

VICTORIAN HEALTH BENEFIT LEVY

Tatts Group today received a letter from the Victorian Treasurer advising that he has determined Tatts must pay a Health Benefit Levy of \$42,607,106 under the *Gambling Regulation Act 2003 (Vic)* in respect of the Victorian gaming operations conducted by Tatts in the financial year ending 30 June 2013.

This is despite the fact that as a result of the expiry of its Victorian Gaming Operator's Licence on 15 August 2012, Tatts' gaming operations in Victoria were limited to a period of 46 days. Relevantly in that period, the Group's operations under its Licence generated earnings before interest, tax and depreciation of approximately \$29 million, significantly less than the amount of the Levy claimed by the State for the same period.

Tatts strongly disputes the reasonableness of the determination made by the Treasurer and its legal sustainability. Tatts will also seek to rely on an indemnity which was granted by the State in 2009 in consideration of Tatts consenting to an extension of its Licence (from 14 April 2012 to 15 August 2012). The State sought Tatts agreement to this extension to assist it in achieving an orderly transition to its new gaming machine licensing regime following the expiry of the then current licensing arrangements.

Tatts' half-year result included a provision for the Levy of approximately \$7 million calculated on a pro-rata basis for the 46 days of operation under its Licence. As noted in the half-year accounts, the estimated additional impact on the Group as a result of the Levy not being calculated on a pro-rata basis is \$24.8 million after tax (approximately).

Tatts would like to think that a dialogue with the Victorian Government will result in a common sense outcome in relation to this matter, however in the absence of this will take all steps necessary to protect its legal position.

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