are a major contributor to the racing industry across Australia but most significantly in the jurisdictions where we hold exclusive wagering licences.

By way of example, in Queensland we contributed in excess of $108.6 million (after offsetting race field fees) this year to our racing industry partners and another $40.9 million in wagering taxes (net of GST) to the State (more than 52.9% of our Queensland wagering revenue is paid in taxes and industry fees).

As both the Queensland racing industry and the State's receipts increase directly in-step with our revenue growth, it is essential that we have open and healthy partnerships aimed at driving the business forward. We believe the initiatives we have in place will achieve this outcome and we are committed to working as closely as possible with our industry to produce mutually beneficial outcomes.

State of the art online platforms – Online is clearly a key distribution channel for both our lotteries and wagering operations. Providing online and mobile products that are easy to use and intuitive is critical for our future success and will, if executed correctly, provide an opportunity to grow our sales beyond the accepted norms of the past.

We are investing in building the Group's capabilities in this extremely important area and have been working on some of the underlying systems necessary to give us more flexibility and capabilities. The fruits of this work will be evident with the release of the SA Lotteries website (expected in late September 2013) and our Tatts.com App (released on 20 August 2013). This journey will be a continuing one but we are now in a position to start matching it with the best.

"....Queensland now provides the management and operational hub for our Australian and global operations and aspirations"

FY13 notable events - achievements and challenges

There were a number of Group achievements and challenges in FY13 that warrant separate mention including:

SA Lotteries – Tatts successfully commenced its exclusive management of lotteries and wide area Keno in South Australia from 11 December 2012. The integration of this operation, performed in an extremely compressed time frame, was concluded on schedule and on budget due to the exceptional efforts of our integration team. Purchased for $427 million, the operation contributed EBITDA of $24.8 million in FY13 and is expected to lift again in FY15 when our proprietary lottery system replaces the currently in-use third party system.

Golden Casket tax benefit – The year' s result includes a $16.2 million tax benefit following from a settlement reached with the Australian Taxation Office (ATO) over the deductibility of a payment made by Tatts relating to the acquisition of Golden Casket. This positive commercial settlement with the ATO has removed the inevitable and continuing uncertainty and distraction if the claim had proceeded to hearing.

Tatts Pokies – On 15 August 2012 the well-flagged and understood exit from our Victorian pokies operation occurred following the expiry of the licence underpinning that business. We cleanly exited the operation and professionally assisted the incoming monitoring licence holder to assume its responsibilities. The Group generated $35.8 million in EBIT from the operation in the 46 days it operated during the year plus the fees it earned in the transition to the new monitoring licence holder until 15 February 2013.

"...not missed-a-beat in continuing to drive the business, despite the uncertainty that inevitably arises when entering into periods of organisational change"

Victorian Health Benefit Levy – On 6 May 2013, the Victorian Treasurer determined to impose a $42.6 million Health Benefit Levy on Tatts for its pokies operations conducted in FY13, the levy imposed being well in excess of the $29 million in EBITDA generated by Tatts in the 46 days this business operated in FY13.

Legal proceedings are in progress in relation to this matter with the Victorian Supreme Court, on 24 June 2013, having set aside the Victorian Treasurer's determination. The Treasurer has appealed this decision however we do not yet know when the appeal will be heard. With proceedings not yet finalised, we have included approximately $7 million in a provision for this Levy - calculated on a pro-rata basis referrable to the 46 days in which the pokies business operated in the year.

Victorian compensation claim – The Group is claiming compensation from the State of Victoria arising on expiry of its Gaming Operator's Licence on 15 August 2012. This matter is listed for hearing in February 2014.

Strong cash flows and robust balance sheet

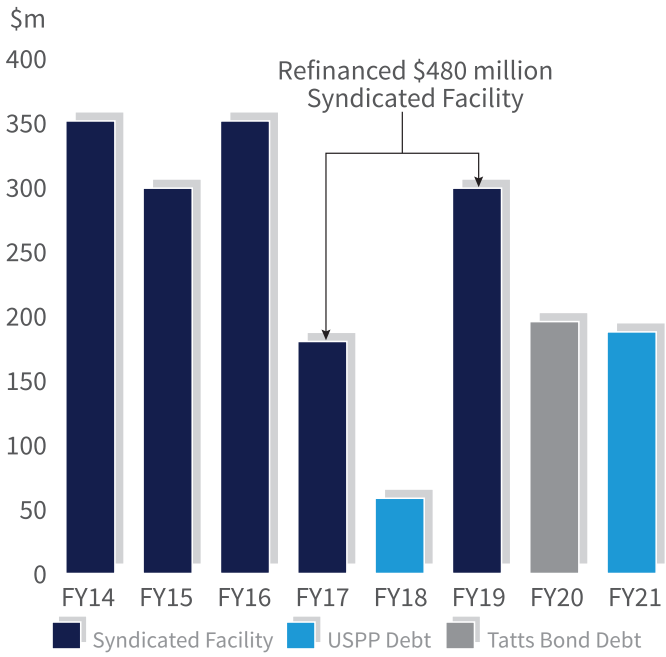
Careful management of our balance sheet and cash flows has seen our net debt to EBITDA ratio at 30 June 2013 reach 2.68 times – better than the expected level of 2.80 times we flagged post acquisition of the SA Lotteries management rights. Interest cover at 4.91 times demonstrates that the Group remains well within "investment grade" metrics.

Strong operating cash flows underpin the Group's consistently high dividend payout ratio, and contribute to ensuring the Group stays comfortably within appropriate credit metrics. These strong cash flows also underpin the Group's significant levels of intangible assets that are a characteristic of the low-tangible assets, high-value networked gambling businesses of which the Group is comprised. The Group refinanced two loan tranches totalling $480 million in the year with expiry due in March and June 2013. These tranches were replaced with new facilities totalling $480 million - structured with three ($180 million) and five year ($300 million) maturities. This action has improved the Group's debt maturity profile from 2.78 years to 3.46 years.

Total committed debt facilities for the Group at 30 June 2013 were $1,920.9 million and, at that date, $1,623.4 million of these total debt facilities were drawn down. When netted against the Group's cash holdings (excluding prize reserves), Group net debt at 30 June 2013 of $1,454.3 million represents a readily serviceable net debt level relative to the Group's annual business profitability and cash flows. The movement in the net debt in the 2013 financial year was impacted by the acquisition of the right to manage SA Lotteries for $427.0 million offset by strong operating cash flows and the disposal of Victorian pokies assets and joint venture properties.

Capex for the year reached $60.1 million (FY12: $66.6 million) and reflected the continuing investment in our network including the rollout of the lottery system terminal replacement program in Queensland. Depreciation and amortisation from continuing operations was $84.1 million for the year (FY12: $91.0 million) and includes $20.0 million of amortisation of licences and rights to operate.

Debt maturity profile



Operations in detail

The Group is a leading provider of wide-area networked gambling services in Australia and in the United Kingdom. The Group primarily comprises lotteries, wagering and gaming businesses relying on wide-area network technology to deliver services to customers through a diversified network of retail and direct distribution channels and also operates gaming machine monitoring, technical maintenance and network support services businesses.

The Group has operations across every state and territory in Australia, and in the United Kingdom.

The Group typically achieves consistent and reliable revenue through utilising technology solutions to deliver high volumes of low average value transactions through a widely dispersed distribution network.

I now turn to a more detailed review of our three areas of operation.

Managing Director's Report (continued)

Lotteries results and operations - a powerful year

Highlights:

- Acquired exclusive rights to manage SA Lotteries.
- New Powerball game configuration.
- Record Oz Lotto jackpot - $112 million.
- Record 39 jackpot draws at or above $15 million.
- 8.2% of sales through the internet.
- 13.6% growth in revenue.
- 214 players made millionaires in the year.
- $1,078.1 million paid to state governments in lotteries taxes.
- Proprietary lottery system rolled-out in Queensland.

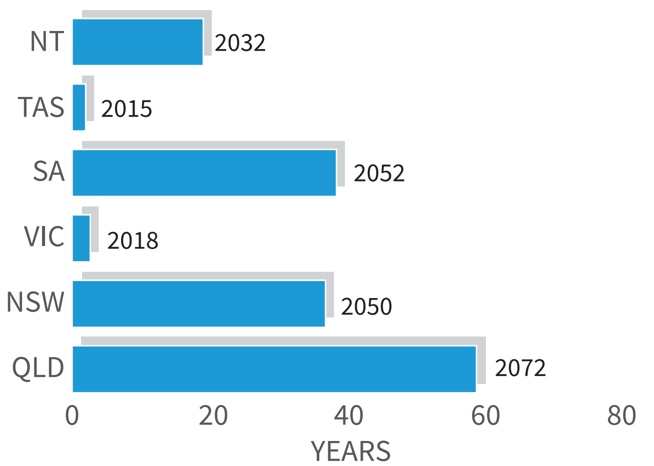
Performance:

Lotteries	FY13 ($m)	FY12 ($m)	Change on pcp
Revenue	2,008.6	1,767.5	13.6%
EBITDA	294.6	223.8	31.6%
EBIT	269.5	202.6	33.0%

The operation:

- Exclusive operator of retail and internet draw based lotteries in Queensland, New South Wales, Victoria, and South Australia.
- Exclusive operator of retail instant ticket lotteries in Queensland, New South Wales, and South Australia.
- Major operator of retail draw, instant and internet games in Tasmania, ACT and the Northern Territory.

Licences tenure:



With strong sales across the portfolio of games in the 2012 financial year delivering double-digit revenue and profit growth, our FY12 lotteries result was never going to be an easy beat. This backdrop makes our performance in FY13 all the more convincing, with an exceptionally strong performance at all levels in our lotteries operation – culminating in revenue growth of 13.6% to $2,008.6 million, flowing through to an outstanding 33.0% lift in EBIT to $269.5 million strengthened by the inclusion of little over six months of management fees from SA Lotteries. Even discounting the extra benefit provided by SA Lotteries, EBIT grew an impressive 21.8%.

The jackpot run in FY13 played in our favour with 39 jackpots at or above $15 million in the year compared with 22 in FY12.

The standout games for the year were Powerball and Oz Lotto. Excluding SA Lotteries, Powerball revenue grew by 52.2%, while Oz Lotto revenue grew by 38.0%.

Oz Lotto benefited from a jackpot run in October and November 2012 which peaked at an Australian record $112 million jackpot on Melbourne Cup day. Powerball underwent a pricing and game re-structure in the year. These changes were designed to produce more regular jackpots and increase the number of winners with the addition of an extra prize division. These changes were successfully implemented and well accepted by our players – this was assisted by the $60 million Powerball jackpot that followed the relaunch in March 2013. Both games benefited from a larger number of jackpots with 39 at or above $15 million through the year (FY12: 22).

Saturday Lotto (excluding SA Lotteries) experienced a decrease in revenue of 8.7%. This primarily resulted from one less Mega Draw event in the year, one less Saturday compared to FY12 and a slight impact from the strong jackpot runs for Oz Lotto and Powerball. Combined revenue for Monday and Wednesday Lotto (excluding SA lotteries) was in line with FY12, which is considered a good result in view of the significant Oz Lotto and Powerball jackpot activity.

Instant lottery revenue (excluding SA Lotteries) performed below expectations and contracted 10.5% against FY12. It is considered these games were impacted more significantly by the shift of player spend to regular jackpot games in the year. New initiatives for instant games are in progress for FY14 to seek to lift their performance and consumer attractiveness.

At the time of acquisition of the management rights for SA Lotteries, we flagged that our lotteries EBITDA could reach $300 million in FY14. The Group has virtually achieved this objective effectively one year earlier than anticipated with EBITDA of $294.6 million being achieved in FY13.

Our strong FY13 performance also rewarded the 4,200 plus agents selling our products. The growth accomplished in our sales resulted in an additional amount of $57.7 million in commission being distributed to our agents – this represented a 20.2% increase on FY12 agent commissions. Our retail channel remains a very significant and important part of our distribution network and we expect it to continue in significance despite the increasing prominence of online. We believe these channels will operate in harmony with the end-result growing network sales in aggregate. The retail growth achieved is a credit to our retailers for their excellent customer service and promotional support.

Our continued investment in the Tatts.com website is also starting to yield dividends with growth of 35.2% achieved through the online lottery sales channel. Online sales now represent 8.2% of all sales (FY12: 6.6%).

TattsTech, our inhouse developed lottery system, was successfully implemented in Queensland in FY13 and is now operational in six of the seven lottery jurisdictions in which we operate. All our retailers in these jurisdictions have been switched over to the new generation lottery terminals. An added feature of this new system is retail customers can now self-check their tickets for winnings in store.

"....in Queensland we contributed in excess of $108.7 million this year to our racing industry partners and another $40.9 million in wagering taxes to the State (more than 52.9% of our Queensland wagering revenue is paid in taxes and industry fees)..."

The first six months of trading as manager of SA Lotteries was in line with our acquisition model targets. SA Lotteries generated EBITDA of $24.8 million in FY13. Individual game performance at SA Lotteries has been consistent with our other lottery jurisdictions. Integration of the SA Lottery operations was completed within six months of assuming the management responsibilities and the lottery technology systems will be converted to TattsTech in the fourth quarter of FY14.

The mobile lottery App was launched on 20 August 2013 after obtaining the necessary regulatory approvals (excluding Victoria). We are confident this new App will be embraced by our customer base and found to be easy to use and intuitive.

Wagering results and operations – running fast in a crowded race

Highlights:

- Fixed price sales exceeded $1 billion.
- Revenue up 5.2% to $655.7 million.
- Migration of pari-mutuel to fixed price betting continues.
- 21.5% growth in online wagering sales (including via Apps and other digital media).
- TOTE Tasmania acquisition performing strongly.
- 20.2% of sales through the internet, Apps and other digital media.

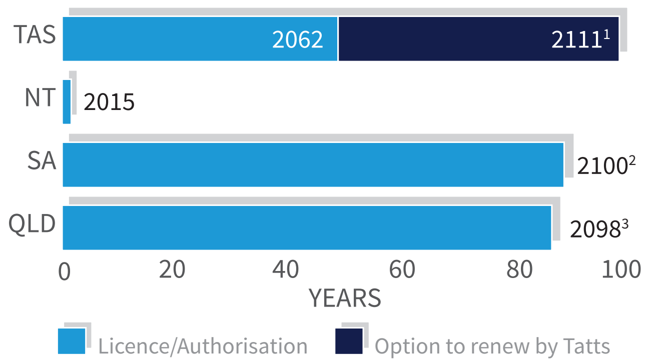
Performance:

Wagering	FY13 ($m)	FY12 ($m)	Change on pcp
Revenue	655.7	623.3	5.2%
EBITDA	173.9	144.1	20.7%
EBIT	155.6	124.1	25.4%

The operation:

- Exclusive operator of retail agency network, hotels and clubs in Queensland, South Australia, Tasmania and Northern Territory.
- Online and mobile fixed price and totalisator betting offered through tatts.com and tattsbet.com and associated Apps.

Licences tenure:



In a year when corporate bookmakers made front page news for their aggressive television marketing campaigns, Tatts continued consolidating its position through strong growth in fixed price betting and improved win-rates for both fixed price and pari-mutuel betting without adopting the aggressive unprofitable marketing tactics of some competitors. Our retail network of more than 1,260 venues and 117 race clubs remains a very powerful sales generator and positions us well to market our wagering product in a more rational and profit focused manner going forward.

Wagering revenue grew 5.2% to $655.7 million in FY13. This revenue growth did benefit from a full-year's contribution from TOTE Tasmania however we cycled over the acquisition in the third quarter (27 March 2013 being the acquisition anniversary). This revenue growth translated to strong EBITDA growth of 20.7% to $173.9 million and EBIT growth of 25.4% to $155.6 million. Excluding TOTE Tasmania one-off integration costs in FY12, EBIT was up by 14.2% on last year.

Wagering sales from all fixed price betting increased by 16.0% and for the first time TattsBet fixed price sales exceeded $1 billion. A portion of this growth reflects the growing appetite from some customers for our fixed price betting offering over our pari-mutuel product – the substitution effect is visible in the corresponding reduction (2.0%) in our pari-mutuel sales.

1. Tasmania licence exclusivity runs to 26 March 2027.
2. SA licence exclusivity runs to 6 December 2016.
3. Queensland licence exclusivity runs to 30 June 2014.

Managing Director's Report (continued)

We continue to see migration from telephone betting with sales through this channel decreasing 11.0% in the year whilst online sales grew 21.5%. This shift saw our online sales reach 20.2% of total wagering sales in the year (FY12: 16.9%) with phone sales representing 8.0% (FY12: 9.2%). The migration from traditional sales channels continues to drive improved margins for the business with EBIT margins improving from 19.9% in FY12 to 23.7% in FY13.

Innovation in our wagering offering will be critical to our continuing success. In recognition of this and as mentioned earlier we are engaged in a program to better position the Group to outperform. Included in this is a brand revitalisation program which will seek to align our brands in retail, online and traditional media. Furthermore, our current retail wagering and online wagering platforms are undergoing development to continue to position the Group to compete with the current best of breed platforms offered globally.

Other innovations introduced by TattsBet include the roll-out of our cashless, touch screen self-service terminals which will continue over the coming years. These terminals, located in retail outlets, provide ease of access to customers, particularly in situations where limited staff are available. Customer acceptance of the terminals has been pleasing with positive feedback received to date. At 30 June 2013 there were 55 self-service terminals rolled-out across Queensland, Tasmania and the Northern Territory. These terminals provide TattsBet with the opportunity to expand its retail network in a low cost efficient manner. TattsBet also introduced the new product Total Trio during the year, and completed the development work for the release of Double Trio, Guaranteed Pools and Fixed Price Specials in FY14.

The mobile betting vans located in Queensland, South Australia, Northern Territory and Tasmania continue to prove popular with customers at racing and sporting events. A new mobile betting facility was released in Queensland during the year with a positive customer response. These mobile betting vans and facilities provide an additional outlet for customers to place bets and serve as an excellent marketing tool at significant racing and sporting events.

TOTE Tasmania has performed to our acquisition model targets for the year and win rates now match those achieved in our other wagering markets.

At a product level, the continued migration of win and place betting to the fixed price book has seen exotic bets, such as trifectas and quadrellas, increase to 41.5% (FY12: 40.8%) of the totalisator pool, with win and place betting now representing 58.5% (FY12: 59.2%). Racing continues to dominate the fixed price book, with 79.0% (FY12: 76.0%) of fixed price sales being on racing and 21.0% (FY12: 24.0%) on sport.

Gaming solutions – united to drive performance

Maxgaming, Bytecraft and Talarius at the end of the year were brought under the control of one COO to drive a sharing of skills, knowledge and technology across these three related operations. It is expected that this approach will, over time, result in operating efficiencies and more strategic decision making.

Gaming Solutions – Maxgaming

Highlights:

- MaxConnect introduced and installed in 75 venues (8,900 machines).
- Ticket-in ticket-out technology developed and ready for roll-out.
- EBIT growth of 8.1%.
- 81% Queensland gaming machine monitoring segment share.
- Customer loyalty solutions on more than 19,000 machines.

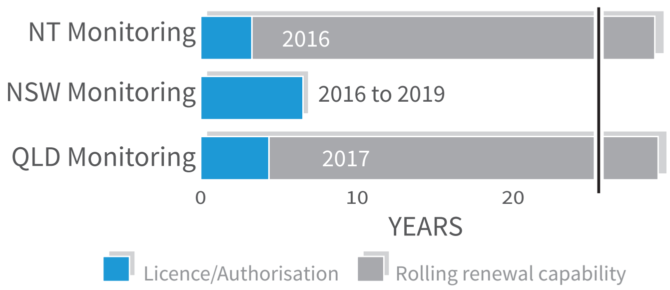
Performance:

Maxgaming	FY13 ($m)	FY12 ($m)	Change on pcp
Revenue	113.2	114.7	(1.3%)
EBITDA	63.1	65.8	(4.2%)
EBIT	48.1	44.5	8.1%

The operation:

- Exclusive gaming machine monitoring operator in New South Wales and Northern Territory.
- Largest gaming machine monitoring operator in Queensland.
- Provider of gaming machine venue value-added services in Queensland, New South Wales and Northern Territory.

Licences tenure:



Maxgaming is the Group's gaming venue services division. This business is founded upon the provision of government mandated electronic monitoring systems to gaming machine venues in New South Wales, Queensland and the Northern Territory. The operation leverages this network and the associated infrastructure to provide additional value-adding services to its contracted venues.

Operating in a dynamic market place, Maxgaming's success has depended on its ability to evolve and respond to the changing gaming landscape and the arising product opportunities. This has seen a reduced reliance on revenue generated from linked jackpot services in FY13 as this product continues to decline in popularity (as stand-alone alternatives have gained traction), and the operation forging new product opportunities. The new product initiatives in FY13 have included the launch of the innovative and popular MaxConnect (a customer management system – discussed further below), along with the continued rollout of Vector touch screens (a player loyalty system) and ticket-in-ticket-out technology.

In addition to pursuing new product opportunities for revenue growth, the Maxgaming team has been successful in responding to its marketplace by adjusting the cost base of the business to protect profit margins.

Despite the slight revenue decline of 1.3% to $113.2 million in FY13 due to the decline in linked jackpots, the operation delivered EBIT growth of 8.1% to $48.1 million in the year.

As mentioned, Maxgaming launched the innovative MaxConnect product in April 2013. This technology provides gaming venues with a customer relationship management (CRM) system together with a customer promotional vouchering/reward system. This product usefully provides gaming venues the ability to measure the cost of direct marketing against the revenue generated from the vouchering/reward system. The take-up of this new product has been extremely pleasing with over 75 venues and close to 8,900 machines now being linked to the MaxConnect CRM software in Queensland. Although this software has only been rolled-out in Queensland, the ambition is to expand its footprint to New South Wales in FY14.

The take-up of the Vector touch screen LCD identification/card reader module has continued to grow strongly in FY13 with 1,760 gaming machines in Queensland now using this technology.

The Queensland Government moved to permit the introduction of ticket-in-ticket-out (TITO) technology during the financial year. Maxgaming has developed a TITO system and is well positioned to sell this product to venues in early FY14 – it is anticipated that strong venue demand will exist for this product when released to the market.

Maxgaming is also well placed to support the gaming industry with a proven voluntary pre-commitment system as the industry seeks to respond to legislated requirements.

Gaming Solutions - Bytecraft

Highlights:

- Record revenue of $116.0 million.
- Successful operation of $25 million Telstra payphone contract.
- Assisted with the exit of Tatts Pokies from gaming venues and the infrastructure set-up for the new monitoring operator in Victoria.

Performance:

Bytecraft	FY13 ($m)	FY12 ($m)	Change on pcp
Revenue	116.0	103.8	11.7%
EBITDA	(1.0)	8.4	(112.2%)
EBIT	(3.0)	6.9	(144.0%)

The operation:

- Time critical repair and maintenance service.
- Key clients include Crown Casino, Telstra, Kamco, and Canon.

FY13 revenues grew by 11.7% to $116.0 million driven largely by a full-year's contribution from the five-year contract with Telstra for the maintenance of its public payphone network across Australia. This contract generated in excess of $25 million in revenue for the Group in the year.

The implementation of this significant contract did require a level of start-up investment. This along with switching over to directly servicing Victorian gaming machine venues (following the discontinuation of our Victorian pokies operation) and the cessation of a number of expired contracts, resulted in Bytecraft incurring new contract and restructuring charges to align the business with its new contract base. For these reasons, the strong revenue growth of 11.7% did not translate into profit for the year with the operation generating an EBIT loss of $3.0 million. These results continue to reflect our policy of zero margins on internal Group services provided by Bytecraft. Revenue from external (non-Group) sources now represents 71.2% of total revenue for the full-year.

The business has now been repositioned for the new contract base, which should see the operation return to profitability in FY14.

Bytecraft successfully assisted the Group's lottery operation with the continued rollout of new terminals across New South Wales and Queensland in FY13. This project will continue when the rollout of the TattsTech lottery terminals in South Australia commences in the latter part of FY14.

Bytecraft has also been successful in securing additional external and internal contracts for FY14. A national Canon support service contract was signed during the year together with point-of-sale refresh projects for some of the largest retailers in Australia. All servicing of TOTE Tasmania and SA Lotteries operations will now be undertaken by Bytecraft from FY14.

Managing Director's Report (continued)

Gaming Solutions - Talarius

Highlights:

- 5 additional motorway venues rolled-out in the year.
- Acquisition of Kellams Ltd – 3 sites comprising 3 adult gaming centre licences and 2 family entertainment centre licences.
- Revenue growth of 12.8%.
- EBITDA growth of 10.8%.
- 3.6% growth in net machine revenue in constant currency.
- 337 new machines rolled out into venues.

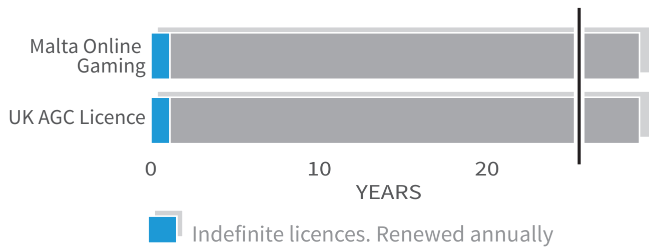
Performance:

Talarius	FY13 ($m)	FY12 ($m)	Change on pcp
Revenue	78.0	69.2	12.8%
EBITDA	7.7	7.0	10.8%
EBIT	(1.0)	(2.7)	63.7%

The operation:

- The market leading gaming machine venue operator in the UK.
- 173 venues with 7,461 gaming machines.

Licences tenure:



Total revenue for FY13 grew by 12.8% and EBITDA grew by 10.8%. The operation generated an EBIT loss of $1.0 million compared to a loss of $2.7 million in the prior corresponding period.

In constant currency, revenue grew by 12.0% to £50.5 million. Gross machine revenue was up 3.6% on a like for like basis. EBITDA grew by 18.7% to £5.0 million and EBIT for the year amounted to a loss of £0.65 million.

This is a very pleasing result for a division that has operated in an economy in recession, and ever changing tax arrangements. We are confident that this business will continue to trend upwards as the economy in the UK improves and regulations remain constant. The recent changes in tax legislation yielded a positive impact. These new tax arrangements which came into effect on 1 February 2013 relate to a fixed tax rate on gaming machine revenue. A 20% tax rate applies to category B3 gaming machines and category C gaming machines and a 5% tax rate applies to category D gaming machines. The Talarius machine estate is split between 77% category B3 and category C machines and 23% category D machines. Offsetting this fixed revenue based tax, the Amusement Machine Licence Duty was removed from 1 February 2013 and gross gaming machine sales are no longer subject to the 20% value added tax applied within the UK. This change makes it financially viable to deploy more £500 jackpot machines across the estate, which together with other operating strategies and the tax change itself have started to lift the trading EBITDA of the business and contributed to the FY13 profit growth.

A total of 425 machines were added in FY13 to the Talarius network as part of the acquisition of an additional nine gaming venues – lifting the number of machines by 1.0% to 7,461 at 30 June 2013 (FY12: 7,389). Of these nine additional venues, the arcade areas in an additional five extra motorway service areas opened in FY13 with all eight motorway contracted venues now operational. With these additional venues and the closure of a number of "overlapping" venues the total number of venues in operation remained relatively constant at 173 venues (FY12: 170 venues). The additional nine venues are performing well and contributed £2.95 million to total revenue in FY13.

The key strategies for this business in FY13 were:

- right-size the gaming machine estate to reduce overlap venues;
- implemented a "no-frills" operating model for lower-performing venues;
- trial extended opening times for certain high performing venues;
- retail property refurbishment in venues with revenue uplift potential;
- continued cost control; and
- further alignment of the Talarius business with the use in the UK of Group developed technology.

On the back of the improving UK economy, we are confident of the opportunities and improvement in the Talarius business going forward.

Discontinued Operations - Tatts Pokies

Revenue of $167.1 million and EBIT of $35.8 million was derived from 46 days of Tatts Pokies trading and revenue from the monitoring transition operations that ceased on 15 February 2013.

Included in EBIT was the profit on sale of gaming machines of $23.6 million partially offset by the goodwill write off of $15.6 million. The Group's exit from its Victorian gaming machine operations is now complete.

In May 2013, the Victorian Treasurer determined to impose a $42.6 million Health Benefit Levy on Tatts for its pokies operations conducted in FY13, the levy imposed being well in excess of the $29 million in EBITDA generated by Tatts in the 46 days this business operated in FY13 equating to an effective levy rate of approximately 146.9%. Legal proceedings are in progress in relation to this matter with the Victorian Supreme Court, on 24 June 2013, having set aside the Treasurer's determination – the Treasurer has appealed this decision. With proceedings not yet finalised, the Group's results include a provision for the Victorian Government's Health Benefit Levy of approximately $7 million - calculated on a pro-rata basis referrable to the 46 days in which the pokies business operated in the year under its Victorian gaming operator licence.

Tatts' separate claim for compensation from the Victorian Government following the expiry of its Gaming Operator Licence is currently set to be heard in the Victorian Supreme Court in February 2014.

Outlook

The Group's start to the year has been positive overall, with the first month of trading comfortably outperforming July 2012. Looking at our two major areas of operation specifically:

- **Lotteries** - The Group's lotteries operation has had an excellent start to the year with two jackpots over $15 million in July (Oz Lotto reached $50 million and Powerball hit $30 million). More generally, this business will continue to receive a "first-year lift" through most of the half from SA Lotteries (which commenced contributing to the Group in December 2012). Further in considering the likely first-half performance for lotteries it would, perhaps, be unreasonable to expect a similar jackpot run to the levels experienced in the first-half of FY13.
- **Wagering** - Our wagering operation has had a little more subdued start to the year, with weather and a run of favourites in football winning their events and this dampening our performance. In addition the business is now cycling over the lift achieved last year from the acquisition of TOTE Tasmania. Despite this slower start and the more challenging comparative, we believe the initiatives in train from a branding, product, online and marketing perspective will position the business for a year of solid profit growth.

Overall we consider the outlook for the Group in FY14 to be positive, whilst remaining ever vigilant to consumer sentiment and competitor activities.

Robbie Cooke

Robbie Cooke
Managing Director

Our Track Record

	30 June 2013 $million	30 June 2012[6] $million
Revenue	2,948.8	2,656.9
Statutory charges		
– Government	(1,376.4)	(1,265.6)
– Other[2]	(605.7)	(552.3)
Operating Costs[2]	(476.5)	(423.4)
EBITDA	490.2	415.6
Profit before income tax on continuing operations	303.1	225.4
Profit after income tax on continuing operations	227.4	161.5
Profit from discontinued operation	19.9	157.6
Net Profit after income tax	247.3	319.1
	Cents	**Cents**
Earnings per share[3]	17.9	23.8
Dividends per share[4]	15.5	23.0
	%	**%**
Dividend pay out ratio	87.4	97.4
	$million	**$million**
Net cash flows from operating activities	346.9	390.3

30 June 2011 $million	30 June 2010 $million[1]	30 June 2009 $million[5]
3,669.3	3,297.9	3,211.9
(1,768.3)	(1,531.4)	(1,479.7)
(869.1)	(804.8)	(811.9)
(415.6)	(398.7)	(401.5)
616.3	563.1	559.4
398.9	404.0	400.5
275.4	282.4	277.4
–	–	–
275.4	282.4	277.4
Cents	**Cents**	**Cents**
21.2	22.1	21.9
21.5	21.0	21.0
%	**%**	**%**
102.3	95.1	96.0
$million	**$million**	**$million**
391.9	369.2	453.3

Notes

1. The 2010 underlying results in the table above differ from the reported results as a result of the following one-off and non-continuing adjustments at a Net Profit level:

Reported NPAT	**$119.4 m**
Talarius – impairment ($140 m), hedging ($2.1 m) and venue restructure costs ($15.1 m)	$157.2 m
Maxgaming – effective life adjustment to software	$17.7 m
NSW Lotteries – restructure costs	$2.1 m
South Africa – trading profit and profit on sale	($14.0 m)
Underlying NPAT	**$282.4 m**

2. Product and program fees have been reclassified as "statutory charges – other" in each year.
3. EPS is calculated using the weighted average number of shares on issue throughout the year.
4. 2010 includes the special dividend paid on 1 October 2010, effectively substituting for the final dividend both in quantum and timing.
5. Includes the results from the South African business, which was sold during the 2010 year.
6. Only FY12 comparatives have been restated to reflect Tatts Pokies as a discontinued operation.

Our Community and Our Environment

Responsible Gambling

Tatts promotes the responsible use of its wagering and lottery services in all its trading jurisdictions and across all channels of distribution.

With our growing online presence through Tatts.com, each account holder has access to their own "Self Manage" page. This allows our customers to set a maximum spend for lotteries purchases, enable a wagering pre-commitment limit or to self-exclude themselves from any further purchasing on their account.

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

Tatts' representatives sit on the respective state and territory government's responsible gambling advisory bodies, and collaborate with relevant stakeholders, including representatives of the community, counselling and welfare agencies, gambling industry associations, local government, state and territory government policy makers and regulators.

SA Lotteries continues to operate its existing responsible gaming program as a level 4 accredited program under the World Lottery Association Responsible Gaming Framework.

Community Support

Tatts has for a sustained period supported the communities in which we operate. This support includes:

- Agreed, in principle, to a sponsorship to help support the Sydney Opera House with its fund raising efforts through the hosting of a series of special lottery draws in November. The sponsorship will assist in the renewal of one of the most iconic buildings in the world, which incidentally, was built from the proceeds of lottery draws over a period of 39 years.
- An annual allocation of $1.5 million to child health and wellbeing in Queensland. The principal recipients of these funds were the Children's Hospital Foundation, the Mater Foundation in Brisbane, and the remainder distributed by Queensland Health to children's health projects across Queensland.
- Gold partner of the Brisbane Festival. The Festival supports community arts and culture in Queensland.
- A proud supporter of the Starlight Children's Foundation. Tatts presented Starlight with funding for another four Starlight Wishes in the current financial year. These wishes, funded from lotteries profits, will be granted by Starlight, to brighten the lives of seriously ill Queensland children and their families.
- Corporate Partner of the NT Thunder Football Club which supports the sporting endeavours of rural and remote communities in the Territory. One of NT Thunder's aims is to have a positive impact on the NT community, particularly indigenous Territorians.
- Distinguished partner of the Darwin Festival. The Festival supports community arts and culture in the Northern Territory.

- Naming rights sponsor of the Tatts Finke Desert Race. The Finke Desert Race is one of the biggest annual sporting events in the Northern Territory. The Finke and Tatts have enjoyed a strong relationship for more than 13 years.
- The Major Partner of the Very Special Kids Piggy Bank Appeal. Tatts provides access to the Victorian lottery network and gaming venues to sell merchandise and raise funds, with many venues supplementing this by conducting fundraising activities.
- The South Australian Lotteries Commission sponsors the Footy Express bus as part of a partnership with the South Australian National Football League. The Footy Express bus is a free bus service transporting South Australian footy fans to and from weekly Australian Football League matches at AAMI Stadium.

Environment

The Group comprises a portfolio of neighbourhood based businesses reaching our customers through advanced wide-area network technology. As such, Tatts has a relatively low environmental footprint and CO_2 emissions profile, and is well below the reporting levels identified in the National Greenhouse and Energy Reporting Act. Nonetheless, Tatts has participated in reporting environmental

impacts to the Carbon Disclosure Project (CDP) which is run worldwide on behalf of investors.

Our internally conducted review of our major operations indicated the following outcomes for the 12 month period to 30 April 2013:

- Scope 1 $CO_{2\text{-}e}$ emissions – 4,418 metric tonnes (prior comparative reporting period: 3,873 metric tonnes), emanating from a fleet of just over 684 vehicles across Australia. Following on from the review of the Tatts fleet in FY12, the Group acquired smaller engine capacity vehicles in FY13 in order to limit the increase in emissions from its fleet to reasonable levels. As such, even though there was a 33% increase in the number of vehicles in the fleet, there was only a 14% increase in $CO_{2\text{-}e}$ emissions.
- Scope 2 $CO_{2\text{-}e}$ emissions – 24,984 metric tonnes (prior comparative reporting period: 25,814 metric tonnes), predominantly from buildings that utilised 21,646,820 kilowatts of electricity translating to 23,504 metric tonnes of $CO_{2\text{-}e}$ emissions, and 4.7 million kilometres of air travel translating to 1,190 metric tonnes of $CO_{2\text{-}e}$ emissions. Tatts has reduced its $CO_{2\text{-}e}$ emissions from buildings through the reduction of property let.
- Water usage has remained consistent at 20,195 kilolitres (prior comparative period: 20,161 kilolitres)

Tatts continues to develop and adapt its services in response to changes in customer demand, and to take advantage of new and more efficient electronic service delivery systems.

It is expected that Tatts' move to its new head office in Brisbane will result in further energy efficiencies as this new development will encompass current energy saving initiatives.

Environmental management reports are periodically provided to the Audit, Risk and Compliance Committee of the Board.

Safety

Tatts has maintained a strong commitment to Workplace Health and Safety (WHS) standards that has seen a sustained low Lost Term Injury Frequency Rate (LTIFR). LTIFR is a universally adopted measure that reflects the number of workplace incidents that resulted in employee absence of more than one day per million hours worked. Tatts LTIFR for the year to 30 June 2013 was 6.8 (FY12: 4.0).

Our Board of Directors*

Harry Boon

Independent Non-executive Chairman

Chair, Governance and Nomination Committee

Member, Remuneration and Human Resources Committee.

Appointed 31 May 2005

Robbie Cooke

Managing Director and CEO.

Appointed 14 January 2013

* As announced to the ASX on 14 May 2013, Robert Bentley is currently on a temporary leave of absence from the Board.

Brian Jamieson

Independent Non-executive Director

Chair, Audit, Risk and Compliance Committee

Member, Remuneration and Human Resources Committee.

Appointed 31 May 2005

Lyndsey Cattermole AM

Independent Non-executive Director

Member, Audit, Risk and Compliance Committee.

Appointed 31 May 2005

Julien Playoust

Independent Non-executive Director

Chair, Remuneration and Human Resources Committee

Member, Governance and Nomination Committee

Member, Audit, Risk and Compliance Committee.

Appointed 21 November 2005

Kevin Seymour AM

Independent Non-executive Director

Member, Governance and Nomination Committee

Member, Audit, Risk and Compliance Committee.

Appointed 12 October 2006

Our People

Michael Carr
Chief Operating Officer – Maxgaming

Michael joined the business in 1995 as Executive Manager, Marketing & Sales with TAB Queensland. Michael's involvement with the Maxgaming business since 1997 has seen him lead the business for more than 15 years through periods of significant change and transformation.

The Maxgaming team is split across Queensland and New South Wales to provide mandated electronic monitoring and value-add services to gaming machine venues in New South Wales, Queensland and the Northern Territory.

Francis Catterall
Executive General Manager – Strategy

After a decade of strategy and finance roles in other industries, Francis joined Tatts in October 2003 prior to its float. He leads the Group's domestic and international corporate strategy activities.

Francis and his team have led all of the Group's acquisitions, including Golden Casket, NSW Lotteries, SA Lotteries and TOTE Tasmania, along with involvement in subsequent integration actions.

Dan Crane
Chief Online Officer

Dan joined the Group in 2009 as the Strategy Manager for its online division and has most recently been appointed to the position of Chief Online Officer.

Dan's team is comprised of online marketing, user experience and web development professionals. With the Group's continued and increasing focus on online technologies, this talented team are currently going through a period of high growth with the team expansion necessary to support our online presence.

Barrie Fletton
Chief Operating Officer – Wagering

Barrie has been a part of the Tatts Group for more than twenty years initially as Manager of Finance for TAB Queensland. Barrie spent time as the CFO and Company Secretary of UNiTAB Limited until October 2006 when he moved into his current position.

Barrie's operating unit is one of the largest within the Group with more than 125 full time employees operating across four states and territories.

Our wagering contact centre, a significant part of Barrie's team, operates for 15 or more hours per day, seven days a week fielding an average of 20 million calls per year.

Peter Harvey
Chief Operating Officer - Talarius

Peter joined Tatts Group, and Talarius in January 2008 and was an integral part of the team both prior to and post the Talarius acquisition.

Peter's team is the Group's largest by headcount and is spread across 173 locations in the United Kingdom – Talarius is the UK's largest high street slots business.

The team is primarily comprised of customer service assistants and service engineers.

Bruce Houston
Executive General Manager – Government and Industry Relations

From a background in government, Bruce joined the business in 1995 in Queensland as the General Manager of External Relations. During his time with Tatts, he has held various roles including general management positions in operations, SATAB and, most recently, TOTE Tasmania.

Bruce provides a deep knowledge of the wagering industry both domestically and

Left to right: Barrie Fletton; Ashleigh Loughnan; Dan Crane; Francis Catterell; Kevin Szekely; Neale O'Connell; Maree Patane; Michael Carr; Anne Tucker; Steve Lawrie; Robbie Cooke; Bruce Houston and Bill Thorburn. Peter Harvey was not available at the time of the photograph.

internationally. This knowledge ideally positions Bruce in the Group's dealings with industry and government.

Steve Lawrie
Chief Information Officer

Steve is a longstanding member of the Tatts team having commenced with TAB Queensland in 1982. Since May 1999, Steve has headed up what is now one of the largest technology teams in Queensland.

Steve's team supports the largest corporate network in Australia that encompasses more than ten thousand venues and connects a quarter of a million devices.

Our technology team is the largest of the Group's service units with more than 220 full-time employees. The majority of the team are based in Brisbane with a small number of staff based in Victoria, New South Wales, South Australia and Tasmania.

Ashleigh Loughnan
Executive General Manager – Office of the CEO

Ashleigh is the newest member of the Executive team having joined the Tatts Group in March 2013.

Ashleigh heads up the newly established Office of the CEO which comprises Human Resources, Property & Procurement, Corporate Communications, Investor Relations and Group Brand Strategy.

The teams comprising the Office of the CEO are spread across five states and territories and are made up of a large number of employees with extensive experience and knowledge of the Group's businesses.

Neale O'Connell
Chief Financial Officer

Neale joined Tatts in 2004, and was appointed as CFO in December 2012. Neale has managed the finance team through a period of substantial expansion via the float, a merger, and several acquisitions. Neale has been involved in all the Group's acquisitions and integration processes including the consolidation of the finance team to the head office in Queensland.

Neale has over 30 years auditing and commercial experience. He has previously held the role of finance director with a United Kingdom based multi-national.

Maree Patane
Chief Auditor

Maree joined the business more than 20 years ago in the position of Finance Auditor. Since that time she has been Executive Manager Audit and, most recently, Chief Auditor.

Maree's tenure with the Tatts Group ensures that she, and her team, have an unrivalled knowledge of the business's systems, processes and governance structures.

Despite operating from our Brisbane office, the Audit Services Unit provides national and international coverage of the various businesses that comprise the Tatts Group.

Kevin Szekely
Chief Operating Officer – Bytecraft

Kevin joined the Bytecraft business early in 2001 and has led the business since that time.

Bytecraft is our largest Australian business in terms of employee numbers with team members based in all states and territories. The team operates a 24/7 technical services business that monitors and manages over one million service support calls per annum.

Bytecraft's talented team provides support internally to the Tatts Group and also to many recognisable companies such as Telstra, Crown, NAB, ANZ and Canon.

Anne Tucker
General Counsel & Company Secretary

Anne joined the UNiTAB team in June 2005 prior to the Tatts merger in 2006. Since then Anne has occupied various positions and was appointed as Company Secretary and General Counsel in July 2013.

Anne and her team have a wealth of experience and knowledge within the gaming industry and play an integral role in all merger, acquisition and integration activities.

Anne's team are primarily based in Queensland with representation in Victoria as well.

Bill Thorburn
Chief Operating Officer – Lotteries

Bill's extensive experience with in the lotteries industry was pre-dated by his time spent as Executive Manager – Corporate Services of TAB Queensland. Following this, Bill joined Golden Casket 18 years ago as the Chief Executive Officer and has since integrated the rest of the Group's lottery operations into the lotteries operating unit.

Bill's team has a presence in five states and territories with most operating out of the Brisbane-based headquarters.

Bill and his talented team have been integral to the successful acquisition and integration of Golden Casket, NSW Lotteries and SA Lotteries into the Tatts Group over the past six years.

Tatts Group

Annual Financial Report for the year ended 30 June 2013

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Corporate Governance Statement

The Board recognises the importance of good corporate governance and its role in ensuring the accountability of the Board and management. The Board reports on compliance by Tatts Group Limited (**the Company** or **Tatts**) and its wholly owned subsidiaries (the **Group**) with the corporate governance framework provided by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Recommendations**). The Board continues to review its corporate governance framework and practices to ensure they meet the interests of shareholders and are consistent with the ASX Recommendations.

This Corporate Governance Statement:

- outlines the key aspects of Tatts' corporate governance framework;
- is structured and numbered in order of the Principles set out in the ASX Recommendations;
- includes cross-references to other relevant information in this Corporate Governance Statement and the Company's charters, policies and codes, details of which (and relevant summaries of which) are available on the Corporate Governance section of the Company's website www.tattsgroup.com; and
- should be read in conjunction with the Directors' Report and the Remuneration Report (contained in the Directors' Report) as those Reports also contain information required to be included by the ASX Recommendations.

The Board considers that the Company's corporate governance framework and practices have complied with the ASX Recommendations throughout the financial year ended 30 June 2013.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The role of the Board and management

The Board is committed to act in the best interests of Tatts and to ensure that the Group is properly managed and consistently improved. The principal role of the Board is to:

- protect and enhance the interests of the Company and its shareholders;
- influence, monitor and approve corporate strategy;
- oversee Tatts and the management of Tatts;
- monitor and evaluate the performance of the Managing Director/ Chief Executive Officer (CEO) and other executives;
- provide guardianship of Tatts' corporate values;
- approve and monitor financial reporting;
- oversee risk management and legal compliance; and
- oversee shareholder communications.

The Company has established the functions reserved to the Board and these are contained in its Charter. The CEO and senior executive group, who are accountable to the Board, are responsible for matters that are not specifically reserved to the Board (primarily being the day-to-day operation and management of the Group).

As announced to ASX on 14 May 2013, the Board, acting in the best interests of the Company, accepted Bob Bentley's request to take a temporary leave of absence in light of the Commission of Inquiry into Queensland Racing which commenced on 1 July 2013. Mr Bentley's leave of absence took effect on 14 May 2013 and is regularly reviewed by the Board.

Chairman and CEO

The Chairman is responsible for leading the Board, ensuring Directors are properly briefed on all matters relevant to their role and responsibilities, facilitating Board discussions, and managing the Board's relationship with the Group's senior executives.

The CEO is responsible for implementing Group strategies and policies.

The Board charter specifies that there must be clear division of roles between the Chairman and CEO, and also addresses:

- responsibilities of the Board;
- the relationship between the Board and management;
- appointment and role of the Chairman;
- composition of the Board;
- performance of the Board;
- Board committees;
- Board meetings; and
- access by Directors to independent advice.

Senior executive performance evaluation

The process for evaluating the performance of senior executives is detailed in the Remuneration Report. A performance evaluation for senior executives, which accords with the process described, has taken place in the 2013 financial year.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Board meetings

Details of the number of Board meetings held during the 2013 financial year, and the attendance of Directors, are set out on page 38.

Board composition

Tatts' Constitution provides that the minimum number of Directors is three and the maximum number is nine. The Board currently comprises seven Directors being the six Non-executive Directors and the CEO. The Board is chaired by an independent, Non-executive Director.

For more information on each Director (including their experience, expertise, qualifications and term of office) see the Directors' Report on page 32.

The Board considers it important to maintain an appropriate mix of skills, experience, expertise and diversity in its membership to ensure that it is able to meet the present and future needs of the Group. The skills that the Board looks to achieve and maintain include business and commercial (including gambling industry experience), strategy development, financial, and corporate management expertise.

In respect of diversity, the Board recognises the importance and benefits of having, and looks to achieve in its membership, varying backgrounds, attributes and gender representation.

Corporate Governance Statement (continued)

Provided that Tatts has three or more Directors, one third of the Directors (rounded down to the nearest whole number) are required to retire at each Annual General Meeting. In any case, no Director may retain office for the longer of three years, or after the third Annual General Meeting following the Director's appointment. Retiring Directors may seek re-election. The CEO is not required to retire by rotation.

Board Committees

To assist the Board in meeting its responsibilities, the Board currently has the following three Committees:

- the Governance and Nomination Committee;
- the Audit, Risk and Compliance Committee; and
- the Remuneration and Human Resources Committee.

The Board Charter provides that the Board may establish other committees of the Board from time to time as may be necessary to deal with specific matters. Each of the Committees has its own Charter which establishes the Committee's terms of reference and operating procedures.

Governance and Nomination Committee

The Governance and Nomination Committee assists the Board in its oversight responsibilities by monitoring and advising on:

- Board composition (including necessary and desirable competencies of Directors) and succession planning;
- the identification of persons for appointment to the Board, and the re-election of Directors;
- the appointment of the CEO;
- the process of reviewing the independence of Directors;
- Board performance evaluation;
- a procedure to address the induction and education needs of Directors;
- corporate governance developments; and
- the development and implementation of the Group's Code of Conduct.

The Governance and Nomination Committee is chaired by Harry Boon, and its members are Bob Bentley, Julien Playoust and Kevin Seymour. The qualifications of the members are set out on pages 32 and 33.

The Committee is structured so that it:

- consists of a majority of independent Directors;
- is chaired by an independent Director; and
- has at least three members.

Details of the number of Committee meetings held during the 2013 financial year, and the attendance of the members of the Committee, are set out on page 38.

Appointment of new Directors and re-election of incumbent Directors

The Company has developed a skills matrix which it uses to identify any gaps in the skills and experience of Directors on the Board.

Potential Directors are nominated for appointment to the Board on the basis of a number of criteria, including their identified skills and experience. This information is then communicated to shareholders to assist them in their decision whether to vote in favour of the appointment of the nominee as a Director at the relevant Annual General Meeting.

Any person appointed to the Board will enter into an appointment agreement setting out the Director's duties, rights, responsibilities and the terms and conditions associated with that appointment. All new Directors appointed to the Board will undertake an induction program co-ordinated by the Company Secretary.

Commitments owing by Non-executive Directors to organisations other than Tatts are considered by the Governance and Nomination Committee prior to a Director's re-appointment to the Board of the Company and reviewed as part of their performance assessment. The process for re-election of incumbent Directors can be found on the Corporate Governance section of the Company's website at www.tattsgroup.com.

Independence of Directors

Each Director is required to apply independent judgement to decision making.

A Non-executive Director will be considered to be independent if that Director is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement. The Board considers the factors outlined below when assessing the independence of each Non-executive Director, being whether the Director:

- holds 5% or more of the votes attaching to Tatts shares (that is, a **substantial shareholder**) or has been a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is or has been employed in an executive capacity by the Group and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- is or has been a principal of a material professional adviser or consultant to the Group, or an employee materially associated with the service provided in the previous three years;
- is or has been a material supplier or customer of the Group, or an officer of or otherwise associated directly or indirectly with a material supplier or customer in the previous three years; or
- has or has had a material contractual relationship with the Group other than in their capacity as a Director in the previous three years.

Family ties and cross directorships may also be relevant in considering interests and relationships which may compromise a Non-executive Director's independence. The test of whether a relationship is material is based on the nature of the relationship and the circumstances of the Director. Materiality is considered from the perspective of the Group, the Director, and the person or entity with whom the Director has the relationship.

The Board considers the factors relevant to assessing independence, and determines the independence of its Non-executive Directors and the Board as a whole, each year. This review has been carried out for the 2013 financial year in respect of members of the Board. All Non-executive Directors were considered to be independent, with the exception of Mr Bob Bentley, who, as a former Chairman of Racing Queensland Limited (until 30 April 2012) has been indirectly associated with a material supplier of TattsBet Limited in the previous three years.

The Board acknowledges that, in accordance with the ASX Recommendations, it has a majority of Directors (including the Chairman) who are considered to be independent.

Independent professional advice

External advice may be sought by a Director in accordance with the terms of the Director's appointment agreement.

Each Non-executive Director's appointment agreement provides that:

- professional advice in relation to the discharge of the Director's responsibilities to the Company may be sought;
- the Chairman must be notified before advice is sought;
- any advice obtained may be given to the Board where considered appropriate by the Chairman; and
- the Company will reimburse the Director's reasonable expenses where the above procedures have been followed.

Board performance evaluation

The Governance and Nomination Committee is required to establish procedures to evaluate the performance of individual Directors, the Board as a whole and Board Committees. When undertaken, the evaluation processes begin with a review of each Director's responses to questionnaires. The results are then compiled on a confidential basis. The results of the evaluation (whether of an individual Director, the Board as a whole or Board Committees) are discussed by each relevant Committee and reported to the Board. The results of the individual evaluations are provided to the relevant Director and the Chairman (and for the Chairman, to the Chairman of the Audit, Risk and Compliance Committee).

A Board evaluation process (**Board Performance Evaluation**) and an evaluation of individual Non-executive Directors (**Individual Evaluation**) was last undertaken during the 2012 financial year. The next review will occur in the 2014 financial year.

The results of the Individual Evaluation undertaken in 2012 for those Directors standing for re-election at the 2013 Annual General Meeting were considered by the Governance and Nomination Committee this year, as were each Director's external commitments, when determining whether to recommend those Directors for re-election.

The performance of each Board Committee was reviewed in the 2013 financial year. The results confirmed that the Committees continue to function in an appropriate manner.

Director induction and professional development

Tatts has an induction program to facilitate immediate involvement in Board activities by any new Director. Tatts also recognises that Board members must be provided with a range of opportunities for professional development. The Board encourages Directors to identify areas for professional development, including education about key developments in the Group's businesses and in the industries within which they operate. Tatts provides Directors with access to appropriate resources.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Code of Conduct

Tatts is committed to promoting ethical and compliant behaviour among Directors and employees. To this end the Board has adopted a Code of Conduct applying to all Directors and employees. The Code promotes:

- acting with honesty, integrity and fairness;
- acting in accordance with the law; and
- using the Group's property and resources appropriately which includes:
  - promotion of confidentiality;
  - avoidance of conflicts of interest; and
  - seeking effective and efficient outcomes for the Group.

Whistleblower policy

The Board has adopted a policy which outlines the steps that Directors and employees should take if they have a genuine suspicion of improper conduct (as described in the policy) regarding Group activities.

Securities trading policy, and remuneration hedging policy

The Board has adopted policies that set out the circumstances in which Directors and employees of the Group may deal in Company securities, and enter into transactions in products that operate to limit the economic risk of holding the Company's securities.

An overriding principle of the securities trading policy is that Directors and employees who possess price sensitive information must not deal in Company securities or enter into any transactions in risk limiting products. The policy specifies 'blackout periods' during which Directors and employees must not deal in Company securities or enter into transactions in risk limiting products, regardless of whether or not they are in possession of price sensitive information. The policy has limited exceptions (e.g. acquisitions under employee equity plans).

The remuneration hedging policy prohibits key management personnel, their closely related parties, and all other participants in any equity based incentive plan from entering transactions that limit that individual's economic exposure to risk arising out of an element of remuneration which has not vested or which has vested but remains the subject of a holding lock or other disposal restriction.

Corporate Governance Statement (continued)

Diversity policy

Tatts values diversity and recognises the importance and benefits of having a diverse workforce which embraces the unique contributions of its employees. To demonstrate the organisation's commitment, Tatts' diversity policy promotes the responsibilities of the Board and senior executives in creating an inclusive culture and a diverse workforce.

Whilst Tatts recognises and embraces diversity in a broader context, the organisation's focus during the 2013 financial year has been on achieving increased gender diversity. To ensure focus remained on this goal, the Board established the following measurable objectives to improve gender diversity:

- Increase the amount of development offered to women to ready them for senior roles.
- Increase the number of applications for vacancies from suitable women both internal and external.
- Increase the number of women who apply for internal management roles in other operating and service units within the Group.

Rather than set measures around the number of women in senior roles, these objectives were set to ensure the organisation established strategies and initiatives to support the development and recruitment of women, the outcome of which would result in building a suitable pool of talented women in which the organisation could then source the best talent on merit. In turn, it is intended that this approach will result in an increased representation of women at senior management and executive level. Over the last 12 months, Tatts has been in the process of restructuring in response to the cessation of the Tatts Pokies business and the decision to relocate its head office to Brisbane. This has resulted in a decrease in employee numbers. During this time, our representation of women has remained consistent.

The specific initiatives that Tatts has remained focused on in the last 12 months has included targeted attraction strategies, a review of recruitment and selection processes, leadership development and ongoing educational programs for senior executives and other employees. During this period, Tatts also continued to monitor and review current remuneration processes via a pay equity audit, the results of which were reported to the Remuneration and Human Resources Committee.

As at 30 June 2013, the proportion of women across the Group's Australian employees was:

Category	Number and Proportion of Women
Board	1 of 6 Non-executive Directors (17%)
Senior executives[1]	7 of 32 employees (22%)
Total Group	921 of 2294 employees (40%)

1. The senior executive category consists of key decision makers who influence and control the strategic direction of their operating or service units. This category comprises executives who report directly to the Chief Executive Officer and lead operating and service units, and general managers and key senior managers who report to those executives.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit, Risk and Compliance Committee

The Board has established an Audit, Risk and Compliance Committee. The Committee assists the Board in its oversight responsibilities by monitoring and advising on:

- the truth and fairness of the view given by the financial statements of the Group;
- the integrity of the Group's accounting and financial reporting;
- the Group's accounting policies and practices;
- whether the Group's accounts are consistent with relevant accounting standards;
- the scope of work, independence and performance of the internal and external auditors;
- compliance with legal and regulatory requirements;
- compliance with the Group's risk policy framework;
- the Group's control environment;
- related party transactions; and
- the Group's overall risk management program.

The Chairman of the Audit, Risk and Compliance Committee is Brian Jamieson, and its members are Lyndsey Cattermole, Julien Playoust and Kevin Seymour. The qualifications of the members are set out on pages 32 and 33.

The Committee is structured so that it:

- consists only of Non-executive Directors;
- consists of a majority of independent Directors;
- is chaired by an independent chairman (who is not the Chairman of the Board); and
- has at least three members.

Details of the number of Committee meetings held during the 2013 financial year, and the attendance of the members of the Committee, are set out on page 38.

External auditor

It is the responsibility of the Audit, Risk and Compliance Committee to review and approve the external auditor's arrangement for the rotation and succession of audit and review partners, including their approach to managing the transition. The procedure for the selection and appointment of the external auditor and the Committee's policy for the rotation of external audit engagement partners are outlined in the Audit, Risk and Compliance Committee's Charter.

The external auditor must attend the Company's Annual General Meetings, and be available to answer shareholders' questions regarding:

- the conduct of the audit;
- the preparation and the content of the audit report;
- accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- the independence of the auditor in relation to the conduct of the audit.

PRINCIPLE 5: TIMELY AND BALANCED DISCLOSURE

Tatts is committed to complying with its continuous disclosure obligations, including the release of relevant information to the market and shareholders in a timely and direct manner as required by the Corporations Act and the ASX Listing Rules.

The Board has adopted a Continuous Disclosure Policy which is designed to ensure:

- that information that is not generally available and that may have a material effect on the price or value of the Company's securities (**price sensitive information**) is identified and appropriately considered by the Board, where practicable, and senior executives for disclosure to the market; and
- accountability at a senior executive level to ensure compliance with ASX Listing Rule disclosure requirements.

The policy also sets out procedures that must be followed in relation to the release of announcements to the market and discussions with analysts, the media or shareholders.

The policy was recently reviewed and changes made to ensure compliance with the updated ASX Guidance Note and revised ASX Listing Rules issued during the 2013 financial year.

Tatts' market announcements are available on the Investors section of the Company's website after they are released to ASX.

PRINCIPLE 6: RESPECTING RIGHTS OF SHAREHOLDERS

The Board has adopted shareholder communication practices to promote effective communication, ready access to information and ease of participation in general meetings.

The Company's website (www.tattsgroup.com/investors) contains all relevant material (including its Shareholder Communications Policy) and the Company will provide a simultaneous webcast of the Annual General Meeting.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Tatts operates a risk management framework that provides assurance to the Board that risks inherent in the operations and activities of the Group have been and are prudently managed.

The Board has adopted a formal Risk Management Policy to provide a system for managing risks and informing stakeholders. Under the policy, the Board has delegated the review of risk management practices to the Audit, Risk and Compliance Committee. As part of this role, that Committee regularly reviews the effectiveness of the risk management system and reports to the Board on the risk management framework throughout the year.

Tatts' management team is responsible for identifying risks to the business, developing and implementing risk mitigation strategies, and reporting to the Board on the effectiveness of risk management. An internal audit team provides assurance to management, the Committee and the Board on the adequacy of the risk management and internal control systems. Management reports to the Committee on the material business risks and the extent to which they believe these risks are being managed, at least annually.

Management have identified risks in four core areas: strategic risk, operational risk, financial risk and compliance risk. By way of illustration, management monitor a series of operational risks including:

- reliance on licences – maintain and retain;
- the operations of commercial partners and other stakeholders (for example, organisations in the racing industry, agents and lottery blocs);
- reliance on technology, in particular the growth of Tatts' online presence at www.tatts.com; and
- reputation, corporate social responsibility, and customer satisfaction.

Management have also identified particular processes and internal controls to mitigate these risks including:

- corporate planning and the successful implementation of key strategic projects;
- the financial practices undertaken pursuant to the policies and procedures such as delegations of authority, budget monitoring and project performance reports;
- the operation and reporting structures embedded in Tatts' compliance programs in relation to regulatory requirements of Tatts businesses and industry practice that deal with specific areas of risk such as licensing requirements, contractual obligations, WH&S and Treasury risk. (Please note that further information on Tatts' approach regarding responsible gambling, the environment and employees, including WH&S, is contained on pages 18 and 19);
- technology focussed disaster recovery plans and security policy processes and practices and other technology related management structures; and
- an annual review of the insurance program to ensure adequate coverage of insurable risks.

Corporate Governance Statement (continued)

The internal audit team also develops an annual audit program in consultation with management and the Audit, Risk and Compliance Committee which focuses on testing the efficacy of operational, financial and compliance risks. Regular reports are provided to the Board.

For the 2013 financial year, management have reported to the Board, in accordance with ASX Recommendation 7.2, as to the effectiveness of the Company's management of the Group's material business risks.

The CEO and the Chief Financial Officer have provided assurance to the Board, in accordance with ASX Recommendation 7.3, that the declaration provided in accordance with Section 295A of the Corporations Act is founded on a sound system of risk management and internal control and the system is operating effectively in all material respects in relation to financial reporting risks. The Board notes that assurance from the CEO and Chief Financial Officer can only be reasonable assurance rather than absolute. This is because of such factors as the need for judgement and limitations on internal controls.

PRINCIPLE 8: FAIR AND RESPONSIBLE REMUNERATION

The Board and the Remuneration and Human Resources Committee are primarily responsible for the oversight of the Company's remuneration framework and policies. Comprehensive information on Tatts' remuneration policies and practices is contained in the Remuneration Report.

Remuneration and Human Resources Committee

The Remuneration and Human Resources Committee assists the Board in its oversight responsibilities by monitoring and advising on:

- Non-executive Director remuneration;
- the CEO's performance review and the allocation of fixed and variable at-risk incentive remuneration;
- executive remuneration and the allocation of variable at-risk incentive remuneration to executives;
- incentive remuneration structures that link incentives to performance measures and targets that will drive shareholder value;
- employee equity plans;
- executive recruitment, retention, termination policies and succession planning;
- remuneration disclosure;
- risk management and controls regarding remuneration;
- superannuation arrangements;
- procedures for reviewing the measurable objectives for achieving diversity; and
- the effectiveness of the diversity policy.

The Chairman of the Remuneration and Human Resources Committee is Julien Playoust, and its members are Bob Bentley, Harry Boon and Brian Jamieson. The qualifications of the members are set out on pages 32 and 33.

The Committee is structured so that it:

- consists of a majority of independent Directors;
- is chaired by an independent chairman; and
- has at least three members.

The CEO is invited to attend meetings where requested by Committee members.

Details of the number of Committee meetings held during the 2013 financial year, and the attendance of the members of the Committee, are set out on page 38.

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Directors' Report

Your Directors present their report on the Consolidated Entity consisting of Tatts Group Limited (the **Company** or **Tatts**) and the entities it controls (the **Group**) at the end of, or during, the year ended 30 June 2013.

Directors

The following persons were Directors of the Company during the whole of the financial year and up to the date of this Directors' Report, except as otherwise stated:

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

* Commenced temporary leave of absence effective 14 May 2013.

Harry Boon

Chairman
Non-executive Director

Member of the Board since 31 May 2005.

Harry was Chief Executive Officer and Managing Director of ASX listed company Ansell Limited until he retired in 2004, a position which capped a career spanning some 28 years with the Ansell Group. Harry has lived, and worked in senior positions, in Australia, Europe, the US and Canada, and has broad based experience in global marketing and sales, manufacturing, and product development. He is multi lingual and has a strong track record in delivering business results through setting ambitious goals, building the appropriate organisation and relationships and relentlessly pursuing objectives.

Harry holds a Bachelor of Laws (Honours) and a Bachelor of Commerce from the University of Melbourne.

Other current directorships

Harry is a Non-executive Director of Toll Holdings Limited (Director since November 2006), an ASX listed company.

Special responsibilities

Chairman of Governance and Nomination.
Member of the Remuneration and Human Resources Committee.

Former listed public company directorships in last 3 years

Hastie Group Limited (In Liquidation) (February 2005 to May 2012).
PaperlinX Limited (May 2008 to September 2012).

Robbie Cooke

Managing Director and Chief Executive Officer

Member of the Board since January 2013.

Robbie Cooke was announced as the new Chief Executive Officer and Managing Director of Tatts on 18 September, 2012, formally assuming the role on 14 January, 2013.

Robbie's management career has traversed the wagering and gaming industries and online travel retailing sectors.

Robbie joined the Wotif Group as Chief Operating Officer in 2006 and was promoted to Group CEO and Managing Director in 2007. Prior to that Robbie was Head of Strategy and General Counsel at UNiTAB (now part of Tatts) from 1999 to 2005. He has also held commercial, corporate finance and legal roles at Santos, HSBC James Capel and MIM Holdings Limited.

Robbie holds a Bachelor of Laws (Honours) and Bachelor of Commerce from the University of Queensland together with a Diploma in Company Secretarial Practice.

Robbie is a member of the Australian Institute of Company Directors and Chartered Secretaries Australia.

Other current directorships

Nil.

Former listed public company directorships in last 3 years

Wotif.com Holdings Limited (October 2007 to January 2013).

Robert Bentley

Non-executive Director

Member of the Board since 12 October, 2006 previously having been appointed to the UNiTAB (now TattsBet) Board in July 1999.

Bob has extensive business experience in the racing, pastoral and timber related industries and property development.

Bob was previously Chairman of Racing Queensland Limited, Chairman of the Australian Racing Board, Vice President of the Asian Racing Federation and a Director of the International Horse Racing Board (from 2008 to 2012).

As announced to ASX on 14 May 2013, Bob is currently on a temporary leave of absence from the Board.

Special responsibilities

Member of the Governance and Nomination Committee.
Member of the Remuneration and Human Resources Committee.

Lyndsey Cattermole AM

Non-executive Director

Member of the Board since 31 May 2005.

Lyndsey was the founder and Managing Director of Aspect Computing Pty Limited from 1974 to 2003, and a Director of Kaz Group Limited from 2001 to 2004. Lyndsey has also held many board and other membership positions on a range of government, advisory, association and not for profit committees including the Committee for Melbourne, the Australian Information Industries Association, the Victorian Premier's Round Table and as Chairman of the Woman's and Children's Health Care Network.

Lyndsey holds a Bachelor of Science from the University of Melbourne and is a Fellow of the Australian Computer Society.

Other current directorships

Lyndsey is a Non-executive Director of Treasury Wine Estates Limited (Director since May 2011), an ASX listed company. She also holds directorships with the Melbourne Theatre Company, the Victorian Major Events Company, JadeLynx Pty Limited, Madowla Park Holdings Pty Ltd, MPH Agriculture Pty Ltd, Catinvest Pty Ltd and Melbourne Rebels Rugby Union Ltd. Lyndsey is also on the advisory board of PACT Group Pty Ltd.

Special responsibilities

Member of the Audit, Risk and Compliance Committee.

Former listed public company directorships in last 3 years

Fosters Group Limited (October 1999 to May 2011).
PaperlinX Limited (December 2010 to September 2012).

Brian Jamieson

Non-executive Director

Member of the Board since 31 May 2005.

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

Brian has over 30 years of experience in providing advice and audit services to a diverse range of public and large private companies.

Brian is a Fellow of the Institute of Chartered Accountants in Australia.

Other current directorships

Brian is Chairman of Mesoblast Limited (Director since November 2007) and Sigma Pharmaceuticals Limited (Director since December 2005), a Non-executive Director of Oz Minerals Limited (Director since August 2004) and Tigers Realm Coal Limited (Director since February 2011), all ASX listed companies. Further he is a Director and Treasurer of the Bionics Institute and a Director of The Sir Robert Menzies Foundation.

Special responsibilities

Chairman of Audit, Risk and Compliance Committee.
Member of Remuneration and Human Resources Committee.

Julien Playoust

Non-executive Director

Member of the Board since 21 November 2005.

Julien has worked across a range of industry sectors including property, professional services, media, agriculture, retail/consumer goods, energy and financial services, in executive and non-executive roles. He is Managing Director of AEH Group, and his professional career includes Andersen Consulting, Accenture and several private equity/venture capital companies.

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

Julien holds a Masters of Business Administration from AGSM, Bachelor of Architecture, First Class Honours and Bachelor of Science from Sydney University, and a company director course diploma from Australian Institute of Company Directors.

Other current directorships

Julien is a Non-executive Director of Australian Renewable Fuels Limited (Director since April 2009), an ASX listed company. He is a Director of private equity company MGB Equity Growth Pty Limited. He is Trustee of the Art Gallery NSW Foundation, Director of the National Gallery of Australia Foundation and on the advisory boards of University of NSW College of Fine Arts Advisory Council (COFA), The Nature Conservancy and Beyond Empathy Limited.

Special responsibilities

Chairman of Remuneration and Human Resources Committee.
Member of the Audit, Risk and Compliance Committee.
Member of the Governance and Nomination Committee.

Kevin Seymour AM

Non-executive Director

Member of the Board since 12 October 2006, previously having been appointed to the UNiTAB (now TattsBet) Board in September 2000.

Kevin is Executive Chairman of Seymour Group, a private property development and investment group of companies in Queensland. Kevin also has extensive management and business experience including company restructuring and substantial experience in the equities market in Australia. Kevin was previously the independent Chairman of the Queensland Government and Brisbane City Council's Brisbane Housing Company Limited and Chairman of QCTV (formerly Briz31 Community TV), has served on the Lord Mayor's Drugs Taskforce and is an Honorary Ambassador for the City of Brisbane.

Other current directorships

Kevin is Deputy Chairman of Ariadne Australia Limited (Director since December 1992) and a Director of Watpac Limited (Director since May 1996), both ASX listed companies. He also holds board positions with several private companies in Australia.

Special responsibilities

Member of Audit, Risk and Compliance Committee.
Member of Governance and Nomination Committee.

Directors' Report (continued)

Dividends

The Board continues its previously indicated commitment to maintaining a high dividend payout ratio. The total dividend paid or payable in respect of this year is 15.5 cents per share, reflecting 87.4% of Net Profit After Tax (**NPAT**) being paid as dividends to shareholders and 95.1% of profit from continuing operations. The final dividend of 7.5 cents per ordinary share has been determined since the end of the financial year, and is payable on 7 October 2013. The following dividends have been paid, determined, declared or recommended by the Company since the end of the preceding financial year:

Dividends	($000)
Final Dividend 2013	
Fully franked final dividend for 2013 of 7.5 cents per ordinary share as determined by the Directors on 22 August 2013 with a record date of 4 September 2013 and payable on 7 October 2013.	105,203
Interim Dividend 2013	
Fully franked interim dividend for 2013 of 8.0 cents per ordinary share as determined by the Directors on 21 February 2013 with a record date of 5 March 2013 and paid on 5 April 2013	111,066
Final Dividend 2012	
Fully franked final dividend for 2012 of 12.0 cents per ordinary share as determined by the Directors on 23 August 2012 with a record date of 5 September 2012 and payable on 3 October 2012	163,578

All dividends are fully franked.

Dividend Reinvestment Plan (DRP)

The Company has a DRP in operation. The last date for receipt of a DRP Notice of Election to enable participation for the final dividend is 4 September 2013. 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.

Further information in relation to dividends can be found in Note 28 to the financial statements.

Principal activities

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

- the operation of regulated lotteries in Victoria, Queensland, New South Wales, Tasmania, Australian Capital Territory, the Northern Territory and from 11 December 2012, South Australia;
- the conduct of wagering and sports betting based in Queensland, South Australia, the Northern Territory and Tasmania;
- the conduct of gaming machine monitoring and supply of jackpot and other value add services in Queensland, New South Wales and the Northern Territory. In New South Wales this includes exclusive licences to operate inter-venue linked jackpots;
- the provision of third party installation, repair and maintenance services for gaming, wagering, lottery, banking, point of sale and other transactional equipment and systems throughout Australia; and
- the operation of licensed gaming venues throughout the United Kingdom.

OPERATING AND FINANCIAL REVIEW (refer parts a to g)

a) Financial position

Revenue from continuing activities (excluding Tatts Pokies) for the year ended 30 June 2013 of $2,948.8 million was up 11.0% on the previous year. The reported revenue incorporates the six month contribution from SA Lotteries following Tatts' appointment to exclusively manage the lottery and wide area Keno service in South Australia on behalf of the government owned Lotteries Commission of South Australia from 11 December 2012.

Group revenue for the year ended 30 June 2013 reduced by 20.1% to $3,115.9 million, with reported Group NPAT for the year of $247.3 million down 22.5.% on the previous year.

Reported NPAT for the current year was impacted by the closure of Tatts Pokies and restructuring costs associated with the relocation of head office and redundancies. The current year also includes a $16.2 million tax benefit following a settlement with the Australian Taxation Office regarding the Golden Casket tax claim. NPAT on continuing operations increased by 40.8% to $227.4 million.

During the financial year two tranches of the syndicated bank facility that were due to expire in March 2013 and June 2013 were refinanced with new 3 and 5 year tranches of $180.0 million and $300.0 million.

Total committed facilities for the Group at 30 June 2013 is $1,920.9 million. At 30 June 2013, $1,623.4 million of these total debt facilities were drawn down. When netted against the Group's cash holdings (excluding prize reserves), Group net debt at 30 June 2013 of $1,454.3 million represents a readily serviceable net debt level relative to the Group's annual business profitability and cash flows. The movement in the net debt in the 2013 financial year was impacted by the acquisition of the right to manage SA Lotteries for $427.0 million offset by the strong operating cash flows and the disposal of Tatts Pokies assets and joint venture properties.

These operating cash flows underpin the Group's consistently high dividend payout ratio, and contribute to ensuring the Group stays comfortably within appropriate investment grade credit metrics.

These strong cash flows also underpin the Group's significant levels of intangible assets that are a characteristic of the low tangible assets, high value networked gambling businesses comprising the Group.

b) Review of operations

The Group is a leading provider of wide-area networked gambling services in Australia and in the United Kingdom. The Group primarily comprises lotteries, wagering and gaming businesses relying on wide-area network technology to deliver services to customers through a diversified network of retail and direct distribution channels and also operates gaming machine monitoring, technical maintenance and network support services businesses. The Group has operations across every state and territory in Australia, and in the United Kingdom.

The Group typically achieves consistent and reliable revenue through utilising technology solutions to deliver high volumes of low average value transactions through a widely dispersed distribution network.

Tatts Lotteries delivered revenue growth for the year of 13.6% to $2,008.6 million. The stand-out games for the year were Powerball and Oz Lotto. Excluding SA Lotteries, Powerball sales grew by 50.3%, while Oz Lotto sales grew by 35.1%. Powerball and Oz Lotto benefited from a mixture of game refinements and strong jackpot runs during the year. Saturday Lotto sales were down by 8.4% primarily due to one less mega draw event during the year and one less Saturday during the year. Earnings before Interest and Tax (EBIT) for Tatts Lotteries were up 33.0% to $269.5 million for the year strengthened by the inclusion of six months of management fees from SA Lotteries. The Group was appointed the exclusive manager of the SA Lotteries business on 10 December 2012.

TattsBet revenue grew by 5.2% to $655.7 million for the year. FY13 was the first full-year of contribution from TOTE Tasmania and there was a continued customer shift towards fixed price betting. Fixed price betting sales on racing was up 20.6%, whilst there was a slight decline in totalisator sales of 2.0%. EBIT for the year was up 25.4% to $155.6 million. Excluding the one-off integration costs in FY12 for TOTE Tasmania, EBIT was up by 14.2% on last year.

Maxgaming is still being impacted by the political uncertainty around pre-commitment technology in the industry together with a shift towards standalone jackpots from linked jackpots with revenue down by 1.3% to $113.2 million. In this difficult operating environment, management has been successful in adjusting the cost base of the business and selling newly developed products to maintain historical EBIT margins. EBIT was up 8.1% to $48.1 million.

Bytecraft experienced a challenging year in FY13 with the implementation of large new contracts together with the cycling out of contracts which expired. The implementation of the new contracts included certain one-off costs. The introduction of the new contracts saw revenue grow by 11.7% to $116.0 million. Revenue from external sources now represents 71.2% of total revenue for the full-year. The revenue growth of 11.7% did not translate down to EBIT due to the one-off contract implementation costs with an EBIT loss of $3.0 million. These results continue to contain no margins on internal Group services.

Talarius' revenue for the 12 months to 30 June 2013 was £50.5 million, up 12.0% on the prior comparable period. After numerous years of decline in revenue due to the soft economic conditions in the UK, it is pleasing to see the business grow revenue in FY13. Gross machine revenue was up 3.6% on a like for like basis. EBIT for the year amounted to a loss of £0.65 million representing a loss of A$1.0 million compared to a loss of A$2.7 million in the prior comparable period. The number of venues in operation remained consistent at 173 venues, operating 7,461 gaming machines at 30 June 2013 which represents a growth of 1.0% in gaming machines.

Tatts Pokies, which is disclosed under discontinued operations for the year, generated revenue and other income of $190.7 million and EBIT of $35.8 million for the six weeks of operations up to the expiry of the Gaming Operator Licence on 15 August 2012 and monitoring fees earnt in the transition period to 15 February 2013. The results include a provision of approximately $7.0 million for the Health Benefit Levy which has been calculated on a pro rata basis referable to the 46 days in the period that the Group operated gaming machines under its Victorian Gaming Operator Licence. The amount of the Health Benefit Levy is currently the subject of proceedings in the Victorian Court of Appeal.

The claim for compensation from the Victorian Government following the expiry of its Gaming Operator Licence is currently listed in the Victorian Supreme Court for trial in February 2014. The legal costs associated with this claim are being expensed as they are incurred. Refer Risks section of the Directors' Report for further details.

c) Significant changes in the state of affairs

On 27 November 2012 the Group announced it had been appointed to exclusively manage the lottery and wide area Keno service in South Australia on behalf of the government owned Lotteries Commission of South Australia with effect from 11 December 2012 for a period of 40 years. The purchase price was $427.0 million.

On 15 August 2012 the Pokies Gaming Operator Licence expired.

There were no other significant changes in the state of affairs of the Group during the year.

d) Matters subsequent to the end of the financial year

Other than as stated elsewhere in this Directors' Report, no matters or circumstances have arisen since 30 June 2013 which 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 future financial years.

Directors' Report (continued)

e) Likely developments and expected results of operations

The 2014 financial year will mark the first full financial year without the Tatts Pokies. Lotteries will see the benefit of a full-year's result from SA Lotteries which the Group won the right to manage from 11 December 2012.

The Group's wagering operations are expected to benefit from a lift in marketing activity and an investment in brand development.

New value-add products are expected to maintain Maxgaming's profitability, whilst Bytecraft's increasing external contract work will have moved past the set up phase into margin improvement. With Talarius having recently acquired new venues, revenue growth and taxation change benefits are expected to underpin its 2014 financial year performance.

As outlined below under the business strategies section,the Group will continue to develop and implement changes to its online products and distribution channel to extend the Group's reach and availability, particularly in the wagering and lotteries areas.

The Directors expect the proceedings commenced against the Victorian Government for compensation following the expiry of the Company's Gaming Operator Licence to reach court in the 2014 financial year. At this stage it is not possible to say with any certainty when the matter will be concluded. The Directors also anticipate resolving the Victorian Health Benefit Levy dispute in the coming year. Refer to the Risks section of the Directors' Report for further details.

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

f) Business strategies and future prospects

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

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

The Group will continue to develop and implement improvements to tatts.com, its internet portal, and other forms of distribution including smart phone and tablet apps and self-service terminals. The focus will be on expanding the Group's online single purse, smart phone and tablet offer to current account holders and loyalty card members, whilst also seeking to attract new customers. This will be accomplished by ongoing product development across the Group's broad suite of distribution channels within its operating units, particularly wagering and lotteries.

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

g) Risks

Set out below is a description of the potential material risks associated with the Group's businesses. It does not purport to list every risk that may be associated with the Group's business now or in the future and there is no guarantee or assurance that the importance of these risks will not change or other risks emerge.

1. Regulation, licences and other approvals

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

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

Around 75% of the Group's continuing EBITDA (i.e. excluding EBITDA from Tatts Pokies) is generated from licences that run for at least 35 years. Refer Note 1(s) to the Financial Report which outlines relevant details regarding the licences and other authorisations.

The exclusivity periods for the Group's Queensland Race Wagering and Sports Wagering Licences and the South Australian Authorised Betting Operations Licence expire in June 2014 and December 2016 respectively. In addition, the New South Wales Centralised Gaming Machine Monitoring Licence, New South Wales Licences to operate inter-club and inter-hotel linked gaming systems and the Victorian Lotteries Licence expire in November 2016, October 2017, October 2019 and June 2018 respectively.

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

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

(ii) Tatts would be required to review the carrying values of goodwill associated with the cash generating units under which these licences operate. If the licences were not renewed or were significantly altered, there may be an impairment risk. Refer Note 18 for the goodwill associated with each segment.

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

2. Litigation risk

a) Health Benefit Levy

There are currently proceedings before the Victorian Court of Appeal in relation to a determination by the Victorian Treasurer to impose a charge upon Tatts in the amount of $42.6 million for the Victorian gaming operations conducted by Tatts in the 2013 financial year. Tatts' application to set aside the determination of the Treasurer was successful, however the Treasurer has appealed the decision of the Supreme Court of Victoria.

There is a risk that the Treasurer will be successful in his appeal and that Tatts will be required to pay a Health Benefit Levy greater than the $7.0 million amount currently provided for in the accounts. Refer Note 31 for full details.

b) Gaming operator's licence compensation payment

On 16 August, 2012 the Company commenced proceedings against the State of Victoria in the Supreme Court of Victoria for compensation payable on the expiry of its Gaming Operator's Licence.

The Company claims that under an agreement entered into on 17 November, 1995, it is entitled, on the expiry of its Gaming Operator's Licence on 15 August, 2012, to compensation in an amount equal to the lesser of the licence value (determined by a formula in the agreement to be $598.0 million) and the premium payments made by the new licensees. Based on the results of the auction of gaming machine entitlements conducted in 2010, Tatts estimates the amount of compensation may be half of the $981 million to be paid for gaming machine entitlements under the auction process ($490.5 million) plus amounts paid to the State following any transfers of gaming machine entitlements prior to 16 February, 2013.

The matter is currently listed for hearing on 3 February 2014.

There is a risk that Tatts will be unsuccessful in its claim and receive none or only some of the amount claimed.

As noted in previous years, the Company decided to fully write down the value of its Gaming Operator's Licence and brand on its balance sheet in the 2008 financial year. The accounting treatments adopted by the Company in writing down the value of the licence and brand were in accordance with Australian Accounting Standards, particularly in relation to the Gaming Operator's Licence, and did not reflect any assessment by the Group of its entitlement to compensation.

3. Competition

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

Technological developments have and will continue to increase competition to the Group's businesses, regardless of its licences, permits and approvals. The Group's wagering businesses currently compete (and have for some time) with bookmakers in Queensland, South Australia, Tasmania and the Northern Territory and other interstate and international wagering operators who accept bets over the telephone or internet, predominantly in respect of fixed price betting products. The internet and other new forms of distribution have allowed new competitors to enter the Group's traditional markets without those competitors being licensed in those states and territories. There is a possibility that competition from interstate and international operators may extend to the Group's retail network in the future.

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

The Group continues to develop and implement improvements to tatts.com, its internet portal, and other forms of distribution including smart phone and tablet Apps and self-service terminals.

4. Reliance on systems and third parties

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

Environmental regulation

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

Directors' Report (continued)

Directors' interests in securities

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

Director	Relevant interest in Tatts Bonds	Relevant interest in ordinary shares	Options over ordinary shares	Rights over ordinary shares
Harry Boon	Nil	150,000	Nil	Nil
Robbie Cooke[1]	Nil	Nil	Nil	60,770
Robert Bentley	300	115,000	Nil	Nil
Lyndsey Cattermole	Nil	182,663	Nil	Nil
Brian Jamieson	Nil	80,943	Nil	Nil
Julien Playoust	Nil	100,000	Nil	Nil
Kevin Seymour	Nil	14,108,306	Nil	Nil

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

On his retirement from the Board on 14 January 2013, Dick McIlwain held a relevant interest in 2,197,500 ordinary shares, together with options and rights over ordinary shares of 1,971,600.

Company Secretary

Penny Grau was appointed to the position of Company Secretary on 3 April 2007.

Following Penny Grau's decision not to relocate with the Company's head office to Brisbane, Penny Grau ceased in her role of Company Secretary with effect from 1 July 2013. The Board has appointed Anne Tucker to the position of Company Secretary effective 2 July 2013.

Anne Tucker has been employed by the Group since 2005 and holds Bachelors of Law and Commerce, Graduate Diplomas in Legal Practice and Applied Corporate Governance, and is an Associate of Chartered Secretaries Australia.

Meetings of Directors

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

	Board of Directors meetings		Audit, Risk and Compliance		Governance and Nomination		Remuneration and Human Resources	
	A	B	A	B	A	B	A	B
Harry Boon	11	11	nm	nm	2	2	2	2
Robbie Cooke (a)(b)(c)	6	6	nm	nm	nm	nm	1(b)	1(b)
Robert Bentley (d)	11	8	nm	nm	2	1	2	2
Lyndsey Cattermole	11	10	4	3	nm	nm	nm	nm
Brian Jamieson	11	10	4	4	nm	nm	2	2
Julien Playoust	11	11	4	4	2	2	2	2
Kevin Seymour	11	8	4	3	2	1	nm	nm
Dick McIlwain (a) (e)	5	5	nm	nm	nm	nm	1(b)	1(b)

Column A – Number of meetings during the year while the Director was a member of the Board or Committee.
Column B – Number of meetings attended by the Director as a member during the year.
nm – Not a member of the relevant Committee.
(a) Managing Director, not a Non-executive Director.
(b) Not a member of this Committee but can be invited by the Committee.
(c) Appointed 14 January 2013.
(d) Commenced temporary leave of absence effective 14 May 2013.
(e) Retired 14 January 2013.

Remuneration Report

This Remuneration Report is presented by the Directors of the Tatts Group for the year ended 30 June 2013 and is in accordance with Section 300A of the Corporations Act. It addresses the following matters:

- Remuneration governance
- Key Management Personnel
- Non-executive Director fees
- Remuneration framework
- Remuneration disclosures
- Share-based remuneration
- Service agreements
- Additional information

Remuneration highlights for the reporting period are as follows:

- Fixed annual remuneration (**FAR**) will increase in September 2013 by an average of 4% across the Group. This is consistent with maintaining a position within the 50th percentile of market.
- The incentive plan has been continued this year. Certain permanent employees in Australia participate in this scheme which recognises their capacity to influence the annual operating and financial results and their contribution to other special achievements as appropriate. This scheme is an important part of the remuneration package as it is designed to attract and motivate employees in alignment with shareholder value drivers.
- The incentive plan provides for more flexible and relevant incentives for employees than the previous long term and short term incentive schemes. For certain executives and senior managers, a mixture of cash and restricted equity is provided in order to ensure long term alignment with shareholder interests.
- The Tatts Pokies business ceased operations on 15 August 2012 and this has been disclosed as discontinued operations. Key Management Personnel (excluding Tatts Pokies personnel) were assessed on the continuing operations as the NPAT on a Group basis was expected to fall with Tatts Pokies only operating for 46 days of the current financial year.
- Whilst Group NPAT has fallen as a result of the loss of Tatts Pokies operating on a continuing operating basis NPAT growth of 40.8% was achieved through revenue growth, management of costs and capital and the achievement of key performance indicators (KPIs) relating to the performance of each operating unit and each service unit. $0.6 million of the Key Management Personnel incentive amount will be cash payments and $0.6 million in performance rights.
- During the year, the 2008 financial year grant of options reached 100% vesting resulting in an additional 32,969 options at an exercise price of $2.56 vesting. Of the 2009 financial year rights granted 100% were vested resulting in additional 1,074,231 rights vesting. Of the 2009 financial year rights granted to the former Managing Director/ Chief Executive, 100% of the rights vested resulting in an additional 250,000 rights vesting. The equity grants made in 2011 have vested resulting in an additional 158,227 shares being issued.
- Total remuneration for the Managing Director/Chief Executive Officer was $1,237,903. This amount includes an incentive payment of $395,000 and amortised cost for his unvested rights of $166,425.

The information provided in this Remuneration Report has been audited as required by section 308 (3C) of the Corporations Act.

Directors' Report (continued)

Remuneration governance

The Remuneration and Human Resources Committee (**Committee**) comprises four Non-executive Directors with one of these Non-executive Directors performing the role of Chairman of the Committee. The Committee advises the Board on remuneration policies, frameworks and structures (including equity plans), employment terms and levels of remuneration for senior executives and Non-executive Directors. The Managing Director/Chief Executive Officer is invited to attend at the request of the Committee, but does not take part in the Committee's decision, and nor is he present when his remuneration is discussed. The Committee is also responsible for risk management controls relating to remuneration.

Remuneration levels set by the Committee are reviewed on an annual basis. During this process consideration is given to individual and overall performance of the **Group**.

The Committee is specifically responsible for advising on the following;

- Non-executive Director remuneration;
- Managing Director/Chief Executive Officer performance review, fixed and variable at-risk incentive remuneration;
- Executive remuneration and allocations of incentives/variable at-risk remuneration;
- Employee equity plans;
- Remuneration disclosure;
- Executive recruitment, termination policies, and arrangements for superannuation and succession; and
- Risk management and controls regarding remuneration.

Key Management Personnel

Key Management Personnel (**KMP**) are Non-executive Directors and those executives with responsibility for the planning, controlling and directing of the Group. Additionally, those executives who lead operating units that contribute more than 25% to continuing consolidated EBITDA are also considered to be KMP. For the year ended 30 June 2013, in addition to Non-executive Directors, the following are considered to be KMP:

- Managing Director/Chief Executive Officer – Robbie Cooke (appointed 14 January 2013)
- Managing Director/Chief Executive – Dick McIlwain (retired on 14 January 2013)
- Chief Financial Officer – Neale O'Connell (appointed 3 December 2012)
- Chief Financial Officer – Ray Gunston (ceased employment 16 January 2013)
- Chief Information Officer – Stephen Lawrie
- Chief Operating Officer, Tatts Lotteries – Bill Thorburn
- Chief Operating Officer, Tattsbet – Barrie Fletton

Non-executive Director fees

Non-executive Directors receive a base fee and, where they participate in a Board Committee excluding the Governance and Nomination Committee, an additional fee in recognition of their higher workload and extra responsibilities. Additionally, the Chair of any Board Committee receives a higher fee than a member to reflect the relative role, responsibilities and time commitment. The Board Chairman does not receive additional fees for participation in or chairing of Board Committees.

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

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

	Board	Committee (per membership)
Chairman	$430,000 (2012: $390,500)	$30,000 (2012: $25,000)
Member	$167,500 (2012: $158,500)	$10,000 (2012: $7,500)

Upon appointment to the Board, Non-executive Directors are required to enter into an Appointment Agreement setting out their duties, rights, responsibilities and the terms and conditions associated with that appointment.

Remuneration framework

(a) Remuneration policy

The Group ensures that remuneration packages:

- properly reflect each individual's duties and responsibilities;
- are competitive in attracting, retaining and motivating staff of the highest quality; and
- are appropriate for the results delivered so as to uphold the interests of shareholders.

Fixed Annual Remuneration (**FAR**) is set with reference to market salary for each position. Whilst the Group aims to remunerate at around the mid-point of the market for similar positions, it is essential that we maintain the flexibility to ensure that we attract the right people.

Benchmarking is conducted to establish target incentives however the actual amount paid is dependent on business and individual performance. Where exceptional outcomes have been achieved, the ability to pay additional incentives may be exercised. The incentive plan is structured so as to ensure alignment with business value drivers. Certain executives and senior managers receive incentive payments as a combination of cash and rights to ensure continued alignment with shareholder interests.

(b) Executive remuneration structure

Remuneration of senior executives of the Group is comprised of FAR and variable (at risk) remuneration. Prior to the 2011 financial year, incentives consisted of a fixed target short term incentive plan (**STIP**) and long term incentive plan (**LTIP**) which have now been replaced by a market benchmarked, flexible and effective incentive structure. Details of grants made in previous years under the LTIP and ongoing testing and vesting arrangements are provided later in this report.

i. Fixed remuneration

Group executives are offered a competitive FAR which comprises base pay, superannuation and any salary sacrifice items (including fringe benefits tax). The following factors are taken into account when setting and reviewing FAR:

- skills and experience of the individual;
- requirements of the role;
- market remuneration levels based on benchmarking data; and
- individual and Group performance.

There are no guaranteed pay increases in any executive contracts of employment.

The performance rating for all employees including each executive is determined through an annual performance review conducted by the manager to whom the employee reports. In the case of senior executives, the review is conducted by the Managing Director/Chief Executive Officer and tabled before the Committee. The Chairman of the Committee, on behalf of the Committee, reviews the Managing Director/Chief Executive Officer's performance. Performance is then rated according to an achievement scale and weighted in line with the relative importance of the respective performance areas. Scores are aggregated to arrive at an overall individual performance rating.

ii. Variable (at risk) remuneration

There is one annual 'incentive plan' which is predominantly a short term incentive plan with equity components to offset the closure of the LTIP to all executives other than the former Managing Director/Chief Executive Officer. The criteria and calculation formula for determining the incentive pool available for distribution are unchanged from last year. Executives participate in a short term incentive plan that is aligned with the drivers of shareholder value. Clear and measurable performance hurdles are set around growth in revenue, EBIT margin and earnings per share (**EPS**) and these are combined with individual, business and Group performance requirements in order to determine actual payment levels. Whilst the KPIs will vary across the Group, they will include financial and non-financial measures such as:

- revenue growth against budget and previous year;
- cost control and improvement, including cost performance against budget and previous year;
- margin improvement (EBITDA margin to revenue) achieved by the operating unit;
- successful development and introduction of new products;
- structure change that adds to profitability;
- efficient capital expenditure outcomes and asset sales activity;
- service delivery assessment by internal customers of shared service activities; and
- delivery of significant projects within cost and time expectations.

Within the Group's operating environment there are a number of variables that are largely outside management's control but have the ability to influence revenue. These include regulatory and macro economic factors as well as the vagaries of the occurrence of lottery jackpots. Given this, the Board has determined that an appropriate incentive range for revenue is one that starts at 98% of the revenue achieved by the same business portfolio in the previous year. The maximum incentive amount is reached when annual revenue reaches 107.5% of the previous year. The annual revenue growth will be suitably adjusted for acquisitions, divestments and major business changes to ensure the appropriate revenue outcomes from the incentive pool.

Once revenue hurdles have been met, the available incentive pool is formed and then adjusted for the percentage changes in EBIT margin and in EPS.

Approximately 40% of the pool is used to reward all qualifying employees for their collective contribution to Group performance with the remaining 60% being split amongst the various units along with those employees who may qualify for an incentive as a result of special projects or responsibilities. Special project/responsibility incentives are those which the Board determines have a direct influence on the share price, investor perspectives and longer term value of the Group. These may include major technology, business specific or Group-wide projects designed to add value through substantial revenue enhancement, improved cost efficiency, or business sustainability/competitiveness.

In the event that an incentive pool does not form under the above criteria, the Board may exercise discretion to determine incentives for units that perform strongly against their KPIs.

Directors' Report (continued)

(c) Equity-based incentives

In order to ensure long term alignment with shareholder interests, certain executives and senior managers receive their incentive payment as a combination of cash and rights. These rights are exercisable into restricted shares 12 months after grant. Once restricted shares are acquired, they are placed under a trading lock for a further two years whilst the holder remains employed by the Group.

Rights granted under the incentive plan are priced at the Volume Weighted Average Price (**VWAP**) for the 10 trading days prior to the day the Committee recommends that they be awarded.

(d) Transitional arrangements for incentive approach

The transition to the current incentive plan is in its third year and implementation will continue to be managed over a number of years. A specific transitional feature is that the Committee may determine that a Group-wide incentive allocation will not be paid unless the NPAT (pre any incentive allocation) exceeds the previous year's NPAT on the same basis.

In this transition, existing LTIP grants under the old plan will remain until each tranche expires. In addition, the former Managing Director/Chief Executive's contractual remuneration arrangements were not affected.

Particularly in transition, but also on an ongoing basis, the Board retains the discretion, at the advice of the Committee, to pay incentives at levels and in compositions appropriate to outcomes, even where these are outside the formula and/or market related benchmarks.

(e) Special circumstances incentive

The Board has reserved the right to consider Group changing and/or Group defining special achievements when determining the amount payable in incentives. Major refinancing packages and substantive acquisitions or business divestments are examples where incentives have previously been paid for special achievements. This amount can be sourced from within or outside the normal incentive pool.

Special circumstances incentives may be paid along with other incentives at year end, or may occur at the completion of a specific project. In this financial year there were and/or will be a total of $0.3 million paid of such incentives to six employees in relation to the acquisition of the right to manage SA Lotteries.

(f) Long term incentive plan

Annual grants under the Group's LTIP were made from 2005 to 2009. With the exception of grants to the former Managing Director/Chief Executive as approved by shareholders at the 2009 AGM, no grants have been made to executives since 2009 and no further grants will be made as this plan has been replaced by the incentive plan described above. The LTIP, whilst closed to any further grants other than those approved by shareholders to the former Managing Director/Chief Executive, will continue until all existing grants are exercised or they lapse by 2016. No changes have been made to the vesting or exercise conditions of such grants.

Vesting conditions for performance options and/or performance rights granted in 2005, 2006 and 2007 were based on performance against relative TSR targets. For the grants of 2008 and 2009, vesting was based on relative TSR performance and on achievement of EPS improvement targets achieved over 3 years.

The relative TSR condition requires the Group's performance to exceed the performance of the median company in its peer group for any vesting to occur. If this is achieved, 50% of instruments vest, if the Group's performance reaches the fourth quartile of its peer group, 100% of instruments vest, and a proportion of instruments vest for performance between these points.

The vesting targets for EPS improvement that were set at the time of grant were 25% for the 3 years from 2008, and 16% for the 3 years from 2009. The EPS measure for the 2009 grant excludes the Tatts Pokies segment NPAT, due to the run-off of this business by August 2012. If the EPS target for a grant is met, then all rights and/or options tied to the EPS condition will vest. No vesting occurs if the target is not met.

To date 1,688,400 performance rights and 5,104,356 performance options have vested with 84.72% of the 2005 grant (for which there is no further retesting), 73.58% of the 2006 grant, 100% of the 2007 grant, and 100% of the TSR portion of the 2008 grant having vested. Shares issued after options and rights vest and are exercised are placed in a restricted class under the LTIP until the employee requests to sell them.

Options, rights, and shares held in a restricted class may be subject to forfeiture if a participant commits any act of fraud, defalcation or gross misconduct in relation to the Group.

Since the options vested, the share price has remained below or just above the exercise prices set at the time of the grant 2,308,085 options and 1,360,980 rights have been exercised during the year.

(g) Managing Director/Chief Executive Officer's remuneration structure.

Under the terms of the Managing Director/Chief Executive Officer's contract, the remuneration structure to apply for the 3 years from 14 January 2013 to 14 January 2016 is:

- FAR currently of $1.42 million per annum which will be reviewed annually by the Board in accordance with normal remuneration practices.
- performance based incentive entitlement of up to a maximum of 70% of FAR, subject to achievement of KPIs set annually and as approved by the Board. Any performance based incentive entitlement will be paid as 50% cash and 50% rights to restricted shares in accordance with the Group's Remuneration Policy. The rights are subject to shareholder approval each year to be sought at the following AGM. In the event that shareholders do not vote in favour of this, the balance of the incentive will be paid in cash.
- a total of 450,000 rights to restricted shares, granted over 3 years in 150,000 tranches each year of the three year contract and with each tranche exercisable 12 months after grant date on a time-based hurdle provided employment is not terminated. The resultant shares will be restricted until the earlier of a further 2 years or cessation of employment. The grant of rights is subject to approval at the 2013 AGM. Rights granted under this plan are priced at the VWAP of the 10 trading days prior to the date of the grant.

The performance based incentive entitlement is based on KPIs relating to financial performance (measured as for the incentive plan for all employees in the Group described earlier), and other specific performance requirements for the position (which include strategic value adding initiatives and organisation development). The Managing Director/Chief Executive Officer has one month after the last date for vesting to exercise vested performance rights.

(h) Hedging

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

(i) Employee share plan

The general share acquisition plan was an Employee Share Plan under which offers were made to eligible employees to acquire restricted shares. The plan was discontinued as at 1 July 2007. These shares have been placed in a restricted class, to ensure they cannot be disposed of whilst subject to a disposal restriction and/or forfeiture condition.

(j) Services from remuneration consultants

During the period covered by this report, the Committee has not engaged any remuneration consultant to provide a recommendation on the amount or composition of remuneration for any KMPs.

Directors' Report (continued)

Remuneration disclosures

Key Management Personnel of the Group

2013	Short term benefits[1]			Post-employment benefits	Long term benefits	Share-based payment			
Name	Cash salary and fees $	Cash incentive $	Others $	Super-annuation $	Long service leave $	Performance options (LTIP) $	Performance rights (current year) $	Performance rights (previous LTIP) $	Total remun-eration $
Non-executive Directors									
Harry Boon	424,667	N/A	N/A	N/A	–	N/A	N/A	N/A	424,667
Robert Bentley	161,085	N/A	N/A	14,498	–	N/A	N/A	N/A	175,583
Lyndsey Cattermole	175,583	N/A	N/A	N/A	–	N/A	N/A	N/A	175,583
Brian Jamieson	188,438	N/A	N/A	16,312	–	N/A	N/A	N/A	204,750
Julien Playoust	188,397	N/A	N/A	16,353	–	N/A	N/A	N/A	204,750
Kevin Seymour	161,085	N/A	N/A	14,498	–	N/A	N/A	N/A	175,583
Sub-total- Non-executive Directors	**1,299,255**	**N/A**	**N/A**	**61,661**	**–**	**N/A**	**N/A**	**N/A**	**1,360,916**
Executive Directors									
Robbie Cooke[2] (Managing Director/ Chief Executive Officer)	655,998	197,500	–	8,235	12,245	–	363,925	–	1,237,903
Dick McIlwain[3] (former Managing Director/ Chief Executive)	1,171,661	–	5,114	8,235	22,586	–	–	535,972	1,743,568
Sub-total- executive Directors	**1,827,659**	**197,500**	**5,114**	**16,470**	**34,831**	**–**	**363,925**	**535,972**	**2,981,471**
Other Key Management Personnel									
Barrie Fletton[7]	508,338	120,000	–	16,470	9,775	–	120,000	27,561	802,144
Ray Gunston[6, 4]	483,150	–	812,000	8,951	9,419	(70,882)	–	55,760	1,298,398
Stephen Lawrie[6]	562,697	150,000	7,395	16,470	10,822	–	150,000	29,530	926,914
Neale O'Connell[6, 5]	325,809	162,500	13,492	9,607	6,202	(7,474)	162,500	7,228	679,864
Bill Thorburn[7]	506,090	150,000	–	56,994	9,480	–	150,000	32,472	905,036
Sub-total- Other Key Management Personnel	**2,386,084**	**582,500**	**832,887**	**108,492**	**45,698**	**(78,356)**	**582,500**	**152,551**	**4,612,356**
Totals	**5,512,998**	**780,000**	**838,001**	**186,623**	**80,529**	**(78,356)**	**946,425**	**688,523**	**8,954,743**

1. Short term benefits may include amounts paid to superannuation at the discretion of the individual.
2. Appointed to the position on 14 January 2013.
3. Dick McIlwain received $1,346,076 accumulated statutory annual leave and LSL on his retirement from his employment. He retired on 14 January 2013.
4. On cessation of employment, Ray Gunston received payment in lieu of notice of $812,000. In addition he received accumulated statutory annual leave and LSL entitlements of $429,699. His employment ceased on 16 January 2013. Services were retained beyond the cessation date under a consultancy agreement on a commercial basis for an 18 month period.
5. Appointed to the position on 3 December 2012. Remuneration included from appointment date.
6. Denotes service unit executives with responsibility for the planning, controlling and directing of the Group.
7. Denotes, operating unit executives that contribute greater than 25% to continuing consolidated EBITDA.

2012	Short term benefits[1]		Post-employment benefits	Long term benefits	Share-based payment			
Name	Cash salary and fees $	Cash Incentive $	Super-annuation $	Long service leave $	Performance options (LTIP) $	Performance rights (current year) $	Performance rights (previous LTIP) $	Total remun-eration $
Non-executive Directors								
Harry Boon	394,583	N/A	–	–	N/A	N/A	N/A	394,583
Robert Bentley	150,994	N/A	13,589	–	N/A	N/A	N/A	164,583
Lyndsey Cattermole	164,583	N/A	–	–	N/A	N/A	N/A	164,583
Brian Jamieson	174,136	N/A	15,447	–	N/A	N/A	N/A	189,583
Julien Playoust	173,165	N/A	15,577	–	N/A	N/A	N/A	188,742
Kevin Seymour	150,994	N/A	13,589	–	N/A	N/A	N/A	164,583
Sub-total- Non-executive Directors	**1,208,455**	**N/A**	**58,202**	**–**	**N/A**	**N/A**	**N/A**	**1,266,657**
Executive Director								
Dick McIlwain[2] (Managing Director/Chief Executive)	**2,158,724**	**1,540,000**	**15,775**	**36,492**	**–**	**–**	**369,028**	**4,120,019**
Other Key Management Personnel								
Barrie Fletton[4]	481,744	125,000	15,775	8,062	10,316	125,000	62,486	828,383
Ray Gunston[3]	825,891	305,000	15,775	13,893	16,258	305,000	101,172	1,582,989
Stephen Lawrie[3]	530,475	160,000	15,775	8,897	10,652	160,000	66,152	951,951
Bill Thorburn[4]	447,943	150,000	56,242	7,442	9,307	150,000	59,289	880,223
Sub-total- Other Key Management Personnel	**2,286,053**	**740,000**	**103,567**	**38,294**	**46,533**	**740,000**	**289,099**	**4,243,546**
Totals	**5,653,232**	**2,280,000**	**177,544**	**74,786**	**46,533**	**740,000**	**658,127**	**9,630,222**

1. Short term benefits may include amounts paid to superannuation at the discretion of the individual.
2. The Managing Director/Chief Executive has 48% of his total remuneration related to the performance of the Group, and 52% which is not directly linked to the Group's performance. He received 37.6% of his target STI in his cash incentive.
3. Denotes service units executives with responsibility for the planning, controlling and directing of the Group.
4. Denotes operating unit executives that contribute greater than 25% to continuing consolidated EBITDA excluding the Tatts Pokies division.

In the tables above, Cash Incentives represent 100% of the cash component of the annual incentive paid to each executive for the financial year. The remaining proportion of their total incentive paid for the year is in the rights they will be awarded as included in the column headed performance rights. The following Key Management Personnel have received the following percentages of their total target incentive for the year, with the respective splits into cash and performance rights outlined.

Directors' Report (continued)

	2013 Short term incentive plan (STIP)			2013 % Remuneration related to Group performance		
	% Total target incentive achieved	Cash %	Performance rights %	Total remuneration	% Related to Group performance	% Not related to Group performance
Robbie Cooke	85%	50%	50%	$1,237,903	32%	68%
Barrie Fletton	57%	50%	50%	$802,144	33%	67%
Ray Gunston[1]	N/A	N/A	N/A	$1,298,398	4%	96%
Stephen Lawrie	51%	50%	50%	$926,914	36%	64%
Neale O'Connell	81%	50%	50%	$679,864	49%	51%
Bill Thorburn	68%	50%	50%	$905,036	37%	63%

	2012 Short term incentive plan (STIP)			2012 % Remuneration related to Group performance		
	% Total target incentive achieved	Cash %	Performance rights %	Total remuneration	% Related to Group performance	% Not related to Group performance
Barrie Fletton	62%	50%	50%	$828,383	56%	44%
Ray Gunston	71%	50%	50%	$1,582,989	50%	50%
Stephen Lawrie	59%	50%	50%	$951,951	50%	50%
Bill Thorburn	75%	50%	50%	$880,223	56%	44%

1. This denotes KMP's who ceased employment during the year.

Share-based remuneration

The current equity based incentive plan has been outlined earlier in the Remuneration framework section. Prior to 2011, eligible employees who participated in the LTIP were those of senior management level and above, including the former Managing Director/Chief Executive, whose performance is of strategic and operational importance to the Group.

Options and/or rights were granted annually to eligible participants but do not vest unless both performance and time-based hurdles are met. These conditions ensured that eligible employees were rewarded only when percentage EPS growth and/or TSR growth targets are met as set out in the additional information section of this Remuneration Report.

The terms and conditions of each grant of options and rights affecting remuneration in respect of the previous and current reporting periods are as follows:

Award type	Grant date	Expiry date	Exercise price	Value per option/right at grant date	Date exercisable
Performance option	16 December 2005	07 July 2012	$3.10	$0.67	7 July 2008
	30 November 2006	30 November 2013	$3.65	$0.80	30 November 2009
	30 November 2007	30 November 2014	$3.99	$1.02	30 November 2010
	30 November 2008[1]	30 November 2015	$2.56	$0.31	30 November 2011
	30 November 2008[2]	30 November 2015	$2.56	$0.33	30 November 2011
Performance option (former Managing Director/Chief Executive)	30 November 2006	30 November 2013	$3.13	$1.00	30 November 2009
Performance right	16 December 2005	07 July 2012	N/A	$1.80	7 July 2008
	30 November 2006	30 November 2013	N/A	$2.56	30 November 2009
	30 November 2009[3]	30 November 2016	N/A	$1.36	30 November 2012
	30 November 2009[4]	30 November 2016	N/A	$1.87	30 November 2012
Performance right (former Managing Director/Chief Executive)	30 October 2009[3]	10 January 2014	N/A	$1.45	12 October 2012
	30 October 2009[4]	10 January 2013	N/A	$1.93	12 October 2012
	29 October 2010[3]	10 January 2015	N/A	$1.47	12 October 2013
	29 October 2010[4]	10 January 2014	N/A	$1.96	12 October 2013
Performance right[5]	26 September 2011[5]	27 October 2012	N/A	$2.18	4 October 2012
Performance right (former Managing Director/Chief Executive)	27 October 2011[3]	10 January 2016	N/A	$1.26	12 October 2014
	27 October 2011[4]	10 January 2015	N/A	$1.81	12 October 2014
Performance right[6]	26 September 2012[5]	27 October 2013	N/A	$2.42	26 September 2013
	September 2013[6]	October 2014	N/A	$3.25	October 2014

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

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

The exercise price of options awarded is based on the weighted average price at which the Company's shares traded on the ASX in the 30 days up to and including the determination date.

Details of performance options and rights over ordinary shares in the Company granted during and/or in respect of the reporting period as remuneration to only the Executive Director of the Company and each of the Key Management Personnel of the Group who remained employed within the Group at the date of this Remuneration Report are set out below. Upon exercise of each option or right, the holder receives one fully paid ordinary share in the Company. Further information on the options and rights is set out in Notes 29 and 41 of the audited Financial Report.

Directors' Report (continued)

	Number of rights granted during and in respect of the year 2013	Number of options vested during the year 2013	Number of rights vested during the year 2013
Executive Director of Tatts Group Limited			
Robbie Cooke (Managing Director/Chief Executive Officer)	60,770	–	–
Dick McIlwain (former Managing Director/Chief Executive)[1]	–	–	250,000
Other Key Management Personnel of Group			
Barrie Fletton	36,923	5,032	107,594
Ray Gunston[1]	–	7,930	195,129
Stephen Lawrie	46,154	5,195	114,848
Neale O'Connell[2]	50,000	–	27,851
Bill Thorburn	46,154	4,539	114,213
Total options/rights	**240,001**	**22,696**	**809,635**

1. This denotes KMPs who ceased employment during the year.
2. This denotes an executive who became a KMP during the year.

During the period covered by this Remuneration Report, 2,308,085 performance options were exercised and none were granted.

The table below shows the shares issued during the reporting period as a result of vesting of performance rights. Issues of shares under the Group's incentive plan are subject to a cap of 5% of equity. This is inclusive of shares that may be issued in respect of each outstanding offer or grant of shares, options or rights if accepted or exercised under other equity plans of the Company for employees. This amount excludes offers made outside Australia, made under a disclosure document or which do not require a disclosure document.

Details of the ordinary shares provided as a result of the exercise of vested rights are as follows:

	Date of share issue on exercise of rights	Number of ordinary shares issued on exercise of rights during the year 2013
Key Management Personnel of Group		
Dick McIlwain[1]	26 October 2012	250,000
Barrie Fletton	14 December 2012	48,455
	20 December 2012	48,455
	27 September 2012	10,684
Ray Gunston[1]	14 December 2012	78,868
	20 December 2012	78,868
	27 September 2012	37,393
Stephen Lawrie	14 December 2012	51,548
	20 December 2012	51,548
	27 September 2012	11,752
Neale O'Connell[2]	14 December 2012	12,396
	20 December 2012	12,396
	27 September 2012	3,059
Bill Thorburn	14 December 2012	46,423
	20 December 2012	46,423
	27 September 2012	21,367
Total rights		**809,635**

1. This denotes a KMP who ceased employment during the year.
2. This denotes an executive who became a KMP during the year.

No consideration is paid on the exercising of rights.

Additional information

(i) Performance of the Group

In considering the Group's performance and its implications for shareholders' wealth in the context of appropriate remuneration levels and structures, the Remuneration and Human Resources Committee has regard to a variety of measures such as revenue, EBIT margin, net profit, dividends paid, EPS, TSR, and changes in the share price, in the current and previous years.

Over the last six years, there have been a number of events, including mergers, acquisitions, licence renewal and award outcomes, and impairments which have created substantial volatility in the accounting measures outlined above. This is reflected in the following table:

	2013***	2012***	2011	2010	2009
Revenue from continuing operations ($'000)	**2,948,803**	2,656,859	3,669,265	3,297,933	3,211,878
EBIT margin (%)	**13.7**	12.2	13.5	8.1	13.9
NPAT ($'000)	**247,336**	319,139	275,428	119,355	277,441
Dividends paid/payable ($'000)	**216,269**	311,063	281,671	268,588	266,250
Dividend payout ratio (%)	**87.4**	97.4	102.3	95.1*	96.0
EPS (basic) (¢)	**17.9**	23.8	21.2	8.2	21.9
Total incentives as percentage of net profit (%)	**4.1**	3.3	1.8	1.5**	2.5
Share price at start of year	**2.62**	2.40	2.24	2.55	2.35
Share price at end of year	**3.17**	2.62	2.40	2.24	2.55

* The 2010 dividend payout ratio was calculated using the underlying net profit after tax of $282.4 million after adjusting reported NPAT for a number of one-off items, and the special dividend paid on 1 October 2010.

** The total incentives calculated for 2010 is based on the underlying NPAT before one-off adjustments of $282.4 million.

***The 2012 and 2013 figures show revenue from continuing operations, excluding Tatts Pokies.

For the 2013 financial year, incentives are based on the performance of the continuing operations. The Tatts Pokies operations only operated for 46 days in the current financial year and the employees involved in those operations were dealt with separately.

For the 2013 financial year, revenue on continuing operations has grown by 11.0%. Both EBIT and EPS have improved in the current financial year on a continuing operations basis which resulted in NPAT increasing by 40.8% on a continuing operating basis.

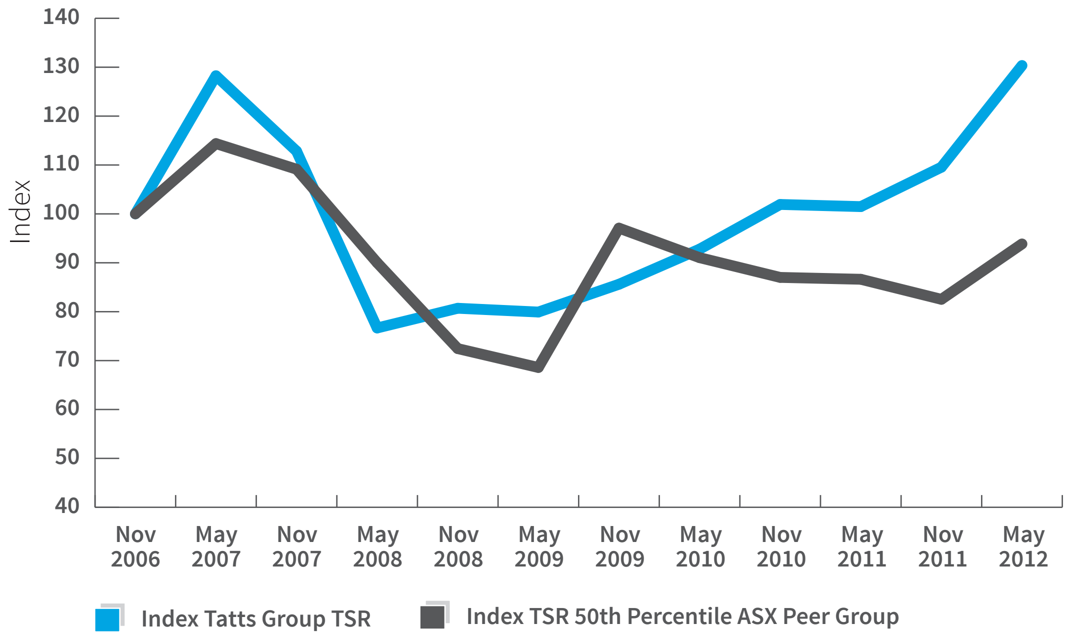
This level of performance has resulted in an incentive pool being formed. The exceptionally strong performance of the continuing operations of the Group has meant that the Company is able to pay a dividend reflective of this performance. The dividend level as expected has reduced with the loss of Tatts Pokies but the strong payout ratio has been maintained.

The Company's share price has grown by 21.0% in the current financial year and it continues to provide strong dividends and returns to shareholders as shown in the total shareholder return percentile index graph shown below.

The incentives paid have been generated through achieving the elements of the incentive system which continue to align shareholder and employee interests.

Directors' Report (continued)

TSR 50th Percentile Index – Tatts Group Limited vs ASX Peer Group (30 November 2006 Index = 100)



The 2008 grant subject to the TSR condition reached the three year vesting timeline in November 2011 with a retest in May 2012. In the initial November 2011 test the Company's TSR outcome reached the 62.49 percentile of the peer group, hence exceeding the 50th percentile level TSR ASX Peer Group, and resulted in 74.98% of the granted options in this portion of the tranche vesting at that date. The 2008 grant subject to the TSR condition was retested in May 2012 at which time the Company's TSR reached the 73.95 percentile, hence exceeding the 62.49 percentile level reached in the November 2011 test, and resulted in an increase to 97.90% from 74.98% of options vesting in participants.

The 2008 grant subject to the TSR condition had a final test in November 2012 at which time the Company's TSR reached the 81.60 percentile of the peer group, hence exceeding the 73.95 percentile level reached in the May 2013 test and resulted in an increase to 100% from 97.90% of options vesting to participants.

The 2009 grant subject to the TSR condition reached the three year vesting timeline in November 2012. In the initial test the Company TSR outcome reached the 78.1 percentile of the peer group, hence exceeding the 50th percentile level TSR ASX peer group and resulted in 100% of the granted options in this portion of the tranche vesting at this date.

The 2009 grant subject to the TSR condition issued to the former Managing Director/ Chief Executive reached the three year vesting timeline in October 2012. In the test the Company TSR outcome reached 76.44 percentile of the peer group, hence exceeding the 50th percentile TSR ASX peer group, and resulted in 100% of the granted options vesting at that date.

(ii) Details of remuneration – performance options and rights

For each grant of options and rights as set out below, the percentage of the maximum grant that was paid, or that vested, in the financial year is provided.

	Performance options/rights					
Name	Financial year granted or in respect of	Vested %	Forfeited %	Financial years in which options/rights may vest	Minimum total value of options/ rights grant yet to vest $	Maximum total value of options/ rights grant yet to vest $
Robbie Cooke	2013	0%	0%	2015	nil	197,500
Barrie Fletton	2013	0%	0%	2015	nil	120,000
	2012	–	–	2014	nil	106,514
	2011	100%	–	–	nil	–
	2010	100%	–	–	nil	–
	2009	100%	–	–	nil	–
	2008	100%	–	–	nil	–
	2007	73.58%	26.42%	–	nil	–
Ray Gunston	2013	N/A	N/A	N/A	N/A	N/A
	2012	–	–	2014	nil	259,893
	2011	100%	–	–	nil	–
	2010	100%	–	–	nil	–
	2009	100%	–	–	nil	–
	2008	100%	–	–	nil	–
	2007	73.58%	26.42%	–	nil	–
	2006	84.72%	15.28%	–	nil	–
Stephen Lawrie	2013	0%	0%	2015	nil	150,000
	2012	–	–	2014	nil	136,338
	2011	100%	–	–	nil	–
	2010	100%	–	–	nil	–
	2009	100%	–	–	nil	–
	2008	100%	–	–	nil	–
	2007	73.58%	26.42%	–	nil	–
Dick McIlwain	2013	N/A	N/A	N/A	N/A	N/A
	2012	–	–	2015	nil	383,750
	2011	–	–	2014	nil	428,750
	2010	100%	–	–	nil	–
	2007	73.58%	26.42%	–	nil	–
Neale O'Connell	2013	0%	0%	2015	nil	162,500
Bill Thorburn	2013	0%	0%	2015	nil	150,000
	2012	–	–	2014	nil	127,817
	2011	100%	–	–	nil	–
	2010	100%	–	–	nil	–
	2009	100%	–	–	nil	–
	2008	100%	–	–	nil	–
	2007	73.58%	26.42%	–	nil	–

2,308,085 options were exercised during the year and shares were issued. Of the 1,360,980 rights that vested all were exercised during the year.

Directors' Report (continued)

(iii) Share-based compensation: options and rights

Name	A Remuneration consisting of options/rights %	B Value at grant date issue incentive $	C Value at exercise date $	D Value at lapse date $
Robbie Cooke	29%	197,500	–	–
Barrie Fletton	18%	120,000	179,801	–
Ray Gunston	(1%)	–	336,260	70,882
Stephen Lawrie	19%	150,000	192,119	–
Dick McIlwain	31%	–	422,500	–
Neale O'Connell	24%	162,500	46,709	7,474
Bill Thorburn	20%	150,000	196,528	–

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

There were no options granted as remuneration in the 2013 financial year.

Loans to Directors and executives

There were no loans to Directors and executives during the financial year.

Shares under options and rights

Unissued ordinary shares of the Company under options or rights at the date of this report are as follows:

Award type	Grant date	Expiry date	Exercise price	Number under options/rights
Performance option	30 November 2006	30 November 2013	$3.65	334,350
Performance right	30 November 2006	30 November 2013	N/A	3,554
Performance option	30 November 2007	30 November 2014	$3.99	1,014,565
Performance option	30 November 2008	30 November 2015	$2.56	949,867
Performance right	30 November 2009	30 November 2016	N/A	121,478
Performance right	29 October 2010	10 January 2014	N/A	125,000
Performance right	29 October 2010	10 January 2015	N/A	125,000
Performance right	27 October 2011	10 January 2015	N/A	125,000
Performance right	27 October 2011	10 January 2016	N/A	125,000
Performance right	26 September 2012	27 October 2013	N/A	481,937
Performance right	September 2013	October 2014	N/A	240,001
Total				**3,645,752**

Shares issued on the exercise of rights

During the year ended 30 June 2013, 1,360,980 rights that vested were exercised – refer to share-based remuneration section of the Remuneration Report for further details.

Service agreements

The employment conditions of the Managing Director/Chief Executive Officer, and Key Management Personnel are formalised in contracts of employment. Other than the Managing Director/Chief Executive Officer, all other Key Management Personnel are employed under contracts of no fixed duration.

		Termination payment benefits (other than termination for gross misconduct or retrenchment)	
Name	Term of contract	Period of notice	Amount of payment[1]
R Cooke	3 year term contract – commenced on 14 January 2013	Written notice for the lesser of 12 months or the period remaining until 13 January 2016	No notice or severance payment required upon expiry of contractual term. Where terminated early entitled to no more than that allowed per Part 2 Division 2 of Chapter 2D of the Corporations Act.
D McIlwain[1, 2]	3 year term contract – commenced on 12 October 2009	Written notice for the lesser of 12 months or the period remaining until 12 October 2012	No notice or severance payment required upon expiry of contractual term. Where terminated early entitled to no more than that allowed per Part 2 Division 2 of Chapter 2D of the Corporations Act.
B Fletton	No fixed duration	12 months written notice	A combination of notice and payment in lieu of notice totalling no less than 12 months.
R Gunston[2]	No fixed duration	12 months written notice	A combination of notice and payment in lieu of notice totalling no less than 12 months.
N O'Connell	No fixed duration	12 months written notice	A combination of notice and payment in lieu of notice totalling no less than 12 months.
S Lawrie	No fixed duration	12 months written notice	A combination of notice and payment in lieu of notice totalling no less than12 months.
B Thorburn	No fixed duration	12 months written notice	A combination of notice and payment in lieu of notice totalling no less than12 months.

1. These termination payment benefits are unchanged from last year. Termination benefits to Directors and executives covered by this regime which exceed one year's base salary (averaged over three years) will require shareholder approval.
2. This denotes KMP's who ceased employment during the year.

The Group may terminate an employment contract without cause by providing written notice, in accordance with the specified period or making payment in lieu of notice, based on the individual's FAR component.

Termination payments are not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct, the Group may terminate employment at any time. Any options or rights not exercised before or on the date of termination may lapse.

Additional information

Indemnities and insurance

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

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

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

For the year ended 30 June 2013, no amounts have been paid pursuant to indemnities (2012: $nil).

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

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

Directors' Report (continued)

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

Proceedings on behalf of the Company

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

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

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group is important.

Details of the amounts paid or payable to the auditor (**PwC**) for non-audit services provided in respect of the Group during the year are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit, Risk and Compliance Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, given the amounts paid and the type of work undertaken, did not compromise the auditor independence requirement of the Corporations Act for the following reasons:

- all non-audit services have been reviewed by the Audit, Risk and Compliance Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as advocate for the Group or jointly sharing economic risk and rewards.

During the year the following fees were paid or payable to PricewaterhouseCoopers for the provision of non-audit services:

	Consolidated 2013 $	2012 $
Audit services		
Fees paid to PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports and other audit work under the Corporations Act	**883,712**	1,004,512
Fees paid to related practices of PricewaterhouseCoopers Australian firm	**181,413**	186,151
Total remuneration for audit services	**1,065,125**	1,190,663
Non-audit services		
(a) Assurance services		
Fees paid to PricewaterhouseCoopers Australian firm:		
Audit of regulatory returns	**73,000**	57,100
Technology compliance review	–	57,000
Due diligence services	–	110,000
Fees paid to related practices of PricewaterhouseCoopers Australian firm		
Due diligence services	–	–
Total remuneration for assurance services	**73,000**	224,100
(b) Taxation services		
Fees paid to PricewaterhouseCoopers Australian firm:		
Provision of tax training materials	–	4,200
Total remuneration for taxation services	–	4,200
Total remuneration for non-audit services	**73,000**	228,300

Subject to maintaining their independence, it is the Group's policy to employ the services of PwC on assignments additional to their statutory audit duties where PwC's expertise and experience with the Group is important.

Auditor's Independence

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act is set out on page 56 and forms part of the Directors' Report for the financial year ended 30 June 2013.

Rounding of amounts

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

Directors' Resolution

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

Robbie Cooke

Harry Boon
Chairman

Robbie Cooke
Managing Director/Chief Executive Officer

Brisbane
22 August 2013

Auditor's Independence Declaration

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Tatts Group Limited for the year ended 30 June 2013,
I declare that to the best of my knowledge and belief, there have been:

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

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

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

Anton Linschoten
Partner
PricewaterhouseCoopers

Brisbane
22 August 2013

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Consolidated income statement

For the year ended 30 June 2013

	Notes	2013 $'000	2012 $'000
Revenue from continuing operations	5	2,948,803	2,656,859
Statutory outgoings			
Government share		(1,376,403)	(1,265,601)
Venue share/commission		(414,162)	(359,047)
Product and program fees		(191,522)	(193,226)
Other income	6	1,588	25
Other expenses from ordinary activities			
Employee expenses		(196,922)	(177,353)
Operating fees and direct costs		(70,483)	(63,456)
Telecommunications and technology		(38,646)	(33,853)
Marketing and promotions		(45,920)	(37,962)
Information services		(19,122)	(15,621)
Property expenses		(52,469)	(44,056)
Restructuring costs	7	(15,232)	(17,708)
Other expenses		(39,459)	(33,554)
Share of net profit of associates and joint ventures accounted for using the equity method	37 (b)	129	169
Profit before interest, income tax, depreciation and amortisation		490,180	415,616
Depreciation and amortisation	7	(84,079)	(91,005)
Interest income		3,698	5,227
Finance costs	7	(106,741)	(104,486)
Profit before income tax		303,058	225,352
Income tax expense	8	(75,656)	(63,823)
Profit from continuing operations		227,402	161,529
Profit from discontinued operation	9	19,934	157,610
Profit attributable to owners of Tatts Group Limited		247,336	319,139
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:		Cents	Cents
Basic earnings per share	40	16.4	12.1
Diluted earnings per share	40	16.4	12.0
Earnings per share for profit attributable to the ordinary equity holders of the Company:		Cents	Cents
Basic earnings per share	40	17.9	23.8
Diluted earnings per share	40	17.8	23.8

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

Consolidated statement of comprehensive income

For the year ended 30 June 2013

	Notes	2013 $'000	2012 $'000
Profit for the year		**247,336**	319,139
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of available-for-sale financial assets	27 (a)	**(149)**	(403)
Changes in the value of net investment hedges	27 (a)	**(6,012)**	(1,695)
Changes in the value of cross currency interest rate swaps	27 (a)	**4,016**	693
Changes in the value of interest rate swaps	27 (a)	**15,064**	(12,094)
Changes in the value of forward foreign exchange contracts	27 (a)	**207**	1,053
Exchange differences on translation of foreign operations	27 (a)	**2,063**	978
Income tax relating to these items		**(4,778)**	3,851
Items that may not be reclassified to profit or loss			
Actuarial gain/(loss) on retirement benefit obligation		**5,491**	(9,407)
Income tax relating to these items		**(1,648)**	2,822
Other comprehensive profit/(loss) for the year, net of tax		**14,254**	(14,202)
Total comprehensive income for the year		**261,590**	304,937
Total comprehensive income attributable to the owners of Tatts Group Limited		**261,590**	304,937

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

Consolidated balance sheet

For the year ended 30 June 2013

	Notes	2013 $'000	2012 $'000
ASSETS			
Current assets			
Cash and cash equivalents	11	**355,669**	290,140
Trade and other receivables	12	**158,184**	175,243
Inventories	13	**14,110**	16,076
Assets classified as held for sale	10	**39,625**	7,366
Property, plant and equipment	16	**–**	39,392
Other current assets	34	**45,775**	–
Total current assets		**613,363**	528,217
Non-current assets			
Trade and other receivables	12	**8,684**	7,734
Investments accounted for using the equity method	37	**–**	2,481
Available-for-sale financial assets	14	**18,306**	34,831
Property, plant and equipment	16	**186,171**	186,947
Investment properties	17	**–**	37,354
Derivative financial instruments	15	**24,592**	–
Intangible assets	18	**4,553,340**	4,098,084
Deferred tax assets	19	**40,201**	47,027
Other non-current assets	20	**403**	1,318
Total non-current assets		**4,831,697**	4,415,776
Total assets		**5,445,060**	4,943,993
LIABILITIES			
Current liabilities			
Trade and other payables	21	**633,103**	578,185
Interest bearing liabilities	22	**343,387**	447,452
Derivative financial instruments	15	**2,802**	5,132
Tax liabilities		**15,426**	39,068
Provisions	23	**19,409**	21,160
Other current liabilities	34	**45,775**	–
Total current liabilities		**1,059,902**	1,090,997
Non-current liabilities			
Trade and other payables	21	**74,279**	73,190
Interest bearing liabilities	22	**1,277,954**	859,705
Deferred tax liabilities	24	**244,896**	214,422
Derivative financial instruments	15	**11,566**	19,582
Provisions	23	**4,041**	4,930
Retirement benefit obligations	25	**12,001**	17,526
Total non-current liabilities		**1,624,737**	1,189,355
Total liabilities		**2,684,639**	2,280,352
Net assets		**2,760,421**	2,663,641
EQUITY			
Contributed equity	26	**2,654,852**	2,542,875
Reserves	27 (a)	**(7,610)**	(15,878)
Retained profits	27 (b)	**113,179**	136,644
Capital and reserves attributable to owners of Tatts Group Limited		**2,760,421**	2,663,641
Total equity		**2,760,421**	2,663,641

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

Consolidated statement of changes in equity

For the year ended 30 June 2013

	Attributable to Owners of Tatts Group Limited			
	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2011	2,444,886	(7,377)	116,630	2,554,139
Profit for the year	–	–	319,139	319,139
Other comprehensive income	–	(7,617)	(6,585)	(14,202)
Total comprehensive income for the year	–	(7,617)	312,554	304,937
Transactions with owners in their capacity as owners:				
Dividend Reinvestment Plan issues	97,953	–	–	97,953
Dividends provided or paid	–	–	(292,540)	(292,540)
Employee performance rights	36	365	–	401
Employee share options	–	(1,249)	–	(1,249)
	97,989	(884)	(292,540)	(195,435)
Balance at 30 June 2012	**2,542,875**	**(15,878)**	**136,644**	**2,663,641**
Profit for the year	–	–	247,336	247,336
Other comprehensive income	–	10,411	3,843	14,254
Total comprehensive income for the year	**–**	**10,411**	**251,179**	**261,590**
Transactions with owners in their capacity as owners:				
Dividend Reinvestment Plan issues	101,192	–	–	101,192
Dividends provided or paid	–	–	(274,644)	(274,644)
Employee performance rights	2,307	(137)	–	2,170
Employee share options	8,478	(2,006)	–	6,472
	111,977	(2,143)	(274,644)	(164,810)
Balance at 30 June 2013	**2,654,852**	**(7,610)**	**113,179**	**2,760,421**

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

Consolidated statement of cash flows
For the year ended 30 June 2013

	2013 $'000	2012 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST) net of prizes paid/cash returns to customers	3,172,147	3,893,977
Payments to suppliers and employees (inclusive of GST)	(479,712)	(466,014)
Payments to government	(1,469,694)	(1,877,726)
Payments to venues/commissions	(456,751)	(707,526)
Payments for product and program fees	(192,934)	(211,730)
	573,056	630,981
Other revenue	307	598
Interest received	6,097	4,016
Interest paid	(104,864)	(98,870)
Income taxes paid	(127,679)	(146,438)
Net cash inflow from operating activities	346,917	390,287
Cash flows from investing activities		
Payments for acquisitions	(428,634)	(96,767)
Payments for property, plant and equipment	(49,799)	(59,686)
Payments for investment properties	–	(434)
Payments for intangibles	(19,066)	(5,670)
Proceeds from sale of property, plant and equipment and investment properties	68,883	905
Proceeds from disposal of joint ventures and repayment of loans	16,888	(3,620)
Proceeds from disposal of available-for-sale financial assets	18,899	–
Net cash outflow from investing activities	(392,829)	(165,272)
Cash flows from financing activities		
Proceeds from issues of shares	6,748	–
Dividends paid net of Dividend Reinvestment Plan	(173,452)	(194,580)
Proceeds from borrowings	431,082	392,713
Repayment of borrowings	(155,000)	(395,000)
Net cash inflow/ (outflow) from financing activities	109,378	(196,867)
Net increase in cash and cash equivalents	63,466	28,148
Cash and cash equivalents at beginning of year	290,140	262,148
Effect of exchange rate changes	2,063	(156)
Cash and cash equivalents at end of the year	355,669	290,140

Reconciliation of cash

The above figures are reconciled to cash and cash equivalents in the balance sheet at the end of the year as follows:

	2013 $'000	2012 $'000
Cash balance as per balance sheet	355,669	290,140
Cash balances per statement of cash flows	355,669	290,140

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

Notes to the consolidated financial statements
For the year ended 30 June 2013

Note 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Tatts Group Limited and its subsidiaries. Tatts Group Limited (the Company or the Parent Entity) and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity.

(a) Basis of preparation

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

(i) Compliance with IFRS

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

(ii) New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 *Presentation of Financial Statements* effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

(iii) Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2012.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through the profit and loss and investment property.

(v) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2013 and the results of all subsidiaries for the year then ended. Tatts Group Limited and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

The acquisition method of accounting is used to account for the business combinations by the Group (refer Note 1(h)).

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

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

European Gaming Group

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 1 Summary of significant accounting policies (continued)

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

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Group's investments in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in the statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Joint ventures

Interests in joint venture entities and partnerships are accounted for using the equity method after initially being recognised at cost. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss, and the share of post-acquisition movements in reserves is recognised in the statement of comprehensive income. Details relating to the joint venture entities are set out in Note 37.

Profits or losses on transactions establishing joint venture entities and transactions with the joint venture entities are eliminated to the extent of the Group's ownership interest until such time as they are realised by the joint venture entity on consumption or sale. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

(iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to have control, joint control or significant influence, any remaining interest in the entity is remeasured to its fair value and any subsequent gain or loss is to be recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director/Chief Executive Officer.

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

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

(iii) Group companies

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

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

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

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

(e) Revenue recognition

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

(i) Gaming revenue

Gaming gross turnover less prizes returned to the player is recorded as revenue at the point when the game has been completed in relation to Victorian and Talarius gaming operations.

(ii) Gaming monitoring revenue

Gaming revenue in relation to monitoring activities/services provided by Maxgaming in Queensland, New South Wales and Northern Territory is recognised when goods and/or services are provided.

(iii) Lotteries revenue

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

(iv) Wagering revenue

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

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

(v) Rendering of services

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

(vi) Interest income

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

(vii) Other revenue

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 1 Summary of significant accounting policies (continued)

(f) Income tax

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

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

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

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

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

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

The Company and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

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

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

(g) Leases

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

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (Note 32 (b)). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 17). The respective leased assets are included in the balance sheet based on their nature.

(h) Business Combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Notes to the consolidated financial statements (continued)
For the year ended 30 June 2013

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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

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

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

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

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

(l) Inventories
Stores, work-in-progress and finished goods are stated at the lower of cost and net realisable value. Inventories of spare parts are measured at cost, less accumulated depreciation. Depreciation of spare parts is based upon their estimated useful life. Costs are assigned on a first in first out basis and comprise direct materials. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

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

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

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 1 Summary of significant accounting policies (continued)

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

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

(n) Investments and other financial assets

Classification

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

(i) Loans and receivables

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

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

(iii) Available-for-sale financial assets

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

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date.

Further increases in estimates of cash flows adjust effective interest rates prospectively.

Recognition and derecognition

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

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Measurement

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

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in Note 2.

Impairment

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

(i) Assets carried at amortised cost

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

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

Impairment testing of trade receivables is described in Note 1(k).

(ii) Assets classified as available-for-sale

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

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

(o) Derivatives and hedging activities

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

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

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 15. Movements in the hedging reserve in shareholders' equity are shown in Note 27. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged items is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 1 Summary of significant accounting policies (continued)

(i) Fair value hedge

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

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

(ii) Cash flow hedge

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

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

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

(iii) Net investment hedge

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

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

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

(iv) Derivatives that do not qualify for hedge accounting

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

(p) Financial guarantee contracts

Financial guarantee contracts are recognised as a contingent financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate.

(q) Property, plant and equipment

Property, plant and equipment (including investment properties, refer to Note 1(r)) is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

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

- Buildings 25–50 years
- Freehold improvements 25–40 years
- Plant and equipment 0–10 years
- Leasehold improvements 7 years

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

Notes to the consolidated financial statements (continued)
For the year ended 30 June 2013

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(i)).

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

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

(r) Investment properties
Investment properties, principally comprising land and buildings of gaming venues and freehold commercial buildings, are held for long term rental yields and are not occupied by the Group. Investment properties are carried at cost less subsequent depreciation. Depreciation is calculated using the straight line method in accordance with the accounting policy for property, plant and equipment (refer Note 1(q)). A property's carrying amount is written down immediately to its recoverable amount if the property's carrying amount is greater than its recoverable amount (refer Note 1(i)).

(s) Intangible assets
(i) Goodwill
Goodwill is measured as described in Note 1(i). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but is tested for impairment six monthly, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (Note 4).

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

The expected useful lives used for licences are as follows:

Race Wagering Licence – Qld	92 years	Expires 2098
Sports Wagering Licence – Qld	25 years	Expires 2037
Totalisator Licence – NT	9 years	Expires 2015
Sports Bookmaker Licence – NT	9 years	Expires 2015
Major Betting Operations Licence – SA	94 years	Expires 2100
Gaming Machine Monitoring Operator's Licence – Qld	10 years	Expires 2017
Monitoring Provider's Licence – NT	5 years	Expires 2016
Centralised Monitoring System Licence – NSW	10 years	Expires 2016
Inter-club Linked Gaming System Licence – NSW	11 years	Expires 2017
Inter-hotel Linked Gaming System Licence – NSW	13 years	Expires 2019
Radio Licences – Qld	11 years	Expires 2014
Lotteries Licence – Vic	10 years	Expires 2018
Lotteries Licence – NSW	40 years	Expires 2050
Race and Sports Wagering Licence – TAS	50 years	Expires 2062[1]

1. The Race and Sports Wagering Licence in Tasmania has an option to be extended for a further 49 years.

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 1 Summary of significant accounting policies (continued)

(iii) Brand

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

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

The expected useful lives used for brands are as follows:

TAB brand – SA	16 years	Expires 2022
Golden Casket brands – Qld	65 years	Expires 2072

(iv) Research and development

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

(v) IT development and software

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

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

(vi) Other

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

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

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

(t) Trade and other payables

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

Prizes payable to the 'Set for Life', 'Made for Life' and 'Win for Life' lottery major prize winners are payable over periods exceeding 12 months and are valued at the net present value of the future expected cash flows. The portion of this liability which is payable more than 12 months post balance date is reported as a non-current liability.

(u) Interest bearing liabilities

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

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

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

(v) Finance costs

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

(w) Provisions

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

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

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

(x) Employee benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of each reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of each reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Retirement benefit obligations

All Group employees are entitled to become members of the Group's accumulation (defined contribution) plan, whilst some employees employed by Golden Casket Lottery Corporation Limited have previously elected into the plans as outlined below. The accumulation plan receives superannuation guarantee contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

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

New South Wales Lotteries Corporation Pty Limited was acquired on 31 March 2010. Remaining employees were transferred into Tatts Employment Co. (NSW) Pty Limited, a wholly-owned subsidiary of the Company.

In respect of defined contribution superannuation funds, Tatts Employment Co. (NSW) Pty Limited's obligations are determined by the amounts to be contributed for that reporting period so no actuarial assumptions are required to measure the obligation or the expense and there is no possibility of any actuarial gain or loss.

Tatts Employment Co. (NSW) Pty Limited also contributes to three defined benefit superannuation funds. Sub-funds have been created in relation to the transferred employees who are members of the following New South Wales public sector superannuation schemes:

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

Its net obligations to these funds are calculated separately for each fund by estimating the amount of future benefit that employees have accrued in return for their services in the current and prior reporting periods, discounted to present value based on the long term Commonwealth Government bond rate less the fair value of any assets of the funds. All three funds are closed to new members. To the extent that a surplus or deficit is generated due to variations in actuarial valuations, these variances will be reflected in the balance sheet as an asset or liability and recognised in the statement of comprehensive income as income or expense and associated income tax effect. A surplus resulting in a superannuation asset may allow Tatts Employment Co. (NSW) Pty Limited to have a reduction in its contributions. A deficit resulting in a superannuation liability may require Tatts Employment Co. (NSW) Pty Limited to increase the level of its contributions.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 1 Summary of significant accounting policies (continued)

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

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

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

Past service costs are recognised immediately in the income statement, unless the changes to the superannuation fund are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

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

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

(iv) Performance based incentives

Permanent employees of the Group participate in an annual incentive scheme under which employees receive cash, and for certain executives a combination of cash and share-based compensation benefits. The total incentive amount paid annually is determined by a calculation based on revenue growth, EBIT margin growth, and EPS growth, applied to market benchmarked target incentives of the Group's permanent employees.

For the amount payable in cash, the Group recognises a liability and an expense for such cash incentives arising from these calculations, and for any special circumstance incentive amounts paid or payable outside of the incentive pool arising from the calculations. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation. Share-based payments under this annual incentive scheme are outlined in the next section.

(v) Share-based payments

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

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

Share-based compensation benefits prior to the 2011 financial year were provided to employees via the long term incentive plan (LTIP), an equity settled plan.

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

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

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

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

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

(vi) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(y) Contributed equity

Ordinary shares are classified as equity.

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

(z) Dividends

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

(aa) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(ab) Goods and Services Tax (GST)

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

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

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

(ac) Rounding of amounts

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

(ad) New accounting standards and AASB interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2015)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. There will be no impact on the Group's accounting for financial assets or liabilities, as the new requirements only affect the accounting for gains and losses on available for sale debt instruments and financial liabilities that are designated at fair value through profit or loss and the Group does not have any such assets or liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The Group has not yet decided when to adopt AASB 9.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 1 Summary of significant accounting policies (continued)

(ii) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures. AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships.

The Group does not expect the new standard to have any impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

The Group's investments in joint venture partnerships will continue to be classified as a joint venture under the new rules. As the Group already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements. Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a 'partial disposal' concept. The Group will adopt the new standards from their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

(iii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

The Group will adopt the new standard from its operative date. It would therefore be first applied in the annual reporting period ending 30 June 2014.

(iv) Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013).

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively. Had the Group adopted the new rules in the current reporting period, profit or loss would have had no material impact. The Group will apply the new standard from its operative date. It would therefore be first applied in the annual reporting period ending 30 June 2014.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

(ae) Parent entity financial information

The financial information for the Parent Entity, Tatts Group Limited, disclosed in Note 39 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of the Parent Entity. Dividends received from associates are recognised in the Parent Entity's profit and loss, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation legislation

The Parent Entity and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Tatts Group Limited.

The head entity and its controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from the unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate the head entity for any current tax payable assumed and are compensated by the head entity for any current tax receivable and deferred tax assets relating to the unused tax losses or unused tax credits that are transferred to the head entity under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligation to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Note 2 Financial risk management

Financial risk management is carried out by a central treasury function (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, monitors and manages financial risks in co-operation with the Group's operating units. The Treasury and Investment Committee internally co-ordinate this process, and the Audit, Risk and Compliance Committee oversees the management and implementation of the risk management framework and policies.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses various risk management approaches including, where appropriate, derivative financial instruments such as foreign exchange contracts and interest rate swaps, to hedge certain risk exposures. Derivatives, when utilised, are exclusively for hedging purposes, not for trading or other speculative purposes. The Group uses a variety of methods to measure the extent of different types of risk to which it is exposed, including market or fair value, or face value as appropriate.

The operation of this treasury activity is managed through segregation of duties, reporting requirements and structured authority levels, and is subject to ongoing internal and external audit review.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 2 Financial risk management (continued)

(a) Market risk

(i) Foreign exchange risk

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

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency, and from net investments in foreign operations. Management of foreign exchange risk is focused on minimising the volatility of Group financial results to adverse exchange rate movements by protecting the cash flows of the business and reducing large investment exposures to such exchange rate movements.

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

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

	30 June 2013		30 June 2012	
	GBP '000	**USD '000**	**GBP '000**	**USD '000**
Interest bearing liabilities	**46,070**	**–**	46,070	–
Derivative financial liability	**1,400**	**–**	3,583	–
Cross-currency interest rate swap – receivable	**–**	**(225,000)**	–	(225,000)
Loan notes (US Private Placement)	**–**	**225,000**	–	225,000
Forward exchange contracts – buy foreign currency (cash flow hedge)	**750**	**–**	880	–
	48,220	**–**	50,533	–

The following relevant exchange rates applied during the year:

	Average rate		Spot rate at 30 June	
Currency	**2013**	**2012**	**2013**	**2012**
British Pound (GBP)	**0.65094**	0.65296	**0.60074**	0.65184
United States Dollar (USD)	**1.02110**	1.03737	**0.91380**	1.02380

Sensitivity analysis

Based on the financial instruments held at 30 June 2013, had the Australian dollar weakened/strengthened by 10% (2012: 10%) against the British Pound with all other variables held constant, the Group's post-tax profit for the year would have been the same as that reported in the income statement, while equity would have been $7.3 million higher/$8.9 million lower (2012: $7.05 million higher/$8.6 million lower) than that reported in the consolidated balance sheet.

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

(ii) Price risk

The Group is exposed to equity securities and managed fund securities price risk. This arises from investments held by the Group and classified in the consolidated balance sheet as available-for-sale financial assets (refer to Note 14 for further information). The Group is not directly exposed to commodity price risk.

Such equity and managed fund investments are not part of the usual business operations or strategies of the Group and do not represent a material exposure to the Group. As at 30 June 2013, the amount held is $18.3 million (2012: $34.8 million).

Sensitivity analysis

Based on the equity securities and managed fund securities held at 30 June 2013, had the price increased/decreased by 10% (2012: 10%) with all other variables held constant, the Group's post tax profit for the year would have been unaffected while equity would have been $1.8 million higher/lower (2012: $3.5 million higher/lower).

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 2 Financial risk management (continued)

(b) Credit risk

Credit risk is the risk that the Group will suffer a financial loss due to the inability of a counterparty to meet its financial and/or contractual obligations. In relation to treasury activities, credit risk arises primarily from investments, and from the use of risk management derivative instruments. Group Treasury related credit risk is governed by the Board approved Treasury Policy which mandates ensuring all counterparties maintain credit ratings at a minimum of BBB+.

As at 30 June 2013, all current counterparties for Treasury activities have an investment grade that exceeds this requirement. Additionally, Group Treasury seeks to spread transactions across a range of approved counterparties to minimise the concentration of credit risk with any one financial institution.

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

(c) Liquidity risk

Liquidity risk is the risk that monies needed to fund the Group may not be available in sufficient quantities at some future date. Prudent liquidity risk management requires maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities, and the ability to close-out market positions to meet the ongoing needs of the Group. Group Treasury manages liquidity risk by continuously monitoring forecast and actual cash flows, matching the maturity profiles of financial assets and liabilities, and maintaining appropriate committed funding lines in anticipation of future requirements. The Group has a policy that ensures any surplus cash is invested using approved investment instruments with approved financial institutions on maturities that ensure ongoing liquidity. Due to the dynamic nature of the underlying businesses, Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available and ensuring compliance with borrowing facility covenants and undertakings. This approach is supported through the maintenance of good banking relationships with the Group's core banks.

Maturity of financial assets

The financial assets of the Group, with the exception of available-for-sale financial assets disclosed in Note 14, have maturity periods ranging from 2 to 120 days.

Maturities of financial liabilities

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 2 Financial risk management (continued)

Contractual maturities of financial liabilities	Less than 6 months $'000	6 to 12 months $'000	1 to 2 years $'000	2 to 5 years $'000	More than 5 years $'000	Total contractual cash flows[4] $'000	Carrying value $'000
At 30 June 2013							
Non-derivatives							
Trade and other payables[1]	559,564	73,539	19,584	30,684	30,812	714,183	707,382
Bank loans[2]	26,801	370,093	40,974	616,814	303,035	1,357,717	1,182,484
Tatts Bonds[2]	5,965	5,655	11,360	41,673	214,081	278,734	194,664
Loan Notes (USPP)[3]	6,096	6,096	12,192	95,451	209,942	329,777	246,224
Total non-derivatives	**598,426**	**455,383**	**84,110**	**784,622**	**757,870**	**2,680,411**	**2,330,754**
Derivatives							
Net settled (interest rate swaps)	2,945	–	11,566	–	–	14,511	14,511
Net settled (cross currency interest rate swaps)	–	–	–	(6,132)	(18,460)	(24,592)	(24,592)
Gross settled (forward foreign exchange contracts – cash flow hedges)							
(inflow)	(1,249)	–	–	–	–	(1,249)	(143)
outflow	1,106	–	–	–	–	1,106	–
	(143)	**–**	**–**	**–**	**–**	**(143)**	**(143)**
At 30 June 2012							
Non-derivatives							
Trade and other payables[1]	573,671	4,504	19,179	35,753	23,785	656,892	651,375
Bank loans[2]	22,212	467,774	240,836	227,535	–	958,357	885,817
Tatts Bonds[2]	3,501	6,149	12,095	40,569	227,349	289,663	194,664
Loan Notes (USPP)[3]	5,441	5,441	10,882	32,647	250,815	305,226	240,096
Total non-derivatives	**604,825**	**483,868**	**282,992**	**336,504**	**501,949**	**2,210,138**	**1,971,952**
Derivatives							
Net settled (interest rate swaps)	62	5,006	10,343	14,179	–	29,590	29,590
Net settled (cross currency interest rate swaps)	–	–	–	–	(4,941)	(4,941)	(4,941)
Gross settled (forward foreign exchange contracts – cash flow hedges)							
(inflow)	(1,363)	–	–	–	–	(1,363)	–
outflow	1,427	–	–	–	–	1,427	64
	64	–	–	–	–	64	64

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 2 Financial risk management (continued)

Financing arrangements

The Group's existing debt facilities and their maturities are as follows:

- US$225.0 million from US Private Placement (USPP) raised in December 2010 which comprised of two tranches:
  - US$55.0 million maturing in December 2017; and
  - US$170.0 million maturing in December 2020.
- A$1,480.0 million syndicated multi-currency revolving facility, which is comprised of:
  - A$350.0 million maturing in March 2014;
  - A$300.0 million maturing in March 2015;
  - A$350.0 million maturing in March 2016;
  - A$180.0 million maturing in July 2016; and
  - A$300.0 million maturing in July 2018
- A$194.7 million Tatts Bonds issued June 2012, maturing July 2019.

The Group intends to maintain capacity to redraw the undrawn bank facilities up until the relevant maturity dates. This assists the Group to ensure ongoing liquidity.

Unrestricted access was available at balance date to the following lines of credit:

	30 June 2013			30 June 2012		
	Available facility $'000	Balance drawn down $'000	Weighted average interest rate[1] %	Available facility $'000	Balance drawn down $'000	Weighted average interest rate[1] %
Syndicated multi-currency revolving facility	1,480,000	1,182,484	4.49	1,489,000	885,817	5.12
Loan notes (US Private Placement)	246,224	246,224	4.95	240,096	240,096	4.95
Tatts Bonds	194,664	194,664	6.17	194,664	194,664	6.63
Total	**1,920,888**	**1,623,372**		1,923,760	1,320,577	

1. The weighted average rate represents the variable rate at which the funds have been borrowed. This excludes the overlay of any derivatives at the end of each reporting period.

The syndicate banks provided funds under the syndicated multi-currency revolving facility agreement, covered by financial undertakings that impose certain covenants on the Group. In relation to the USD funds raised in December 2010 from Private Placement Investors, the undertakings and covenants are similar to the syndicated multi-currency revolving facility agreement. The financial undertakings state that (subject to certain exceptions) the companies party to these facilities would limit security given over their assets, and will ensure that certain financial ratios are maintained. The financial ratios were maintained as at 30 June 2011, 30 June 2012 and 30 June 2013.

The Tatts Bonds are seven year senior and unsecured debt securities which are listed on the ASX and governed by a Trust Deed. No financial covenants apply to the Tatts Bonds.

During the financial year, the Group refinanced two tranches of the syndicated multi-currency revolving facility with $180 million maturing in July 2016 and $300 million maturing in July 2018. This has improved the Groups debt maturity profile.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 2 Financial risk management (continued)

Key Financial Disclosures for Tatts Bonds

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

- Tatts Bonds rank equally among themselves and at least equally with all other senior and unsecured creditors of the Group, other than those obligations mandatorily preferred by law.
- the Group has not materially breached any loan covenants or any debt obligations (whether or not relating to Tatts Bonds) during the period covered by this Report;
- the key financial ratios for the Group at 30 June 2013 calculated in accordance with section 713B of the Corporations Act are:

$$\text{Interest coverage ratio}^{1} = \frac{\text{EBITDA}}{\text{Net interest expense}} = 4.76$$

$$\text{Gearing ratio} = \frac{\text{Total liabilities}}{\text{Total equity}} = 97.3\%$$

$$\text{Working capital ratio} = \frac{\text{Current assets}}{\text{Current liabilities}} = 57.9\%$$

1. Calculated on EBITDA on continuing operations.

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

(d) Cash flow and fair value interest rate risk

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

Borrowings issued at variable rates expose the Group to cash flow interest rate risk, while borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's borrowings at variable rates were denominated in Australian Dollars and British Pounds. When required, the Group may enter into interest rate hedge instruments, ranging from 0% to 100.0% of the interest rate exposure determined on the debt profile of the Group. Any decision to hedge interest rate risk will be assessed at the inception of each floating rate debt facility and/or at each rollover in light of the overall Group exposure, the prevailing interest rate market and any funding counterparty requirements.

The Group's interest bearing assets are typically invested at fixed rates for terms ranging between 30 and 180 days to match potential liquidity requirements. As a result, the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

Group Treasury manage interest rate risk by establishing interest rate hedges in accordance with the Board approved policy.

At balance date, material exposure to interest rate risk is limited to the loans available under the funding arrangements as disclosed in 2(c) and cash and cash equivalents as disclosed in Note 11.

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

Sensitivity analysis

At 30 June 2013, if interest rates had increased/decreased by 100 basis points (2012: 100 basis points) from the year-end rates with all other variables held constant, the post-tax profit for the year and equity for the Group would have been $8.3 million lower/higher and $4.0 million lower/higher respectively (2012: $7.1 million lower/higher).

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 2 Financial risk management (continued)

(e) Fair value of financial assets and liabilities

Other than those classes of financial assets and liabilities denoted as 'listed' (refer to Note 14), none of the classes of financial assets and liabilities are readily traded on organised markets in standardised form. The fair value of financial assets and liabilities is exclusive of costs which would be incurred on realisation of an asset, and inclusive of costs which would be incurred on settlement of a liability. The fair values of financial assets and liabilities of the Group are approximately the same as the carrying amount shown in the balance sheet.

(i) On-Balance sheet

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

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

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

(ii) Off-Balance sheet

The Company and certain controlled subsidiaries have potential financial liabilities which may arise from certain contingencies disclosed in Note 31. No material losses are anticipated in respect of any of those contingencies.

(iii) Derivative financial instruments

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

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

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

(iv) Fair value hierarchy

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 Financial Instruments: Disclosures, requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

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

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 2 Financial risk management (continued)

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2013 and 30 June 2012:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 30 June 2013				
Assets				
Cross currency interest rate swaps	–	24,592		24,592
Available-for-sale financial assets				
Managed fund investment	–	18,306	–	18,306
Total assets	–	42,898	–	42,898
Liabilities				
Forward foreign exchange contracts	–	(143)	–	(143)
Interest rate swap contracts	–	14,511	–	14,511
Total liabilities	–	14,368	–	14,368
At 30 June 2012				
Assets				
Available-for-sale financial assets				
Equity securities	6,625	–	–	6,625
Managed fund investment	–	28,206	–	28,206
Total assets	6,625	28,206	–	34,831
Liabilities				
Forward foreign exchange contracts	–	64	–	64
Interest rate swap contracts	–	29,591	–	29,591
Cross currency interest rate swaps	–	(4,941)	–	(4,941)
Total liabilities	–	24,714	–	24,714

(f) Capital risk management

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

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

- maintaining a leverage ratio that ensures an investment grade credit profile of the Group;
- maintaining appropriate sources of debt funding that ensures an appropriate maturity profile for the Group;
- a dividend policy aimed at dividend payout ratios of circa 90% on a fully franked basis;
- investment criteria that consider earnings accretion and risk adjusted rate of return requirements based on the Group's weighted average cost of capital;
- ongoing cash flow forecast analysis and detailed budgeting processes which, combined with continual development of banking and investor relationships, is directed at providing a sound financial positioning for the Group's operations and financial management activities.

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

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

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

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

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

	2013 $'000	2012 $'000
EBITDA (leverage)	**543,793**	675,351
EBITDA (interest cover)	**524,243**	655,484
Interest expense	**106,741**	104,487
Interest bearing and other liabilities	**1,626,363**	1,348,465
Less: cash and cash equivalents (excluding prize reserves)	**(169,144)**	(133,271)
Net debt	**1,457,219**	1,215,194
Equity	**2,760,421**	2,663,641
Total capital	**4,217,640**	3,878,835
Balance sheet leverage ratio	**34.55%**	31.33%
Earnings leverage ratio	**2.68:1**	1.80:1
Interest cover ratio	**4.91:1**	6.27:1

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

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

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

Financial risk management is carried out by a central treasury function (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, monitors and manages financial risks in co-operation with the Group's operating units. The Treasury and Investment Committee internally co-ordinate this process, and the Audit, Risk and Compliance Committee oversees the management and implementation of the risk management framework and policies.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and fair value interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses various risk management approaches, including where appropriate derivative financial instruments such as foreign exchange contracts and interest rate swaps, to hedge certain risk exposures. Derivatives, when utilised, are exclusively for hedging purposes, i.e. not for trading or other speculative purposes. The Group uses a variety of methods to measure the extent of different types of risk to which it is exposed, including market or fair value or face value as appropriate.

The operation of this treasury activity is managed through segregation of duties, reporting requirements and structured authority levels, and is subject to ongoing internal and external audit review.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill, licences and brands

The Group tests six monthly whether goodwill, licences and brands have suffered any impairment, in accordance with the accounting policy stated in Note 1(s). The recoverable amounts of cash generating units have been determined based on the higher of fair value less costs to sell or value in use calculations. These calculations require the use of assumptions. (Refer to Note 18 for details of these assumptions).

(b) Income taxes

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

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

(c) Health Benefit Levy

On 6 May 2013, the Victorian Treasurer determined Tatts was required to pay a Health Benefit Levy of $42.6 million under the Gambling Regulation Act 2003 (Vic) in respect of the Victorian gaming operations conducted by Tatts in the 2013 financial year. Tatts has included a provision of approximately $7.0 million for the levy, which has been calculated on a pro-rata basis referable to the 46 day period in which Tatts' conducted its Victorian gaming operations in the 2013 financial year.

On 29 May 2013 Tatts commenced proceedings against the Treasurer in the Supreme Court of Victoria challenging the Treasurer's determination. Pending the determination of these proceedings, Tatts paid the first instalment of the levy ($21.3 million) which was due to be paid on 31 May 2013. On 24 June 2013 the Supreme Court found in favour of Tatts and set aside the Treasurer's determination. The Court held that the Treasurer does have discretion to determine the amount of the levy, including pro-rating the amount of the levy.

On 4 July 2013 the Treasurer lodged an appeal in the Court of Appeal seeking, amongst other things, to have the decision of the Supreme Court set aside. At this stage it is not possible to say with any certainty when the appeal will be heard.

The Group holds the difference between the first instalment paid and the $7.0 million pro-rata levy accrual as a current receivable.

Notes to the consolidated financial statements (continued)
For the year ended 30 June 2013

Note 4 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 Managing Director/Chief Executive Officer.

Operating segments

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

Division	Product and service type
Tatts Lotteries	The operation of lottery licences within the states of Victoria, New South Wales, Tasmania, ACT, the operation of a Lottery Operator Agreement in Queensland, South Australia, and an agreement in Northern Territory to conduct lotteries.
TattsBet	Totalisator and fixed price betting on thoroughbred, harness, greyhounds and other sporting events pursuant to licences in Queensland, South Australia, Northern Territory and Tasmania.
Maxgaming	Gaming machine monitoring and value added services in Queensland, New South Wales and the Northern Territory.
Bytecraft Systems	Warehousing, installation, relocation, repair and maintenance of gaming machines, lottery and wagering terminals and other transaction devices in Australia and New Zealand.
Talarius	Gaming operations in the United Kingdom.
Unallocated	This segment includes shared services and investment properties. None of these activities constitutes a separately reportable business segment.
Discontinued	The operation of gaming machines and Club Keno in Victoria. On 15 August 2012, the Gaming Operator Licence expired. The expiry of this licence resulted in Tatts Pokies ceasing gaming machine operations from 16 August 2012. Refer to Note 9 for further details.

Geographical areas

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

The total of non-current assets other than financial instruments and deferred tax assets located in Australia is $4,596.2 million (2012: $4,175.6 million) and the total of these non-current assets located in the UK is $170.7 million (2012: $158.4 million).

(a) Accounting policies

Segment information is prepared in conformity with the accounting policies of the Group disclosed in Note 1(c) and accounting standard AASB 8 Operating Segments, which states that disclosure of total assets and liabilities for each reportable segment is only required if such an amount is regularly provided to the chief operating decision maker (Managing Director/Chief Executive Officer).

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

(b) Inter-segment transfers

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 4 Segment information (continued)

Segment information provided to the Managing Director/Chief Executive Officer of the Group

2013	Tatts Lotteries $'000	TattsBet $'000	Maxgaming $'000	Bytecraft Systems $'000	Talarius $'000	Unallocated $'000	Inter-segment eliminations[1] $'000	Total Continuing Operations $'000	Discontinued Operation[2] $'000	Consolidated $'000
Total segment revenue and other income	**2,008,592**	**655,682**	**113,181**	**115,954**	**78,026**	**10,111**	**(31,155)**	**2,950,391**	**190,664**	**3,141,055**
EBITDA	294,605	173,923	63,062	(1,021)	7,709	(48,098)	–	490,180	53,885	544,065
Depreciation & amortisation	(25,125)	(18,287)	(14,975)	(1,994)	(8,706)	(14,610)	(382)	(84,079)	(947)	(85,026)
Impairment	–	–	–	–	–	–	–	–	(17,138)	(17,138)
EBIT	**269,480**	**155,636**	**48,087**	**(3,015)**	**(997)**	**(62,708)**	**(382)**	**406,101**	**35,800**	**441,901**
2012										
Total segment revenue and other income	**1,767,464**	**623,308**	**114,726**	**103,805**	**69,150**	**9,418**	**(30,987)**	**2,656,884**	**1,245,069**	**3,901,953**
EBITDA	223,790	144,106	65,795	8,352	6,959	(33,386)	–	415,616	234,620	650,236
Depreciation & amortisation	(21,227)	(19,979)	(21,325)	(1,499)	(9,702)	(17,273)	–	(91,005)	(9,475)	(100,480)
EBIT	**202,563**	**124,127**	**44,470**	**6,853**	**(2,743)**	**(50,659)**	**–**	**324,611**	**225,145**	**549,756**

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

	2013 $'000	2012 $'000
EBIT from continuing operations	**406,101**	324,611
Interest income	**3,698**	5,227
Finance costs	**(106,741)**	(104,486)
Profit before income tax from continuing operations	**303,058**	225,352

1. Inter-segment eliminations against revenue for the full-year 2013 comprise of Bytecraft Systems revenue of $30.7 million and other segment revenue of $7.2 million. In full-year 2012 inter-segment eliminations comprise of Bytecraft Systems revenue of $40.0 million and other segment revenue of $1.0 million.
2. On 15 August 2012, the Gaming Operator Licence issued to Tatts Pokies expired resulting in this segment ceasing gaming machine operations subsequent to 15 August 2012. Refer to Note 9 for further details regarding this segment.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 5 Revenue

	2013 $'000	2012 $'000
From continuing operations		
Sales revenue		
Entertainment products and services	2,717,208	2,477,287
Rendering of services	212,255	158,290
	2,929,463	2,635,577
Other revenue		
Rents and sub-lease rentals	6,646	6,884
Interest on unpaid prizes and prize reserves	6,371	5,350
Dividends and distributions	2,052	2,388
Other revenue	4,271	6,660
	2,948,803	2,656,859

Note 6 Other income

	2013 $'000	2,012 $'000
From continuing operations		
Net gain on disposal of property, plant and equipment	114	25
Net gain on disposal of available-for-sale financial asset	1,299	–
Movement on foreign exchange	175	–
	1,588	25

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 7 Expenses

From continuing operations	2013 $'000	2012 $'000

(a) Net gains and expenses

Profit before income tax includes the following specific expenses:

Expenses

	2013 $'000	2012 $'000
Depreciation		
Buildings	2,369	1,735
Plant and equipment	33,313	39,719
Leasehold improvements	6,154	6,311
Freehold improvements	700	489
Investment properties	474	917
Total depreciation	43,010	49,171
Amortisation		
Licences	14,998	14,115
Brand	894	894
Computer software	21,113	24,648
Other	4,064	2,177
Total amortisation	41,069	41,834
Finance costs		
Interest and finance charges paid/payable	106,741	104,486
Finance costs expensed	106,741	104,486
Other items		
Minimum lease payments expense relating to operating leases	22,923	18,518
Net foreign exchange losses	–	46
Defined contribution superannuation expense	12,479	11,880
Impairment of freehold land in restructuring costs	316	–

(b) Significant expenses

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

	2013 $'000	2012 $'000
Restructuring costs:		
Restructuring costs – relocation of head office	11,329	–
TOTE Tasmania	–	12,579
Other	3,903	5,129
	15,232	17,708

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 8 Income tax expense

	2013 $'000	2012 $'000
(a) Income tax expense		
Current tax	114,198	149,027
Deferred tax	(15,082)	(11,354)
Adjustments for current tax of prior periods	(7,599)	(6,295)
	91,517	131,378
Income tax expense is attributable to:		
Profit from continuing operations	75,656	63,823
Profit from discontinued operations	15,861	67,555
	91,517	131,378
Deferred income tax expense included in income tax expense/(benefit) comprises:		
Decrease/(Increase) in deferred tax assets (Note 19)	3,778	(6,385)
(Decrease)/Increase in deferred tax liabilities (Note 24)	(18,860)	(4,970)
	(15,082)	(11,355)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	303,058	225,352
Profit from discontinued operations before income tax expense	35,795	225,165
	338,853	450,517
Tax at the Australian tax rate of 30% (2012 – 30%)	101,656	135,154
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income		
Depreciation and amortisation	(2,048)	688
Non-assessable income	(2,011)	(149)
Non-deductible items	1,991	2,541
Unrecognised tax losses	(72)	–
	99,516	138,234
Difference in overseas tax rates	486	486
Change in overseas tax rates	415	638
Under/(Over) provision in prior years in deferred tax	(1,301)	(6,295)
(Over) provision in prior years in current tax	(7,599)	(1,685)
Income tax expense	91,517	131,378

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 8 Income tax expense (continued)

	2013 $'000	2012 $'000
(c) Amounts charged directly to equity		
Aggregate current and deferred tax arising during the year and not recognised in net profit or loss or other comprehensive income but directly debited or credited to goodwill		
Net deferred tax debited (credited) to equity	–	–
(d) Tax expense/(income) relating to items of other comprehensive income		
Available-for-sale financial assets	(223)	97
Cash flow hedges	(4,555)	3,731
Other	(1,648)	2,845
	(6,426)	6,673
(e) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	33,789	32,878
Potential tax benefit at 23.79% (2012: 25.59%)	8,038	8,413

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

(f) Golden Casket licence fee tax claim

On 13 May 2013, Tatts Group reached settlement with the ATO in relation to the deductibility of the Golden Casket licence fee. The resulting income tax benefit of $16.2 million is included within under/(over) provision in prior years in current tax ($8.1million) and the current period deferred tax expense/(benefit) of ($8.1million).

Tax consolidation legislation

Tatts Group Limited and its wholly-owned Australian controlled entities have adopted the tax consolidation legislation. The accounting policy in relation to this legislation is set out in Note 1(ae)(ii).

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 9 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 Tatts Pokies no longer generates earnings and cash flows from the activities which were conducted under this licence. As part of the transition to the new gaming machine monitoring licence holder, the Group provided monitoring services and support through to 15 February 2013.

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

b) Financial performance

The financial performance and cash flow information presented are for the year to 30 June 2013, and corresponding prior period. Where appropriate through the consolidated financial statements, prior period comparatives have been restated.

	2013 $'000	2012 $'000
Revenue	167,076	1,245,069
Profit on sale of gaming machines and associated equipment to venues	23,588	–
Expenses[1]	(136,779)	(1,019,924)
Depreciation	(947)	–
Impairment of freehold land (Note 16)	(1,586)	–
Impairment of goodwill (Note 18)	(15,552)	–
Profit before income tax and interest	35,800	225,145
Interest Income	–	20
Finance costs	(5)	–
Income tax expense	(15,861)	(67,555)
Profit after income tax of discontinued operation	19,934	157,610

	2013 $'000	2012 $'000
Net cash (outflow)/inflow from operating activities	(539)	219,189
Net cash inflow from investing activities	59,710	–
Net cash increase generated by Tatts Pokies	59,171	219,189

1. Expenses includes the Victorian Government's Health Benefit Levy which was calculated on a pro rata basis, referable to the 46 days in the 2013 financial year that Tatts Pokies operated gaming machines under the Company's Victorian Gaming Operator Licence. Refer to Note 31 for further details.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 10 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 30 June 2013 is $39.6 million (2012: $7.4 million).

Note 11 Cash and cash equivalents

	2013 $'000	2012 $'000
Cash at bank and in hand	**305,189**	239,952
Deposits at call	**879**	791
Fixed interest securities	**49,601**	49,397
	355,669	290,140

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	2013 $'000	2012 $'000
Balances as above	**355,669**	290,140
Balances per statement of cash flows	**355,669**	290,140

(b) Interest rate risk exposure

(i) Cash at bank and in hand

Cash at bank is bearing floating interest rates between zero and 2.72% (2012: zero and 3.47%).

(ii) Deposits at call

The deposits are bearing floating interest rates between 2.70% and 3.50% (2012: 3.47% and 4.72%) and have a maturity of between 1 and 14 days.

(iii) Fixed interest securities

Fixed interest securities are bearing fixed interest rates with a weighted average of 3.96% (2012: 5.16%) and have maturities between 1 and 3 months.

Notes to the consolidated financial statements (continued)
For the year ended 30 June 2013

Note 12 Trade and other receivables

	2013 $'000	2012 $'000
Current		
Trade receivables		
Weekly sweeps[1]	92,210	100,409
Trade debtors	25,563	22,629
Less: Provision for impairment of receivables	(737)	(791)
	117,036	122,247
Other receivables	26,058	23,280
Amounts receivable from:		
Joint-venture entities (Note 33(e))	–	14,279
Prepayments	15,090	15,437
	158,184	175,243
Non-current		
Other receivables	8,684	7,734

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

(a) Impaired trade and other receivables

The Group has recognised losses of $1.0 million in the income statement (2012: loss of $0.9 million) in respect of bad and doubtful trade receivables during the year ended 30 June 2013.

At 30 June 2013, there were no material receivables past due and deemed to be irrecoverable which have not been impaired or individual balances specifically impaired. Collateral is not normally obtained for balances owing.

Movements in the provision for impairment of receivables

	2013 $'000	2012 $'000
At 1 July	(791)	(376)
Additions through acquisition of entities	–	(475)
Provision for impairment recognised during the year	(964)	(918)
Receivables written off during the year as uncollectable	1,014	979
Effect of exchange rate changes on provision for impairment of receivables	4	(1)
At 30 June	(737)	(791)

(b) Other receivables

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

(c) Foreign exchange and interest rate risk

Information concerning exposure to foreign currency and interest rate risk in relation to trade and other receivables is set out in Note 2.

(d) Fair value and credit risk

Due to the short term nature of trade and other receivables, their carrying amount is assumed to approximate their fair value. Information concerning the credit risk of receivables is set out in Note 2.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 13 Inventories

	2013 $'000	2012 $'000
Spare parts – at cost	18,998	32,445
Less: Accumulated depreciation of spare parts inventory	(4,987)	(18,208)
	14,011	14,237
Finished goods – at cost	99	1,839
Total inventory	14,110	16,076

Depreciation represents the write down of spare parts inventory. The write down for the year ended 30 June 2013 is $4.8 million (2012: $5.3 million) and has been included in operating fees and direct costs in profit or loss.

Note 14 Available-for-sale financial assets

	2013 $'000	2012 $'000
Available-for-sale financial assets include the following classes of financial assets:		
Listed securities		
Equity securities – at fair value	–	6,625
Unlisted investments		
Managed fund investment – at fair value	18,306	28,206
Total available-for-sale financial assets	18,306	34,831

Impairment and price risk exposure

Information concerning exposure to price and credit risk is set out in Note 2.

The Group has recognised no impairment loss on its available-for-sale financial assets during the year ended 30 June 2013 (2012: $Nil).

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 15 Derivative financial instruments

	2013 $'000	2012 $'000
Non-current assets		
Cash flow hedges – cross currency interest rate swaps (US Private Placement)	24,592	–
	24,592	–
Current liabilities		
Cash flow hedges – forward foreign exchange contracts	(143)	64
Cash flow hedges – interest rate swap contracts	2,945	5,068
	2,802	5,132
Non-current liabilities		
Cash flow hedges – interest rate swap contracts	11,566	24,523
Cash flow hedges – cross currency interest rate swaps (US Private Placement)	–	(4,941)
	11,566	19,582

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies (refer to Note 2). Information regarding exposure to the credit risk, foreign exchange risk and interest rate risk is provided in Note 2.

(a) Interest rate swap contracts - cash flow hedges

The Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and pay interest at fixed rates. Swaps currently in place cover approximately 39.4% of the loan principal outstanding (2012: 60.6%) and are timed to match each interest rate payment as it falls due. The contracts require settlement of net interest receivable or payable every 3 or 6 months, and are settled on a net basis. Variable interest rates range between 0.51% and 2.96% (2012: 0.8% and 4.35%) while the fixed interest rate is at averages of AUD 5.93% and GBP 4.82% (2012: AUD 5.64% and GBP 4.82%).

The gain or loss from remeasuring the hedging instruments at fair value is recognised in the statement of comprehensive income and deferred in equity in the hedging reserve to the extent that the hedge is effective (refer to Note 27).

(b) Forward foreign exchange contracts - cash flow hedges

The Group has entered into forward foreign exchange contracts to purchase British Pounds. These contracts are hedging highly probable future interest payments for the next 6 to 12 months. The contracts are timed to mature when interest payments and contractual payments are due to occur. The gain or loss from remeasuring the forward foreign exchange contracts at fair value is recognised in the statement of comprehensive income and deferred in the hedging reserve to the extent that the hedge is effective (refer to Note 27).

(c) Cross-currency interest rate swap contracts / Loan notes (US Private Placement) - cash flow hedges

Information concerning the cross-currency interest rate swap contracts and US Private Placement Loan notes is set out in Note 2. The gain or loss from remeasuring the loan notes at fair value is recognised in the statement of comprehensive income and deferred in the hedging reserve to the extent that the hedge is effective (refer to Note 27).

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 16 Property, plant and equipment

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of each financial year are set out below:

	Freehold land $'000	Buildings $'000	Freehold improvements $'000	Leasehold improvements $'000	Plant and equipment $'000	Assets under development $'000	Total $'000
Cost	25,651	69,891	20,535	65,072	703,919	9,352	894,420
Accumulated depreciation	–	(26,906)	(16,188)	(44,644)	(580,343)	–	(668,081)
Carrying amount at 30 June 2012	25,651	42,985	4,347	20,428	123,576	9,352	226,339
Additions through acquisition of entities	–	–	–	20	267	–	287
Additions	–	–	2,169	1,237	20,276	26,117	49,799
Disposals	–	(218)	–	(28)	(39,685)	–	(39,931)
Depreciation and impairment continuing operations (Note 7)	(316)	(2,369)	(700)	(6,154)	(33,313)	–	(42,852)
Depreciation and impairment discontinued operation	(1,586)	–	–	(18)	(323)	–	(1,927)
Transfers in/(out)[1]	–	410	824	1,381	17,563	(27,428)	(7,250)
Foreign exchange movements	134	454	–	368	689	61	1,706
Carrying amount at 30 June 2013	**23,883**	**41,262**	**6,640**	**17,234**	**89,050**	**8,102**	**186,171**
Cost	23,883	71,112	23,528	70,290	470,694	8,102	667,609
Accumulated depreciation	–	(29,850)	(16,888)	(53,056)	(381,644)	–	(481,438)
Total carrying amount at 30 June 2013	**23,883**	**41,262**	**6,640**	**17,234**	**89,050**	**8,102**	**186,171**

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

	Freehold land $'000	Buildings $'000	Freehold improvements $'000	Leasehold improvements $'000	Plant and equipment $'000	Assets under development $'000	Total $'000
Cost	25,093	69,566	18,680	55,132	650,781	22,959	842,211
Accumulated depreciation	–	(23,854)	(15,702)	(35,543)	(530,429)	–	(605,528)
Carrying amount at 30 June 2011	**25,093**	**45,712**	**2,978**	**19,589**	**120,352**	**22,959**	**236,683**
Additions through acquisition of entities	520	–	–	827	1,727	–	3,074
Additions	–	–	1,402	162	15,629	40,123	57,316
Disposals	–	–	–	–	(880)	–	(880)
Depreciation (Note 7)	–	(2,309)	(487)	(5,738)	(41,925)	–	(50,459)
Transfers in/(out)[1]	–	–	454	4,846	28,219	(53,876)	(20,357)
Foreign exchange movements	38	(418)	–	742	454	146	962
Carrying amount at 30 June 2012	**25,651**	**42,985**	**4,347**	**20,428**	**123,576**	**9,352**	**226,339**
Cost	25,651	69,891	20,535	65,072	703,919	9,352	894,420
Accumulated depreciation	–	(26,906)	(16,188)	(44,644)	(580,343)	–	(668,081)
Carrying value current[2]	–	–	–	–	39,392	–	39,392
Carrying Value – non current	25,651	42,985	4,347	20,428	84,184	9,352	186,947
Total carrying amount at 30 June 2012	**25,651**	**42,985**	**4,347**	**20,428**	**123,576**	**9,352**	**226,339**

1. Transfers include assets transferred (to)/from property, plant and equipment to intangible assets and from investment properties.
2. Included in the above property, plant and equipment held by Tattersall's Gaming Pty which has been reclassed as current assets within the balance sheet. Refer Note 3.

(a) Valuations of land and buildings

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 17 Investment properties

Investment properties previously held as non-current ($36.9 million) have been transferred to current assets classified as held for sale.

	2013 Investment properties $'000	2013 Investment properties under construction $'000	2013 Total $'000	2012 Investment properties $'000	2012 Investment properties under construction $'000	2012 Total $'000
Cost	38,780	406	39,186	46,340	2,558	48,898
Accumulated depreciation	(1,832)	–	(1,832)	(1,764)	–	(1,764)
Carrying amount at 30 June 2012	36,948	406	37,354	44,576	2,558	47,134
Additions	–	–	–	–	434	434
Depreciation (Note 7)	(474)	–	(474)	(917)	–	(917)
Transfers in/(out)[1]	(36,474)	(406)	(36,880)	(6,711)	(2,586)	(9,297)
Carrying amount at 30 June 2013	–	–	–	36,948	406	37,354
Cost	–	–	–	38,780	406	39,186
Accumulated depreciation	–	–	–	(1,832)	–	(1,832)
Carrying amount at 30 June 2013	–	–	–	36,948	406	37,354

1. Transfers include assets transferred to property, plant and equipment, current trade receivables and assets classified as held for sale.

	2013 $'000	2012 $'000
Amounts recognised in profit and loss for investment property		
Rental income	2,627	2,537
Cost recoveries	12	47
Direct operating expenses in property that generated rental income	(607)	(579)
	2,032	2,005

(a) Valuation basis

The basis of the valuation of investment properties is at cost less subsequent depreciation. The properties have been assessed by independent valuers, and these assessments were greater than the carrying value.

(b) Contractual obligations

Refer to Note 32 for disclosure of any contractual obligations to purchase, construct or develop Investment property or for repairs, maintenance or enhancements.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 18 Intangible assets

	Goodwill $'000	Licences $'000	Brands[1] $'000	Software[2] $'000	Other[3] $'000	Total $'000
At 30 June 2012						
Cost	3,466,840	547,568	105,417	263,339	136,049	4,519,213
Accumulated amortisation and impairment	(140,000)	(58,102)	(4,665)	(207,149)	(11,213)	(421,129)
Net book amount	3,326,840	489,466	100,752	56,190	124,836	4,098,084
Additions through acquisition of subsidiaries	325,176	–	–	–	150,000	475,176
Additions	–	10,000	–	9,066	–	19,066
Disposals	–	–	–	(30)	–	(30)
Transfers in/(out)[4]	(29,750)	30,002	–	7,193	(195)	7,250
Amortisation charge continuing operations (Note 7)	–	(14,998)	(894)	(21,113)	(4,064)	(41,069)
Amortisation and impairment charge discontinued operation (Note 9)	(15,552)	–	–	(606)	–	(16,158)
Foreign exchange movements	11,022	–	–	(1)	–	11,021
Closing net book amount	**3,617,736**	**514,470**	**99,858**	**50,699**	**270,577**	**4,553,340**
At 30 June 2013						
Cost	3,757,736	587,570	105,417	250,559	285,854	4,987,136
Accumulated amortisation and impairment	(140,000)	(73,100)	(5,559)	(199,860)	(15,277)	(433,796)
Net book amount	**3,617,736**	**514,470**	**99,858**	**50,699**	**270,577**	**4,553,340**

	Goodwill $'000	Licences $'000	Brands[1] $'000	Software[2] $'000	Other[3] $'000	Total $'000
At 30 June 2011						
Cost	3,356,576	547,568	105,417	239,731	135,854	4,385,146
Accumulated amortisation and impairment	(140,000)	(43,987)	(3,771)	(175,425)	(8,842)	(372,025)
Net book amount	3,216,576	503,581	101,646	64,306	127,012	4,013,121
Additions through acquisition of subsidiaries	106,992	–	–	1,169	–	108,161
Additions	–	–	–	2,670	–	2,670
Disposals	–	–	–	–	–	–
Transfers in/(out)[4]	–	–	–	19,751	–	19,751
Amortisation charge(Note 7)	–	(14,115)	(894)	(31,706)	(2,389)	(49,104)
Foreign exchange movements	3,272	–	–	–	213	3,485
Closing net book amount	**3,326,840**	**489,466**	**100,752**	**56,190**	**124,836**	**4,098,084**
At 30 June 2012						
Cost	3,466,840	547,568	105,417	263,339	136,049	4,519,213
Accumulated amortisation and impairment	(140,000)	(58,102)	(4,665)	(207,149)	(11,213)	(421,129)
Net book amount	**3,326,840**	**489,466**	**100,752**	**56,190**	**124,836**	**4,098,084**

1. Brands include $46.3 million and $7.1 million of assets with an indefinite life, which is included in the TattsBet and Maxgaming segments respectively.
2. Software includes capitalised development costs being an internally generated intangible asset.
3. Refer to Note 1(s)(v) for details of other intangibles.
4. Transfers include assets transferred (to)/from property plant and equipment.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 18 Intangible assets (continued)

(a) Impairment tests for goodwill

The accounting policy for impairment of assets is set out in Note 1(i).

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

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

	2013 $'000	2012 $'000
Tatts Pokies	–	15,552
Tatts Lotteries	**1,510,853**	1,196,164
TattsBet	**1,454,242**	1,475,083
Maxgaming	**500,000**	500,000
Bytecraft Systems	**10,291**	10,291
Talarius	**142,350**	129,750
Total	**3,617,736**	3,326,840

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

(b) Key assumptions

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

(i) Cash flow forecasts

Cash flow forecasts are based on the 2014 financial year budget approved by the Board and management's five year forecasts.

(ii) Terminal value

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

(iii) Forecast growth rates

Forecast growth rates are principally based on management's expectations for future performance in each business segment. These growth rates take into account historical growth rates for each CGU. The growth rates range from 4% to 5% for each CGU (2012: 4% to 5%).

(iv) Discount rates

Discount rates used are based on the Group's pre-tax weighted average cost of capital and reflect specific risks relating to the relevant segments and the countries in which they operate. The pre-tax discount rates used range from 8.8% to 13.5% (2012: 8.3% to 13.5%).

(c) Impact of possible changes in key assumptions

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

(d) Licence renewals

The exclusivity periods for the Group's Queensland Race Wagering and Sports Wagering Licences and the South Australian Authorised Betting Operations Licence expire in June 2014 and December 2016 respectively. In addition, the New South Wales Centralised Gaming Machine Monitoring Licence, New South Wales Licences to operate inter-club and inter-hotel linked gaming systems and the Victorian Lotteries Licence expire November 2016, October 2017, October 2019 and June 2018 respectively.

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

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

(ii) The Group would be required to review the carrying values of goodwill associated with the cash generating units under which these licences operate. If the licences were not renewed or were significantly altered, there may be an impairment risk.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 19 Deferred tax assets

	2013 $'000	2012 $'000
The balance comprises temporary differences attributable to:		
Employee benefits	9,975	11,937
Depreciation	16,817	15,014
Provisions	212	1,792
Tax losses	-	445
Listed securities	-	1,469
Cash flow hedges	3,470	8,710
Other	9,727	7,660
Total deferred tax asset	40,201	47,027
Deferred tax assets to be settled within 12 months	22,036	14,579
Deferred tax assets to be settled after more than 12 months	18,165	32,448
	40,201	47,027

Movements	Employee Benefits $'000	Depreciation $'000	Provisions $'000	Tax losses $'000	Listed securities $'000	Cash flow hedge $'000	Other $'000	Total $'000
Opening balance at 1 July 2011	8,606	13,803	484	492	1,372	5,840	3,149	33,746
Credited/(charged) to the income statement (Note 8(a))	3,331	1,211	1,308	(47)	–	(861)	1,443	6,385
Charged to other comprehensive income (Note 8(d))	–	–	–	–	97	3,731	2,845	6,673
Foreign exchange movement	–	–	–	–	–	–	223	223
Closing balance at 30 June 2012	11,937	15,014	1,792	445	1,469	8,710	7,660	47,027
Credited/(charged) to the income statement (Note 8(a))	(1,962)	1,804	(1,580)	(445)	(1,215)	(3,242)	2,862	(3,778)
Charged to other comprehensive income (Note 8(d))	–	–	–	–	(254)	(1,998)	(1,640)	(3,892)
Foreign exchange movement	–	–	–	–	–	–	844	844
Closing balance at 30 June 2013	**9,975**	**16,818**	**212**	**–**	**–**	**3,470**	**9,726**	**40,201**

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 20 Other non-current assets

	2013 $'000	2012 $'000
Non-current		
Unlisted investments:		
Units in unit trusts	–	350
Shares in other unlisted investments	**403**	403
Redeemable preference shares	–	150
Deferred expenditure	–	415
	403	1,318

(a) Unlisted investments

Unlisted investments are not traded in active markets.

Note 21 Trade and other payables

	2013 $'000	2012 $'000
Current		
Trade payables	**547,594**	488,145
Other payables and accruals	**85,509**	90,040
	633,103	578,185
Non-current		
Trade payables	**74,279**	73,190

(a) Foreign currency and interest rate risk

Information concerning exposure to foreign currency and interest rate risk in relation to trade and other payables is set out in Note 2.

(b) Fair value and maturity analysis disclosures

Details of the fair value and the maturity analysis are set out in Note 2.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 22 Interest bearing liabilities

	2013 $'000	2012 $'000
Current		
Unsecured		
Bank loans	343,387	447,452
Total current interest bearing liabilities	343,387	447,452
Non-current		
Unsecured		
Bank loans	841,174	430,487
Loan notes (US Private Placement)	245,239	238,751
Tatts Bonds	191,541	190,467
Total non-current interest bearing liabilities	1,277,954	859,705

All interest bearing liabilities are unsecured, and are disclosed net of capitalised borrowing costs of $11.5 million (2012: $13.4 million).

(a) Foreign currency and interest rate risk exposures

Information concerning exposure to foreign currency and interest rate risk in relation to interest bearing liabilities is set out in Note 2.

(b) Fair value and maturity analysis disclosures

Details of the fair value borrowings for the Group and the maturity analysis are set out in Note 2.

(c) Refinancing details

Information concerning the refinancing of the syndicated multi-currency revolving facility is set out in Note 2.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 23 Provisions

	2013 $'000	2012 $'000
Current		
Employee benefits	**16,324**	17,692
Onerous leases	**742**	2,315
Dilapidations	**2,343**	1,153
	19,409	21,160
Non-current		
Employee benefits	**2,415**	2,712
Onerous leases	**1,626**	2,218
	4,041	4,930

Reconciliation of provision movements other than employee benefits:

	Onerous leases $'000	Dilapidations $'000	Total $'000
Opening balance at 1 July 2012	4,533	1,153	5,686
Additional provision recognised	-	3,057	3,057
Utilisation of the provision	(1,581)	(1,811)	(3,392)
Credited to the income statement	(971)	(97)	(1,068)
Foreign exchange movements	387	41	428
Closing balance at 30 June 2013	**2,368**	**2,343**	**4,711**

(i) Onerous leases

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

(ii) Dilapidations

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 24 Deferred tax liabilities

	2013 $'000	2012 $'000
The balance comprises temporary differences attributable to:		
Depreciation	**2,445**	4,490
Intangibles	**237,827**	204,131
Unclaimed dividends	**3,635**	3,690
Accrued revenue	**66**	421
Other	**923**	1,690
Total deferred tax liabilities	**244,896**	214,422
Deferred tax liabilities to be settled within 12 months	**4,559**	4,908
Deferred tax liabilities to be settled after more than 12 months	**240,337**	209,514
	244,896	214,422

Movements	Depreciation $'000	Intangibles $'000	Unclaimed dividends $'000	Interest receivable $'000	Accrued revenue $'000	Other $'000	Total $'000
Closing balance at 1 July 2011	2,080	209,230	3,132	–	1,673	3,277	219,392
Charged/(credited) to the income statement (Note 8 (a))	2,410	(5,099)	558	–	(1,252)	(1,587)	(4,970)
Closing balance at 30 June 2012	4,490	204,131	3,690	–	421	1,690	214,422
Charged/(credited) to the income statement (Note 8 (a))	(2,045)	(13,104)	(55)	–	(355)	(3,301)	(18,860)
Charged to other comprehensive income	–	–	–	–	–	2,534	2,534
Acquisition of subsidiary	–	46,800	–	–	–	–	46,800
Closing balance at 30 June 2013	**2,445**	**237,827**	**3,635**	**–**	**66**	**923**	**244,896**

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 25 Retirement benefit obligations

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

Defined benefit superannuation plan – New South Wales Lotteries Corporation Pty Limited

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

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

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

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

All these schemes are closed to new members.

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

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

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

(i) Balance sheet amounts

	2013 $'000	2012 $'000
Present value of the defined benefit obligation	**(26,236)**	(35,292)
Fair value of defined benefit plan assets	**14,235**	17,766
Net liability in the balance sheet	**(12,001)**	(17,526)

(ii) Categories of plan assets

	2013 $'000	2012 $'000
Cash	**1,865**	3,464
Fixed interest securities	**1,295**	1,297
Equity instruments	**8,042**	9,185
Property	**1,182**	1,528
Other assets	**1,851**	2,292
	14,235	17,766

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

(iii) Reconciliation of movements

	2013 $'000	2012 $'000
Reconciliation of the present value of the defined benefit obligation:		
Balance at the beginning of the year	(35,292)	(27,480)
Current service cost	(376)	(376)
Interest cost	(1,058)	(1,418)
Contributions from fund participants	(208)	(356)
Actuarial gains/(losses)	6,413	(7,003)
Benefits paid	4,285	1,341
Balance at the end of the year	(26,236)	(35,292)

	2013 $'000	2012 $'000
Reconciliation of the fair value of defined benefit assets:		
Balance at the beginning of the year	17,766	19,519
Expected return on fund assets	1,470	1,637
Actuarial losses	(990)	(2,665)
Employer contributions	66	260
Contributions by fund participants	208	356
Benefits paid	(4,285)	(1,341)
Balance at the end of the year	14,235	17,766

(iv) Amounts recognised in income statement

	2013 $'000	2012 $'000
The amounts recognised in the income statement are as follows:		
Current service cost	376	376
Interest cost	1,058	1,418
Expected return on plan assets	(1,470)	(1,637)
Net expense recognised in the income statement	(36)	157
Actual return on plan assets	2,592	69

(v) Amounts recognised in statement of comprehensive income

	2013 $'000	2012 $'000
Actuarial gain/(loss) recognised in the year – gross of tax	5,491	(9,407)

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 25 Retirement benefit obligations (continued)

(vi) Valuation method and principal actuarial assumptions at 30 June 2013

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Economic Assumptions:

	2013	2012
Discount rate	3.80%	3.06%
Expected rate of return on assets	8.60%	8.60%
Salary inflation rate – long term	2.50%	2.50%
Rate of CPI increase	2.50%	2.50%

The demographic assumptions at 30 June 2013 are those that were used in the 2012 triennial actuarial valuation. The triennial review report is available from the New South Wales Treasury website.

(vii) Employer contributions

Employer contributions to the defined benefit section of the plan were based on recommendations by the plan's actuary. The method used to determine employer contributions at the last actuarial review was the Aggregate Funding method. The method adopted affects the timing of the cost to the Group. Under the Aggregate Funding method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account current values of assets and future contributions. For the period from 1 July 2012 to 30 June 2013, Tatts Employment Co (NSW) Pty Limited accrued 14.8% of defined benefit members' salaries.

The expected employer contribution for the period 1 July 2013 to 30 June 2014 is $0.3 million.

Economic assumptions:

The economic assumptions for the 2013 and 2012 actuarial review of the fund were:

	2013	2012
Weighted average assumptions:		
Expected rate of return on fund assets backing current pension liabilities	8.30%	8.30%
Expected rate of return on fund assets backing other liabilities	7.30%	7.30%
Expected salary increase rate	2.70%	4.00%
Expected rate of CPI Increase	2.50%	2.50%

(viii) Historic summary

	2013 $'000	2012 $'000
Defined benefit plan obligation	(26,236)	(35,292)
Plan assets	14,235	17,766
Surplus/(deficit)	(12,001)	(17,526)
Experience adjustments arising on plan liabilities	(6,413)	7,003
Experience adjustments arising on plan assets	990	2,665

Nature of asset/liability

If a surplus exists in the employer's interest in the fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of fund assets and the defined benefit obligation.

Notes to the consolidated financial statements (continued)
For the year ended 30 June 2013

Note 26 Contributed equity
(a) Share capital

	2013 Shares	2012 Shares	2013 $'000	2012 $'000
Ordinary Shares – fully paid	1,402,708,406	1,362,919,733	2,654,852	2,542,875

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price $	$'000
1 July 2011	Opening balance	1,318,687,024		2,444,886
5 October 2011	Dividend Reinvestment Plan issues	22,069,599	2.10	46,346
11 November 2011	Performance rights issue	2,078	2.56	5
29 February 2011	Performance rights issue	12,097	2.56	31
4 April 2012	Performance rights issue	22,148,935	2.33	51,607
1 July 2012	Opening balance	1,362,919,733		2,542,875
27 August 2012	Performance options Issue	96,333	2.87	276
29 August 2012	Performance options Issue	142,787	2.87	410
3 October 2012	Dividend Reinvestment Plan issues	21,633,110	2.64	57,111
26 October 2012	Performance rights Issue	408,227	1.88	767
14 December 2012	Performance rights Issue	443,509	1.62	716
	Performance options Issue	3,063	2.90	9
20 December 2012	Performance rights Issue	456,779	1.62	738
10 January 2013	Performance rights Issue	31,037	1.62	50
17 January 2013	Performance options Issue	216,702	2.87	622
	Performance options Issue	377,600	2.87	1,084
27 February 2013	Performance options Issue	1,471,600	4.13	6,078
27 February 2013	Reinvestment of unclaimed dividends	127,898	-	-
5 April 2013	Dividend Reinvestment Plan issues	14,358,600	3.07	44,081
17 April 2013	Performance rights Issue	21,428	1.62	35
30 June 2013	**Closing balance**	**1,402,708,406**		**2,654,852**

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

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

There is no current on-market share buy-back.

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

A 1.5% discount is applicable to shares acquired under the DRP for the final dividend. Shares acquired by a participant under the DRP will be provided via a share issue.

(e) Options and right issues
Refer to Note 41 regarding options and rights issued as share-based payments.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 27 Reserves and retained profits

	2013 $'000	2012 $'000
(a) Reserves		
Available-for-sale financial assets revaluation reserve	18	390
Foreign currency translation reserve	(57,023)	(59,086)
Hedge reserve	45,448	36,728
Share-based payments reserve	3,947	6,090
	(7,610)	(15,878)
Movements		
Available-for-sale financial assets revaluation reserve		
Balance 1 July	390	672
Sale of shares	(278)	–
Redemption of investment	278	–
Revaluation	(149)	(403)
Tax on these items	(223)	121
Balance 30 June	18	390
Foreign currency translation reserve		
Balance 1 July	(59,086)	(60,064)
Currency translation differences arising during the year	2,063	978
Balance 30 June	(57,023)	(59,086)
Hedge reserve		
Balance 1 July	36,728	45,041
Interest rate swap movement	15,064	(12,094)
Forward foreign exchange contracts movements	207	1,053
Cross currency interest rate swaps	4,016	693
Foreign currency net investment hedge movements	(6,012)	(1,695)
Tax on these items	(4,555)	3,730
Balance 30 June	45,448	36,728
Share-based payments reserve		
Balance 1 July	6,090	6,973
Performance options and rights expense	1,894	(878)
Rights exercised	(4,037)	(5)
Balance 30 June	3,947	6,090

(b) Retained earnings

	2013 $'000	2012 $'000
Movements in retained earnings were as follows:		
Balance 1 July	136,644	116,630
Net profit for the year	247,336	319,139
Actuarial gain/(loss) on retirement benefit obligation, net of tax	3,843	(6,585)
Dividends (Note 28)	(274,644)	(292,540)
Balance 30 June	113,179	136,644

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

(c) Nature and purpose of reserves

(i) Available-for-sale financial assets revaluation reserve

Changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available-for-sale financial assets, are recognised in the statement of comprehensive income as described in Note 1(o) and accumulated in a separate reserve within equity. Amounts are reclassified to the income statement when the associated assets are sold or impaired.

(ii) Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled entities are recognised in the statement of comprehensive income as described in Note 1(d) and accumulated in a separate reserve within equity. The reserve is reclassified to the income statement upon disposal of the net investment.

(iii) Hedge reserve

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

(iv) Share-based payments reserve

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

Note 28 Dividends

(a) Ordinary shares

	2013 $'000	2012 $'000
Final dividend for the year ended 30 June 2012 of 12.0 cents per fully paid share paid on 3 October 2012 (2012: 11.0 cents paid on 5 October 2011)		
Fully franked based on tax paid @ 30%	163,578	145,055
Interim dividend for the year ended 30 June 2013 of 8.0 cents per fully paid share paid on 5 April 2013 (2012: 11.0 cents paid on 4 April 2012)		
Fully franked based on tax paid @ 30%	111,066	147,485
	274,644	292,540

(b) Dividends not recognised at year end

In addition to the above dividends, since the balance sheet date the Directors have determined the payment of a final dividend of 7.5 cents (2012: Final – 12.0 cents) per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend to be paid on 7 October 2013 out of retained earnings, but not recognised as a liability at year end, is $105.2 million (2012: $163.6 million).

(c) Franked dividends

The franked portions of the final dividend determined after 30 June 2013 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2014.

	2013 $'000	2012 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2012 – 30%)	179,753	171,808

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

(i) franking credits that will arise from the payment of the amount of the provision for income tax;

(ii) franking debits that will arise from the payment of dividends recognised as a liability at the end of each reporting period; and,

(iii) franking credits that will arise from the receipt of dividends recognised as receivables at the end of each reporting period.

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

The impact on the franking account of the final dividend determined by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $45.1 million (2012: $70.1 million).

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 29 Key Management Personnel disclosures

(a) Key Management Personnel compensation

	2013 $	2012 $
Short term employee benefits – cash salary, fees and cash bonus	**7,130,999**	7,933,232
Post-employment benefits	**186,623**	177,544
Long term benefits	**80,529**	74,786
Share-based payments	**1,556,592**	1,444,660
	8,954,743	9,630,222

Detailed remuneration disclosures are provided in the Remuneration Report.

(b) Equity instrument disclosures relating to Key Management Personnel

(i) Performance options and rights provided as remuneration and shares issued on exercise of such options and rights

Details of performance options and rights provided as remuneration and the shares issued on the exercise of such options and rights, together with terms and conditions of the equity instruments can be found in the Remuneration Report.

Non-executive Directors are not entitled to receive performance options or performance rights.

(ii) Performance options holdings

The number of performance options over ordinary shares in the Company held during the financial year by each Director of the Company and other Key Management Personnel of the Group, including their personally related parties, are set out below.

2013	Balance at start of the year	Granted as compensation	Exercised	Lapsed	Balance at end of the year	Vested and exercisable	Unvested
Robbie Cooke	–	–	–	–	–	–	–
Dick McIlwain[1]	1,471,600	–	–	–	1,471,600	–	–
Barrie Fletton	396,215	–	–	–	396,215	396,215	–
Ray Gunston[2]	722,489	–	–	(105,794)	616,695	–	–
Stephen Lawrie	398,012	–	–	–	398,012	398,012	–
Neale O'Connell	45,384	–	–	(11,155)	34,229	34,229	–
Bill Thorburn	316,150	–	–	–	316,150	316,150	–

2012	Balance at start of the year	Granted as compensation	Exercised	Lapsed	Balance at end of the year	Vested and exercisable	Unvested
Dick McIlwain	2,000,000	–	–	(528,400)	1,471,600	1,471,600	–
Barrie Fletton	654,471	–	–	(258,256)	396,215	391,183	5,032
Ray Gunston	1,128,289	–	–	(405,800)	722,489	714,559	7,930
Stephen Lawrie	662,767	–	–	(264,755)	398,012	392,817	5,195
Bill Thorburn	532,300	–	–	(216,150)	316,150	311,611	4,539

1. Options balance is at retirement date.
2. Options balance is at cessation date.

344,068 options were forfeited in the current financial year.

84.7% of options granted on 16 December 2005 vested on 7 January 2009, however none have been exercised as at the end of the year and 174,747 options were forfeited on reaching the expiry date. No options remain as at the end of the year. 73.58% of options granted on 30 November 2006 vested on 30 November 2011, 1,471,600 options have been exercised, and 49,289 options were forfeited during the year with 334,350 options yet to be exercised as at the end of the year. 100.0% of options granted on 30 November 2007 vested on 30 May 2012, however none have been exercised and 115,404 options were forfeited with 1,014,565 options yet to be exercised as at the end of the year. 100% of options granted on 30 November 2008 vested on 30 May 2012, 32,969, options vested, 836,485 options were exercised and 4,648 options were forfeited during the year with 949,867 options yet to be exercised as at the end of the year. No other options vested or were exercisable as at the end of the year.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

(iii) Performance rights holdings

The number of performance rights over ordinary shares in the Company held during the financial year by each Director of the Company and other Key Management Personnel of the Group, including their personally related parties, are set out below.

2013	Balance at start of the year	Granted as compensation	Exercised	Lapsed	Balance at end of the year	Vested and exercisable	Unvested
Robbie Cooke	–	60,770	–	–	60,770	–	60,770
Dick McIlwain	750,000	–	(250,000)	–	500,000	–	500,000
Barrie Fletton	151,608	36,923	(107,594)	–	80,937	–	80,937
Ray Gunston	302,523	–	(195,129)	–	107,394	–	107,394
Stephen Lawrie	171,186	46,154	(114,848)	–	102,492	–	102,492
Neale O'Connell	36,787	50,000	(27,851)	–	58,936	–	58,936
Bill Thorburn	167,031	46,154	(114,213)	–	98,972	–	98,972

2012	Balance at start of the year	Granted as compensation	Exercised	Lapsed	Balance at end of the year	Vested and exercisable	Unvested
Dick McIlwain	500,000	250,000	–	–	750,000	–	750,000
Barrie Fletton	113,017	44,014	(1,277)	(4,146)	151,608	–	151,608
Ray Gunston	203,327	107,394	(1,931)	(6,267)	302,523	–	302,523
Stephen Lawrie	121,971	56,338	(3,266)	(3,857)	171,186	–	171,186
Bill Thorburn	114,214	52,817	–	–	167,031	–	167,031

23,376 rights were forfeited in the current financial year.

84.7% of rights granted on 16 December 2005 vested on 7 January 2009, with no rights remaining at the end of this financial year. 73.58% of rights granted on 30 November 2006 vested on 30 November 2011, with 3,553 rights yet to be exercised as at the beginning and the end of this financial year. 100% of rights granted on 30 November 2009 vested on 30 November 2012, 1,202,753 were exercised, 23,376 rights were forfeited and 121,478 rights are yet to be exercised as at the end of the current year. 100% of rights granted on 4 October 2011 vested on 27 October 2012. 158,227 were exercised, no rights remain as at the end of the current year. No other rights vested or were exercisable as at the end of the current year.

Notes to the consolidated financial statements (continued)
For the year ended 30 June 2013

Note 29 Key Management Personnel disclosures (continued)

(iv) Shareholdings
The number of shares in the Company held during the financial year by each Director of the Company and other Key Management Personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the year as compensation.

All shares in the Company are ordinary shares.

2013	Balance at start of the year	Received during the year on the exercise of options/ rights	Other changes during the year	Balance at the end of the year
Directors of Tatts Group Limited				
Harry Boon	150,000	–	–	150,000
Robbie Cooke	–	–	–	–
Dick McIlwain[1]	1,947,500	250,000	–	2,197,500
Robert Bentley	160,000	–	(45,000)	115,000
Lyndsey Cattermole	182,663	–	–	182,663
Brian Jamieson	80,943	–	–	80,943
Julien Playoust	176,000	–	(76,000)	100,000
Kevin Seymour	14,108,306	–	–	14,108,306

2012	Balance at the start of the year	Received during the year on the exercise of options/ rights	Other changes during the year	Balance at the end of the year
Directors of Tatts Group Limited				
Harry Boon	150,000	–	–	150,000
Dick McIlwain	1,947,500	–	–	1,947,500
Robert Bentley	160,000	–	–	160,000
Lyndsey Cattermole	182,663	–	–	182,663
Brian Jamieson	80,943	–	–	80,943
Julien Playoust	176,000	–	–	176,000
Kevin Seymour	14,000,000	–	108,306	14,108,306

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

2013	Balance at the start of the year	Received during the year on the exercise of options/ rights	Other changes during the year	Balance at the end of the year
Other Key Management Personnel of the Group				
Barrie Fletton	47,371	107,594	–	154,965
Ray Gunston[2]	899,359	195,129	–	1,094,488
Stephen Lawrie	3,763	114,848	–	118,611
Neale O'Connell	85,661	27,851	–	113,512
Bill Thorburn	–	114,213	–	114,213

2012	Balance at the start of the year	Received during the year on the exercise of options/ rights	Other changes during the year	Balance at the end of the year
Other Key Management Personnel of the Group				
Barrie Fletton	76,373	1,277	(30,279)	47,371
Ray Gunston	897,428	1,931	–	899,359
Stephen Lawrie	496	3,267	–	3,763
Bill Thorburn	–	–	–	–

1. Shareholding balance at retirement date.
2. Shareholding balance at cessation date.

(v) Tatts Bonds holdings of Directors and other Key Management Personnel

Ray Gunston	5,000	–	–	5,000
Barrie Fletton	300	–	–	300
Robert Bentley	300	–	–	300

(c) Loans to Directors and Key Management Personnel

No loans are made to Directors or Key Management Personnel.

(d) Other transactions with Directors and Key Management Personnel

No other transactions were made with Directors or Key Management Personnel

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 30 Remuneration of Auditors

During the year the following fees were paid or payable for services provided by the auditor of the Parent Entity, its related practices and non-related audit firms:

	2013 $	2012 $
(a) PwC Australia		
(i) Audit and other assurance services		
Audit and review of financial statements	883,712	1,004,512
Other assurance services		
Audit of regulatory returns	73,000	57,100
Due diligence services	–	110,000
Total remuneration for audit and other assurance services	956,712	1,171,612
(ii) Taxation services		
Provision of tax training material	–	4,200
Total remuneration for taxation services	–	4,200
(iii) Other services		
Technology compliance review	–	57,000
Total remuneration for other services	–	57,000
Total remuneration of PwC Australia	956,712	1,232,812
(b) Network firms of PwC Australia		
Audit and other assurance services		
Audit and review of financial statements	181,413	186,151
Total remuneration for audit and other assurance services	181,413	186,151
Total remuneration of network firms of PwC Australia	181,413	186,151
Total auditors remuneration	1,138,125	1,418,963

Subject to maintaining their independence it is the Group's policy to employ PwC on assignments additional to their statutory audit duties where PwC's expertise and experience with the Group are important. These assignments are principally tax advice and due diligence reporting on transactions.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 31 Contingent liabilities

The Group had contingent liabilities at 30 June 2013 in respect of:

Bank Guarantees

Guarantees in respect of bank facilities drawn down but not included in the accounts of the Company or the Group are $3.7 million (2012: $3.2 million).

Health Benefit Levy

On 6 May 2013, the Victorian Treasurer determined Tatts was required to pay a Health Benefit Levy of $42.6 million under the Gambling Regulation Act 2003 (Vic) in respect of the Victorian gaming operations conducted by Tatts in the 2013 financial year. Tatts has included a provision of approximately $7.0 million for the levy, which has been calculated on a pro-rata basis referable to the 46 day period in which Tatts conducted its Victorian gaming operations in the 2013 financial year.

On 29 May 2013 Tatts commenced proceedings against the Treasurer in the Supreme Court of Victoria challenging the Treasurer's determination. Pending the determination of these proceedings, Tatts paid the first instalment of the levy ($21.3 million) which was due to be paid on 31 May, 2013, under compulsion and under protest, without prejudice and without admission of liability.

On 24 June 2013 the Supreme Court found in favour of Tatts and set aside the Treasurer's determination. The Court held that the Treasurer does have discretion to determine the amount of the levy, including pro-rating the amount of the levy.

On 4 July 2013 the Treasurer lodged an appeal in the Court of Appeal seeking, amongst other things, to have the decision of the Supreme Court set aside. At this stage it is not possible to say with any certainty when the appeal will be heard.

The risk to Tatts is that the Treasurer may be successful on appeal and Tatts may be required to pay a levy in the amount of $42.6 million or some other amount greater than the $7.0 million currently provided for in Tatts accounts. If Tatts is required to pay a Health Benefit Levy in the amount of $42.6 million the estimated additional impact on the Group's results would be $24.8 million after tax.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 32 Commitments for expenditure

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	2013 $'000	2012 $'000
Property, plant and equipment – payable:		
Within one year	**2,242**	13,778
Investment properties – payable:		
Within one year	**–**	1,947

(b) Operating lease commitments

The Group leases motor vehicles and various buildings under non-cancellable operating leases. The leases have varying terms and renewal rights. On renewal, the terms of the leases are to be negotiated.

	2013 $'000	2012 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**20,477**	20,837
Later than one year but not later than five years	**38,506**	36,311
Later than five years	**8,026**	9,950
Commitments not recognised in the financial statements	**67,009**	67,098

(c) Operating commitments

Operating commitments contracted for at the reporting date but not recognised as liabilities are as follows:

	2013 $'000	2012 $'000
Commitments in relation to non-cancellable operating activities are payable as follows:		
Within one year	**19,942**	42,020
Later than one year but not later than five years	**26,254**	36,395
Later than five years	**–**	68
	46,196	78,483

(d) Employee remuneration commitments

	2013 $'000	2012 $'000
Commitments under non-cancellable employment contracts not provided for in the financial statements and payable:		
Within one year	**1,620**	5,484
Later than one year but not later than five years	**2,485**	–
	4,105	5,484

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 33 Related party transactions

(a) Parent entities

The ultimate parent entity within the Group is Tatts Group Limited.

(b) Controlled entities

Investments in controlled entities are set out in Note 35.

(c) Directors and key management personnel

Disclosures relating to Directors and specified executives are set out in Note 29.

(d) Transactions with related parties

	2013 $'000	2012 $'000
Superannuation contributions:		
Contributions to superannuation funds on behalf of employees	**15,224**	15,882

(e) Outstanding balances

The following balances are outstanding at the end of each reporting period in relation to transactions with related parties:

	2013 $'000	2012 $'000
Current receivables		
Loans to joint venture entities	–	14,279

No provisions for impairment of receivables have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts from related parties.

(f) Reconciliation of loans to/from related parties

	2013 $'000	2012 $'000
Loans to joint venture entities:		
Beginning of year	**14,279**	10,659
Loans advanced	**4,695**	3,900
Loan repayments received	**(18,974)**	(280)
End of year	–	14,279

Loans to other related entities:

There were no loans to other related parties at 30 June 2013 or at 30 June 2012.

No provisions for impairment of receivables have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts from related parties.

(g) Terms and conditions

Transactions relating to dividends were on the same terms and conditions that applied to other shareholders.

All other transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of principal on loans advanced by the Company. There was no interest charged on loans during the year (2012: nil).

Outstanding balances are unsecured and are repayable in cash.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 34 Business combinations

SA Lotteries

(a) Summary of acquisition

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 $427.0 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 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 has been allocated to the right to manage South Australian Lotteries and will be amortised over the life of the Master Agent Agreement.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	2013 $'000
Purchase consideration	
Cash – acquisition of shares	**427,000**
Total purchase consideration	**427,000**
Less fair value of net identifiable assets acquired	**(112,312)**
Goodwill	**314,688**

The goodwill includes the value of the Lottery Operator Agreement. This value will be determined within the measurement period as defined by AASB 3 Business Combinations. The remaining goodwill is attributable to the expected future cash flows of the business as a result of the integration of the acquired business.

The goodwill is not tax deductible for taxation purposes.

Assets and liabilities acquired at 10 December 2012

	Acquiree's carrying amount $'000	Preliminary fair value $'000
Cash	40,692	–
Trade receivables	–	40,692
Property, plant and equipment	112	112
Intangible assets	–	150,000
Deferred tax liability	–	(37,800)
Trade and other payables	–	(40,692)
Net assets	40,804	112,312

The acquired business contributed revenues of $49.2 million and a net profit of $8.5 million (including restructuring costs) to the Group for the period from 10 December 2012 to 30 June 2013. If the acquisition had occurred on 1 July 2012, consolidated revenue and consolidated profit for the year ended 30 June 2013 would have been $90.8 million and $16.0 million respectively. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 July 2012, together with the consequential tax effects.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

(b) Purchase consideration - cash outflow

	2013 $'000
Cash consideration	427,000
Less: Balances acquired	
Cash	–
	427,000
Outflow of cash – investing activities	427,000

Acquisition-related costs:

There were no acquisition-related costs.

Cash in trust and unpaid prizes at 30 June 2013 was $45.8 million. Cash in trust is disclosed in other current assets. Unpaid prizes is disclosed in other current liabilities.

Talarius

On 19 July 2012, Talarius Limited, a wholly owned subsidiary of the Group, acquired 3 further sites for a total consideration of $1.7 million.

(c) Previous corresponding year

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.

The value of the licence associated with the acquisition of TOTE Tasmania has been identified as $30.0 million and has been reallocated from goodwill to licence. There have been no other changes to the preliminary fair values in the current period, and final goodwill of $86.0 million has been recognised on acquisition, which included a $9.0 million deferred tax liability.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 35 Investments in controlled entities

Shareholdings in all controlled entities are classed as ordinary shares.

Name of entity	Country of incorporation	Equity holding 2013 %	2012 %
Controlled entities of Tatts Group Limited:			
TattsBet Limited[1]	Australia	100	100
NT TAB Pty Ltd	Australia	100	100
Broadcasting Station 4IP Pty Ltd	Australia	100	100
SA TAB Pty Ltd[1]	Australia	100	100
TAB Queensland Pty Ltd	Australia	100	100
TOTE Tasmania Pty Ltd[1]	Australia	100	100
Agility Interactive Pty Ltd[3]	Australia	100	100
Tasradio Pty Ltd[3]	Australia	100	100
Maxgaming Holdings Pty Ltd[1]	Australia	100	100
Maxgaming NSW Pty Ltd[1]	Australia	100	100
Maxgaming QLD Pty Ltd[1]	Australia	100	100
Maxgaming Vic Pty Ltd	Australia	100	100
Bytecraft Systems Pty Ltd[1]	Australia	[2]	[2]
Bytecraft Systems (NSW) Pty Ltd[1]	Australia	100	100
Bytecraft Systems (NZ) Limited	New Zealand	100	100
EGM Tech Pty Ltd[3]	Australia	100	100
Reaftin Pty Ltd[1]	Australia	100	100
Bytecraft Systems Pty Ltd[1]	Australia	[2]	[2]
Tattersall's Holdings Pty Ltd[1]	Australia	100	100
Tatts Online Pty Ltd	Australia	100	100
Tattersall's Sweeps Pty Ltd[1]	Australia	100	100
Tattersall's Gaming Pty Ltd[1]	Australia	100	100
Tattersall's Club Keno Pty Ltd	Australia	100	100
tatts.com Pty Ltd	Australia	100	100
New South Wales Lotteries Corporation Pty Limited[1]	Australia	100	100
Tatts Employment Co (NSW) Pty Limited	Australia	100	100
George Adams Pty Ltd	Australia	100	100
Tattersall's Australia Pty Ltd[3]	Australia	100	100
Tatts NT Lotteries Pty Ltd	Australia	100	100
Golden Casket Lottery Corporation Limited[1]	Australia	100	100
Tattersall's Investments (South Africa) (Pty) Limited	South Africa	100	100
Wintech Investments Pty Ltd[1]	Australia	100	100
Tattersall's Gaming Systems (NSW) Pty Ltd	Australia	100	100
Tatts Lotteries SA Pty Ltd[1,5]	Australia	100	100
Victorian Licence Bid Pty Ltd[3]	Australia	100	100
VicTote Manager Pty Ltd[3]	Australia	100	100
European Gaming (Finance) Limited	United Kingdom	100	100
George Adams Holdings Limited	United Kingdom	100	100
European Gaming Limited	United Kingdom	100	100
Talarius Limited	United Kingdom	100	100
Bytecraft Systems (UK) Limited	United Kingdom	100	100
In-To-Save Limited	United Kingdom	100	100

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Name of entity	Country of incorporation	Equity holding 2013 %	2012 %
Blackheath Leisure (Carousel) Limited	United Kingdom	100	100
RAL Limited	United Kingdom	100	100
RAL Employee Benefit Trustee Limited	United Kingdom	100	100
RAL Interactive Limited	United Kingdom	100	100
CZ Trading Limited	United Kingdom	100	100
Cyberslotz Services SRL	Romania	100	100
CZ Holding Limited	Malta	100	100
Cyberslotz Services Malta Limited	Malta	100	100
CZ Back Office Limited	Malta	100	100
CZ Trading Limited	Malta	100	100
Leisure Promotions Limited	United Kingdom	100	100
Leisurama Holdings Limited	United Kingdom	100	100
Leisurama Entertainment Limited	United Kingdom	100	100
Displaymatics Holdings Limited	United Kingdom	100	100
Winners Amusements Limited	United Kingdom	100	100
Palma Leisure Limited	United Kingdom	100	100
National Leisure Limited	United Kingdom	100	100
Tattersall's Sweeps Consultation Long Service Leave fund	Australia	[4]	[4]

1. These subsidiaries have, where applicable, been granted relief from the necessity to prepare financial statements in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. Refer to Note 36 for further information.
2. Owned 50% by Tatts Group Limited and 50% by Reaftin Pty Ltd. 100% equity holding within the Group.
3. Dormant entity.
4. Not incorporated. The trustees of the entity are employees of the Group, therefore in accordance with AASB, the Group controls the Fund and the Fund is consolidated.
5. Entity renamed during the current financial year. Previous name was VicTote Participant Pty Ltd.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 36 Deed of cross guarantee

As at 1 July 2012, Tatts Group Limited, Tattersall's Holdings Pty Ltd, Tattersall's Gaming Pty Ltd, Tattersall's Sweeps Pty Ltd, Reaftin Pty Ltd, Wintech Investments Pty Ltd, Bytecraft Systems Pty Ltd, TattsBet Limited, SA TAB Pty Ltd, Maxgaming Holdings Pty Ltd, Maxgaming NSW Pty Ltd, Maxgaming Qld Pty Ltd, Golden Casket Lottery Corporation Limited, New South Wales Lotteries Corporation Pty Limited, TOTE Tasmania Pty Ltd were party to a Deed of Cross Guarantee (Deed) dated 1 May 2009, under which each company guarantees the debts of the others in the event of the winding up of any of those companies in the circumstances contained in the Deed.

During the year Tatts Lotteries SA Pty Ltd became party to the Deed by way of a Deed of Assumption dated 13 June 2013. Bytecraft Systems NSW Pty Ltd became party to the Deed by way of a Deed of Assumption dated 23 June 2013.

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

(a) Consolidated income statement, statement of comprehensive income and a summary of movements in consolidated retained earnings

The above companies represent a Closed Group for the purposes of the Class Order and they also represent the Extended Closed Group. Set out below is a consolidated income statement, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2013 of the Closed Group consisting of the companies listed above.

	2013 $'000	2012 $'000
Consolidated income statement		
Revenue from continuing operations	**2,801,925**	2,530,951
Statutory outgoings		
Government share	**(1,340,269)**	(1,246,737)
Venue share / commission	**(404,948)**	(354,108)
Product / program fees	**(188,475)**	(190,095)
Other income	**1,479**	–
Other expenses from ordinary activities		
Employee expenses	**(163,364)**	(135,904)
Operating fees and direct costs	**(73,042)**	(59,668)
Telecommunications and technology	**(36,349)**	(30,725)
Marketing and promotions	**(38,675)**	(33,614)
Information services	**(21,547)**	(18,201)
Property expenses	**(28,068)**	(23,934)
Restructuring costs	**(15,145)**	(16,192)
Other expenses	**(29,886)**	(23,806)
Profit before interest, income tax, depreciation, amortisation and impairment	**463,636**	397,967
Depreciation and amortisation	**(72,057)**	(78,122)
Interest income	**2,761**	4,484
Finance costs	**(99,826)**	(96,329)
Profit before income tax	**294,514**	228,000
Income tax expense	**(70,593)**	(57,505)
Profit for the year from continuing operations	**223,921**	170,495
Profit from discontinued operation	**19,934**	157,610
Profit attributable to owners of Tatts Group Limited	**243,855**	328,105

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

	2013 $'000	2012 $'000
Statement of comprehensive income		
Profit for the year	**243,855**	328,105
Other comprehensive income		
Items that may be reclassified to profit or loss		
Changes in the fair value of available-for-sale financial assets	**(149)**	(403)
Changes in the value of net investment hedges	**(6,012)**	(1,695)
Changes in the value of interest rate swaps	**4,016**	(14,186)
Changes in the fair value of cash flow hedges	**10,970**	693
Changes in the fair value of forward foreign exchange contracts	**207**	1,053
Exchange differences on translation of foreign operations	**775**	(815)
Income tax relating to these items	**(4,778)**	3,851
Other comprehensive income for the year, net of tax	**5,029**	(11,502)
Total comprehensive income for the year	**248,884**	316,603
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**163,409**	132,039
Net profit for the year	**243,855**	328,105
Dividends (Note 28)	**(274,644)**	(292,540)
Actuarial gain on retirement benefit obligation, net of tax	**–**	(6,585)
Transfer of retained earnings from entities outside the Closed Group	**14,374**	2,390
Retained earnings at the end of the financial year	**146,994**	163,409

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 June 2013 of the Closed Group consisting of the companies listed in 36(a).

	2013 $'000	2012 $'000
ASSETS		
Current assets		
Cash and cash equivalents	**359,325**	263,809
Trade and other receivables	**227,228**	232,302
Inventories	**13,363**	15,353
Property, plant and equipment	**–**	39,392
Total current assets	**599,916**	550,856
Non-current assets		
Trade and other receivables	**184**	368
Available-for-sale financial assets	**18,306**	34,831
Other financial assets	**204,750**	205,166
Property, plant and equipment	**138,147**	135,066
Derivative financial instruments	**24,592**	–
Intangible assets	**4,319,741**	3,886,705
Deferred tax assets	**26,665**	33,480
Other non-current assets		–
Total non-current assets	**4,732,385**	4,295,616
Total assets	**5,332,301**	4,846,472

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 36 Deed of cross guarantee (continued)

	2013 $'000	2012 $'000
LIABILITIES		
Current liabilities		
Trade and other payables	**646,156**	540,881
Derivative financial instruments	**1,403**	5,132
Current tax liabilities	**16,212**	40,406
Provisions	**16,279**	16,439
Interest bearing liabilities	**343,387**	315,381
Total current liabilities	**1,023,437**	918,239
Non-current liabilities		
Trade and other payables	**62,079**	72,968
Interest bearing liabilities	**1,127,158**	856,636
Provisions	**2,326**	2,714
Derivative financial instruments	**11,566**	14,086
Deferred tax liabilities	**243,872**	212,887
Retirement benefit obligations	**12,001**	17,526
Total non-current liabilities	**1,459,002**	1,176,817
Total liabilities	**2,482,439**	2,095,056
Net assets	**2,849,862**	2,751,416
EQUITY		
Contributed equity	**2,654,847**	2,542,870
Reserves	**48,021**	45,137
Retained earnings	**146,994**	163,409
Total equity	**2,849,862**	2,751,416

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 37 Investments accounted for using the equity method

	2013 $'000	2012 $'000
Joint venture entities	–	2,481

(a) Investments in joint venture entities

Interests were held in the following joint ventures:

Unlisted	Country of Residence	Principal Activities	End of each reporting period	Ownership Interest 2013 %	Ownership Interest 2012 %	Carrying Amount of Investment 2013 $'000	Carrying Amount of Investment 2012 $'000
LH Developments Pty Ltd	Australia	Property development	30 June	–	50	–	2,492
Highlands Hotel Victoria Pty Ltd	Australia	Property development	30 June	–	50	–	(11)
						–	2,481

On 7 June 2013, the Group disposed of the interest in LH Developments Pty Ltd to LDH Pty Ltd, and the interest in Highlands Hotel Victoria Pty Ltd to Hightab Pty Ltd. At 30 June 2013 the Group held no interest in joint ventures. Gain on disposal was $0.1 million

(b) Reconciliation of movements in joint ventures

	2013 $'000	2012 $'000
Carrying amount of investment in joint ventures		
Balance at the beginning of the financial year	2,481	2,312
Share of gain/(loss) after income tax	129	169
Share of assets and liabilities settled and released from joint venture	(2,610)	–
Balance at the end of the financial year	–	2,481
Share of joint venture assets and liabilities		
Current assets	–	229
Non-current assets	–	18,429
Total assets	–	18,658
Current liabilities	–	1,907
Non-current liabilities	–	14,270
Total liabilities	–	16,177
Share of net assets of joint ventures	–	2,481
Share of joint venture revenue, expenses and results		
Revenue	373	401
Expenses	(244)	(232)
Profit before income tax	129	169
Income tax benefit/(expense)	–	–
Profit after income tax	129	169

(c) Contingent liabilities and commitments relating to joint ventures

Each party to the joint venture is jointly and severally liable for the debts of the entity. At 30 June 2013 contingent liabilities are $Nil (2012: $Nil). Following the Group's disposal of the interest in the joint ventures, the share of capital commitments which have not been recognised as a liability at 30 June 2013 are $Nil (2012: $1.9 million).

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 38 Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities

	2013 $'000	2012 $'000
Profit for the year	**247,336**	319,139
Non cash flows in operating profit		
Depreciation, amortisation and impairment	**102,164**	100,480
Amortisation of borrowing costs	**1,882**	4,200
(Profit)/loss on sale of fixed assets	**(25,776)**	(25)
Employee share options	**1,894**	(1,218)
Restructure charges	**316**	4,712
Bad and doubtful debts	**964**	916
Dividends/distributions reinvested	**–**	1,790
Share of joint venture (profit)/loss	**(129)**	(169)
Change in operating assets and liabilities, net of effects from purchase of controlled entities		
(Increase)/decrease in trade and other receivables	**863**	(66,271)
(Increase)/decrease in inventories	**1,966**	(8,216)
(Increase)/decrease in deferred tax assets	**6,826**	(6,480)
(Increase)/decrease in other operating assets	**915**	84
(Decrease)/increase in trade and other payables	**56,007**	32,108
(Decrease)/increase in provision for current tax liabilities	**(23,642)**	14,866
(Decrease)/increase in deferred tax liabilities	**(22,029)**	(4,969)
(Decrease)/increase in other provisions	**(2,640)**	(660)
Net cash inflow from operating activities	**346,917**	390,287

(a) Non-cash financing activities

Dividends satisfied by the issue of shares under a Dividend Reinvestment Plan are shown in Note 26(b). Options and rights issued to employees under the Group's incentive plans and structures are shown in Note 41.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 39 Parent entity financial information

(a) Summary financial information

The individual financial statements of the parent entity show the following aggregate amounts:

	2013 $'000	2012 $'000
Balance sheet		
Current assets	1,283,018	899,656
Total assets	3,898,860	3,501,942
Current liabilities	129,938	97,666
Total liabilities	1,093,330	830,157
Shareholders' equity		
Issued capital	3,754,320	3,642,343
Reserves		
Hedge reserve	(3,865)	(9,837)
Share-based payments	3,947	6,090
Foreign currency translation	(5,533)	(6,366)
Retained earnings	(943,339)	(960,445)
Total equity	2,805,530	2,671,785
Profit for the year	291,751	270,461
Total comprehensive income	296,414	269,331

(b) Guarantees entered into by the parent entity

The parent entity has not provided any financial guarantees in respect of bank overdrafts or loans to subsidiaries as at 30 June 2013 or 30 June 2012.

There are cross guarantees given by the parent entity and its nominated subsidiaries as described in Note 36. No deficiencies of assets exist in any of these entities.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2013 or 30 June 2012.

(d) Contractual commitments for the acquisition of property, plant & equipment

The parent entity did not have any contractual commitments for the acquisition of property, plant and equipment as at 30 June 2013 or 30 June 2012.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 40 Earnings per share

(a) Basic earnings per share

	2013 Cents	2012 Cents
From continuing operations attributable to the ordinary equity shareholders of the Company	**16.4**	12.1
Total basic earnings per share attributable to the ordinary equity shareholders of the Company	**17.9**	23.8

(b) Diluted earnings per share

From continuing operations attributable to the ordinary equity shareholders of the Company	**16.4**	12.0
Total diluted earnings per share attributable to the ordinary equity shareholders of the Company	**17.8**	23.8

(c) Reconciliation of earnings used in calculating earnings per share

	2013 $'000	2012 $'000
Basic and diluted earnings per share		
Profit from continuing operations	**227,402**	161,529
Profit from continuing operations attributable to the ordinary equity shareholders of the Company used in calculating basic and diluted earnings per share	**227,402**	161,529
Profit attributable to the ordinary equity shareholders of the Company used in calculating basic and diluted earnings per share	**247,337**	319,139

(d) Weighted average number of shares used as the denominator

	2013 Number of shares	2012 Number of shares
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**1,384,047,008**	1,340,177,702
Adjustments for calculation of diluted earnings per share:		
Performance options and performance rights	**2,396,576**	1,940,111
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**1,386,443,584**	1,342,117,813

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 41 Share-based payments

(a) Incentive plan

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

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

(b) Long term incentive plan pre 2011 financial year

Staff eligible to participate in the long term incentive plan (LTIP) pre the 2011 financial year were those of senior manager level and above (including executive Directors).

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

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

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 41 Share-based payments (continued)

(c) Options and rights granted under the incentive plans

Set out below are summaries of the performance options and rights granted or to be granted in respect of the 2013 financial year under the incentive plans:

2013 Grant date	Expiry date	Exercise price	Balance at start of year Number	Granted during and in respect of the year Number	Exercised during the year Number	Lapsed/ forfeited during the year Number	Balance at end of year Number	Exercisable at end of year Number
Performance options								
16 December 2005	7 July 2012	$3.10	174,726	–	–	(174,726)	–	–
16 December 2005	30 November 2013	$3.13	1,471,600	–	(1,471,600)	–	–	–
16 December 2006	30 November 2013	$3.65	383,639	–	–	(49,289)	334,350	334,350
16 December 2007	30 November 2014	$3.99	1,129,969	–	–	(115,404)	1,014,565	1,014,565
16 December 2008	30 November 2015	$2.56	1,791,000	–	(836,485)	(4,648)	949,867	949,867
Weighted average exercise price			**$3.16**		**$2.92**	**$3.47**	**$3.35**	**$3.35**
Performance rights								
30 November 2006	30 November 2013	N/A	3,554	–	–	–	3,554	3,554
30 Oct 2009 – Chief Executive	10 January 2014	N/A	125,000	–	(125,000)	–	–	–
30 Oct 2009 – Chief Executive	10 January 2013	N/A	125,000	–	(125,000)	–	–	–
30 November 2009	30 November 2016	N/A	1,097,607	–	(952,753)	(23,376)	121,478	121,478
29 Oct 2010 – Chief Executive	10 January 2015	N/A	125,000	–	–	–	125,000	–
29 Oct 2010 – Chief Executive	10 January 2014	N/A	125,000	–	–	–	125,000	–
26 September 2011	27 October 2012	N/A	158,227	–	(158,227)	–	–	–
27 Oct 2011 – Chief Executive	10 January 2016	N/A	125,000	–	–	–	125,000	–
27 Oct 2011 – Chief Executive	10 January 2015	N/A	125,000	–	–	–	125,000	–
1 September 2012	1 October 2013	N/A	481,937	–	–	–	481,937	–

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

2012 Grant date	Expiry date	Exercise price	Balance at start of year Number	Granted during and in respect of the year Number	Exercised during the year Number	Lapsed/ forfeited during the year Number	Balance at end of year Number	Exercisable at end of year Number
Performance options								
16 Dec 2005	7 Jul 2012	$3.10	194,454	–	–	(19,728)	174,726	174,726
30 Nov 2006 – Chief Executive	30 Nov 2013	$3.13	2,000,000	–	–	(528,400)	1,471,600	1,471,600
30 Nov 2006	30 Nov 2013	$3.65	538,249	–	–	(154,610)	383,639	383,639
30 Nov 2007	30 Nov 2014	$3.99	1,170,208	–	–	(40,239)	1,129,969	1,129,969
30 Nov 2008	30 Nov 2015	$2.56	6,223,600	–	–	(4,432,600)	1,791,000	1,753,389
Weighted average exercise price			**$3.46**	**–**	**–**	**$2.66**	**$3.16**	**$3.16**
Performance rights								
16 Dec 2005	7 July 2012	N/A	9,946	–	–	(9,946)	–	–
30 Nov 2006	30 Nov 2013	N/A	62,429	–	(14,176)	(44,699)	3,554	3,554
30 Oct 2009 – Chief Executive	10 Jan 2014	N/A	125,000	–	–	–	125,000	–
30 Oct 2009 – Chief Executive	10 Jan 2013	N/A	125,000	–	–	–	125,000	–
30 Nov 2009	30 Nov 2016	N/A	1,163,803	–	–	(66,196)	1,097,607	–
29 Oct 2010 – Chief Executive	10 Jan 2015	N/A	125,000	–	–	–	125,000	–
29 Oct 2010 – Chief Executive	10 Jan 2014	N/A	125,000	–	–	–	125,000	–
26 Sept 2011	27 Oct 2012	N/A	158,227	–	–	–	158,227	–
27 Oct 2011 – Chief Executive	10 Jan 2016	N/A	–	125,000	–	–	125,000	–
27 Oct 2011 – Chief Executive	10 Jan 2015	N/A	–	125,000	–	–	125,000	–
26 Sept 2012	27 Oct 2013	N/A	–	481,937	–	–	481,937	–

The weighted average share price at the date of the exercise of rights exercised during the year ended 30 June 2013 was $2.89 (2012: $2.38).

The weighted average remaining contractual life of exercisable rights outstanding at the end of the period was 1.39 years (2012: 3.20 years).

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.69 years (2012: 2.32 years).

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2013

Note 41 Share-based payments (continued)

Fair value of options and rights granted

The model inputs for rights granted during the year ended 30 June 2013 included:

Performance conditions	Performance rights Rights granted to qualifying executives under current incentive scheme
Grant date	Oct-13
Expiry date	Oct-14
Share price at grant date	$3.20
Expected life	1.0 years
Vesting period	1.0 years
Volatility	N/A
Risk free interest rate	N/A
Dividend yield	4.80%
Fair value	$3.25

The model inputs for options granted during the year ended 30 June 2012 included:

Performance conditions	Performance rights TSR – market based – Chief Executive	Performance rights EPS – non-market based – Chief Executive	Performance rights Rights granted to qualifying executives under current incentive scheme
Grant date	27 Oct 2011	27 Oct 2011	26 Sept 2012
Expiry date	10 Jan 2016	10 Jan 2015	27 Oct 2013
Share price at grant date	$2.38	$2.38	$2.84
Expected life	3.1 years	3.0 years	1.0 years
Vesting period	3.0 years	3.0 years	1.0 years
Volatility	20.00%	20.00%	N/A
Risk free interest rate	3.95%	3.94%	N/A
Dividend yield	9.22%	9.22%	8.00%
Fair value	$1.26	$1.81	$2.42

(d) Expenses arising from share-based payment transactions

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

	2013 $'000	2012 $'000
Performance rights issued under LTIP[1]	**2,170**	960
Performance options issued under LTIP[1]	**(276)**	81
Performance rights issued under incentive schemes[2]	**1,198**	1,369
	3,092	2,410

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

Note 42 Events occurring after the reporting period

In the opinion of the Directors, there have been no other material matters or circumstances which have arisen between 30 June 2013 and the date of this report that have significantly affected or may significantly affect the operations of the Group, the result of those operations or the state of affairs of the Group in subsequent financial periods.

Directors' declaration

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 30 June 2013 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 36 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 36.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

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

Harry Boon
Chairman

Robbie Cooke
Managing Director/Chief Executive Officer

Brisbane
22 August 2013

Independent auditor's report

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

Report on the financial report

We have audited the accompanying financial report of Tatts Group Limited (the company), which comprises the consolidated balance sheet as at 30 June 2013, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Tatts Group Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation ofFinancial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

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

pwc

Auditor's opinion

In our opinion:

(a) the financial report of Tatts Group Limited is in accordance with the *Corporations Act 2001,* including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 39 to 53 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Tatts Group Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Anton Linschoten
Partner

Brisbane
22 August 2013

Shareholder information

The shareholder information set out below is based on the information recorded in the Tatts Group Limited share register as at 28 August 2013.

Ordinary shares

Tatts has on issue 1,402,711,960 fully paid ordinary shares.

Tatts Bonds

Tatts has on issue 1,946,642 Tatts Bonds which are seven year debt securities listed on the Australian Securities Exchange (AS X) under the code TTSHA. They were initially issued on 29 June 2012 to successful applicants pursuant to the Tatts Bonds Prospectus dated 6 June 2012 and commenced trading on a normal settlement basis on 4 July 2012.

Voting rights

The voting rights attaching to each class of equity securities are set out below:

a. Ordinary shares - On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.
b. Performance options and rights - No voting rights.

Substantial shareholders

The following is a summary of the current substantial shareholders pursuant to notices lodged with the ASX in accordance with section 671B of the Corporations Act:

Name	Date of interest	Number of ordinary shares[1]	% of issued capital[2]
JCP Investment Partners Ltd	18 July 2013	71,037,772	5.06%

1. As disclosed in the last notice lodged with the ASX by the substantial shareholder.
2. The percentage set out in the notice lodged with the ASX is based on the total issued share capital of Tatts at the date of interest.

On Market Buy-back

There is no current on-market buy-back in respect of Tatts Group's ordinary shares.

Distribution of securities held

Analysis of number of ordinary shareholders and Tatts Bond holders by size of holding:

	Ordinary Shares[1]		Tatts Bonds	
Range	Number of holders	Number of securities	Number of holders	Number of securities
1 – 1,000	13,871	8,019,299	1,409	374,439
1,001 – 5,000	48,862	133,420,239	90	209,391
5,001 – 10,000	8,164	61,215,547	9	67,496
10,001 – 100,000	6,526	149,917,473	10	463,475
100,001 and over	406	1,050,139,402	3	831,841
Total	77,829	1,402,711,960	1,521	1,846,642

1. Ordinary shares includes restricted shares offered to employees under the Company's incentive arrangements

There were 1,392 holders of less than a marketable parcel of ordinary shares representing 94,228 shares.

Shareholder information (continued)

Top twenty largest shareholders

The names of the twenty largest quoted equity security holders as they appear on the Tatts Group Limited share register are listed below:

	Ordinary Shares	
Name	Number of shares	% of total shares
HSBC Custody Nominees (Australia) Limited	253,603,427	18.08
JP Morgan Nominees Australia Limited	164,985,299	11.76
National Nominees Limited	164,841,163	11.75
Citicorp Nominees Pty Limited	76,149,259	5.43
JP Morgan Nominees Australia Limited	31,324,755	2.23
UBS Wealth Management Australia Nominees Pty Ltd	17,610,423	1.26
BNP Paribas Noms Pty Ltd	17,130,567	1.22
Tassyd Pty Limited	13,560,000	0.97
UBS Nominees Pty Ltd	11,392,483	0.81
RBC Investor Services Australia Nominees Pty Limited	10,998,767	0.78
HSBC Custody Nominees (Australia) Limited	10,440,259	0.74
RBC Investor Services Australia Nominees Pty Limited	10,098,602	0.72
Citicorp Nominees Pty Limited	9,744,709	0.69
Robin Edward Davey	9,568,668	0.68
QIC Limited	7,565,022	0.54
Wentworth Investments Pty Ltd	7,176,501	0.51
Neweconomy Com Au Nominees Pty Limited	6,063,805	0.43
AMP Life Limited	5,659,883	0.40
Bainpro Nominees Pty Limited	5,618,884	0.40
HSBC Custody Nominees (Australia) Limited	5,612,958	0.40
Total	839,145,434	59.82

Top twenty largest Tatts Bonds holders

The names of the twenty largest quoted Tatts Bonds holders as they appear on the Tatts Group Limited register are listed below:

	Tatts Bonds	
Name	Number of bonds	% of total bonds
JP Morgan Nominees Australia Limited	401,000	20.60
JP Morgan Nominees Australia Limited	233,876	12.01
Citicorp Nominees Pty Limited	192,865	9.91
National Nominees Limited	89,405	4.59
UBS Nominees Pty Ltd	74,871	3.85
BNP Paribas Noms Pty Ltd	60,000	3.08
HSBC Custody Nominees (Australia) Limited	59,303	3.05
Citicorp Nominees Pty Limited	53,560	2.75
Sandhurst Trustees Ltd	34,245	1.76
Questor Financial Services Limited	31,717	1.63
RBC Investor Service Australia Nominees Pty Limited	25,000	1.28
UBS Wealth Management Australia Nominees Pty Ltd	22,187	1.14
HSBC Custody Nominees (Australia) Limited	11,400	0.59
Elecnet (Aust) Pty Ltd	10,000	0.51
RBC Investor Services Australia Nominees Pty Limited	9,000	0.46
RBC Investor Services Australia Nominees Pty Limited	7,000	0.36
Richard Small Nominees Pty Limited	7,000	0.36
BT Portfolio Services Limited	6,760	0.35
BT Portfolio Services Limited	6,750	0.35
Avanteos Investments Limited	6,610	0.34
Total	1,342,549	68.97

Domicile of ordinary shareholders

Domicile	Number of shares	% of shares	Number of holders	% of holders
Australian Capital Territory	3,869,132	0.28	823	1.06
New South Wales	672,531,773	47.95	10,230	13.14
Northern Territory	1,455,561	0.10	331	0.43
Queensland	198,763,332	14.17	41,241	52.99
South Australia	15,196,371	1.08	1,898	2.44
Tasmania	51,356,644	3.66	1,150	1.48
Victoria	434,067,255	30.94	19,196	24.66
Western Australia	19,074,125	1.36	2,588	3.33
Overseas	6,397,767	0.46	372	0.48
Total	1,402,711,960	100.00	77,829	100.00

Shareholder information (continued)

Domicile of Tatts Bonds holders

Domicile	Number of holders	% of holders	Number of Tatts Bonds	% of Tatts Bonds
Australian Capital Territory	17	1.12	3,620	0.19
New South Wales	361	23.73	854,478	43.89
Northern Territory	3	0.20	280	0.01
Queensland	325	21.37	63,360	3.25
South Australia	44	2.89	17,545	0.90
Tasmania	23	1.51	10,463	0.54
Victoria	589	38.72	937,458	48.16
Western Australia	157	10.32	58,687	3.01
Overseas	2	0.13	751	0.04
Total	1,521	100.00	1,946,642	100.00

Unquoted equity securities

	Number on Issue	Number of Holders
Performance options in respect of ordinary shares issued under the Tatts Group long term incentive plan	2,298,782	25
Performance rights in respect of ordinary shares issued under the Tatts Group long term incentive plan and rights plan	1,103,415	24

Note: Excludes 368,540 performance rights approved but not yet issued as at 28 August 2013

Go online to manage your shareholding

Online share registry facility

Tatts offers shareholders the use of an online share registry facility through www.computershare.com.au or www.investorcentre.com to conduct standard shareholding enquiries and transactions, including:

- update registered address
- lodge or update banking details
- notify Tax File Number / Australian Business Number
- download dividend statements
- check current and previous shareholding balances
- appoint a proxy to vote at the Annual General Meeting
- participate in the Dividend Reinvestment Plan

Dividend payments

All dividends paid by Tatts to shareholders with a registered address in Australia are paid by electronic funds transfer into your nominated bank account with an Australian financial institution. Payments are electronically credited on payment date, allowing shareholders to utilise your funds immediately.

Shareholders can provide or update their bank account details by using the online share registry facility or by contacting Computershare.

Dividend Reinvestment Plan (DRP)

Tatts operates a DRP which enables participants to reinvest their dividends into acquiring additional Tatts shares without incurring any brokerage or handling costs. There has been a 1.5% discount applied to the price at which shares were issued under the DRP in respect of the final dividend payable on 7 October 2013. To elect to participate in the Company's DRP, contact Computershare.

Corporate directory

Registered and principal administrative office in Australia

Tatts Group Limited
87 Ipswich Road, Woolloongabba, QLD, 4102
Telephone: + 61 7 3435 4500
ABN: 19 108 686 040

Website addresses

www.tatts.com
www.tattsgroup.com

Australian Securities Exchange (ASX) Listing

Tatts Group Limited shares are listed on the ASX under the code TTS. Tatts Group Limited Bonds are listed on the ASX under the code TTSHA.

Directors

Refer to profiles on pages 32 to 33

Senior executives

Refer to profiles on pages 22 to 23

General Counsel and Company Secretary

Anne Tucker
email: legal@tattsgroup.com

Investor Relations

Giovanni Rizzo
e-mail: investorrelations@tattsgroup.com

Media

Carolyn Prendergast
e-mail: medialiaison@tattsgroup.com

Auditor

PwC Australia
Freshwater Place Level 19, 2 Southbank Boulevard
Southbank VIC 3006

Share Registry

Computershare Investor Services Pty Limited
117 Victoria Street, West End, QLD, 4101
Email: web.queries@computershare.com.au
Telephone within Australia 1300 552 270
Telephone outside Australia +61 7 3237 2100
Fax +61 7 3237 2152

To maintain or update your details online and enjoy full access to all your holdings and other valuable information, simply visit www.investorcentre.com.

Shareholder calendar

Event	Dates
Interim results announcement	20 February 2014
Ex-Dividend	26 February 2014
Record date	4 March 2014
DRP pricing period commences	6 March 2014
Dividend payment	4 April 2014
Full-year results announcement	21 August 2014
Ex-Dividend	28 August 2014
Record date	3 September 2014
DRP pricing period commences	5 September 2014
Dividend payment	6 October 2014
Annual General Meeting	29 October 2014

Tatts Bonds calendar

Quarterly interest payment	Payment Date
October 2013	7 October 2013
January 2014	6 January 2014
April 2014	7 April 2014
July 2014	7 July 2014
October 2014	6 October 2014

All dates may be subject to change and will be updated under Investors at www.tattsgroup.com.

Dividend history

Date paid/payable	Type	Cents per share	DRP share price
5 April 2006	FY2006 Interim	8.75	–
26 September 2006	FY2006 Final	7.50	–
30 March 2007	FY 2007 Interim	8.00	–
5 October 2007	FY 2007 Final	10.0	–
5 October 2007	FY 2007 Special	4.00	–
4 April 2008	FY 2008 Interim	9.50	–
3 October 2008	FY 2008 Special[1]	10.5	–
3 April 2009	FY 2009 Interim	10.0	2.58
2 October 2009	FY 2009 Final	11.0	2.52
6 April 2010	FY 2010 Interim	10.0	2.44
1 October 2010	FY 2010 Special[2]	11.0	2.29
6 April 2011	FY 2011 Interim	10.5	2.18
5 October 2011	FY 2011 Final	11.0	2.10
4 April 2012	FY 2012 Interim	11.0	2.33
3 October 2012	FY 2012 Final	12.0	2.64
5 April 2013	FY 2013 Interim	8.0	3.07
7 October 2013	FY 2013 Final	7.5	[3]

All dividend payments are fully franked unless otherwise stated.

1. Paid in place of a 2008 Final Dividend - refer to ASX Releases dated 23 June and 28 August 2008.
2. Paid in place of a 2010 Final Dividend – refer to ASX Release dated 26 August 2010.
3. Not available at date of printing. Refer to www.tattsgroup.com/investors.

Tatts announcements

Details of all announcements released by Tatts Group Limited can be found under the Investor section at www.tattsgroup.com

Glossary of terms

AASB	Australian Accounting Standards Board
ABN	Australian Business Number
AGM	Annual General Meeting
App	A software application designed to run on smartphones, tablet computers and other mobile devices.
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited ABN 98 008 624 691, or the financial products market operated by ASX, as the context requires.
ATO	Australian Taxation Office
Board	The Company's board of directors.
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Company or Tatts	Tatts Group Limited
Consolidated Entity	The Company and its subsidiaries.
COO	Chief Operating Officer
Corporations Act	*Corporations Act 2001* (Cth)
CPI	Consumer Price Index
Director	A director (or their alternate) of the Company.
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Fixed price betting	A betting system where the payout is agreed at the time the bet is sold.
Group	The Company and its wholly-owned subsidiaries (unless otherwise defined).
GST	Australian goods and services tax
Non-executive Director	A Director who is not a member of the Company's executive management team.
NPAT	Net profit after tax
Parimutuel	A betting system where the payout is not determind until the pool is closed.
pcp	prior corresponding period
PwC	Pricewaterhouse Coopers
TattsBet or wagering	The Group's businesses that provide parimutuel and fixed price betting services under various licences from state governments in Queensland, South Australia, Tasmania and Northern Territory.
Tatts Lotteries or lotteries	The Group's businesses that provide lottery products under various licences, permits and approvals from state governments in Victoria, Queensland, Tasmania, New South Wales, South Australia, Australian Capital Territory and Northern Territory.
Tatts Pokies	The poker machine business operated under a licence granted by the Victorian Government, and which ceased operations on 15 August 2012.
TSR	Total shareholder return

Tatts | Group