

Tatts Bonds Prospectus



Arrangers and Joint Lead Managers



Issuer

Tatts Group Limited
ABN 19 108 686 040

Date of Prospectus

29 May 2012

Co-Managers

Bell Potter Securities Limited
RBS Morgans Limited

Important notices

Prospectus

This Prospectus relates to the offer by Tatts Group Limited ABN 19 108 686 040 ('Tatts') of Tatts Bonds to raise \$200 million, with the ability to raise more or less ('Offer').

This Prospectus is dated 29 May 2012 and a copy of this Prospectus was lodged with Australian Securities and Investments Commission ('ASIC') on that date. This Prospectus expires on the date which is 13 months after 29 May 2012 ('Expiry Date') and no Tatts Bonds will be issued on the basis of this Prospectus after the Expiry Date.

This Prospectus is a vanilla bonds prospectus for an Offer of Tatts Bonds and has been prepared in accordance with Chapter 6D of the Corporations Act. This Prospectus does not contain the same level of disclosure as an initial public offering prospectus and is subject to the special content rules under section 713 of the Corporations Act (as modified by ASIC Class Order CO 10/321, as amended).

This Prospectus contains important information which a potential investor should consider before making any decision to invest in Tatts Bonds. It also shows you where you can obtain more information on particular matters and background information on Tatts.

Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

This Prospectus is only relevant for investors and potential investors in Tatts Bonds and should not be used for any other purposes.

Documents relevant to the Offer

The following documents are relevant to the Offer and can be obtained from www.tattsbondsoffer.com during the Offer Period:

- the full Terms of Tatts Bonds (see also the Appendix to this Prospectus); and
- the Trust Deed (see also Section 4.6 for a summary of the principal provisions).

It is important that you read and consider the information in this Prospectus (including the Terms) in full before deciding to invest in Tatts Bonds.

Exposure period

The Corporations Act prohibits Tatts from processing Applications to subscribe for Tatts Bonds under this Prospectus in the seven day period after the date of lodgement of this Prospectus ('Exposure Period'). This period may be extended by ASIC by up to a further seven days. This period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of certain deficiencies in this Prospectus in which case any Application may need to be dealt with in accordance with Section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.

Status of Tatts Bonds

Tatts Bonds are interest bearing, senior and unsecured debt obligations, issued by Tatts. Tatts Bonds are 'unsecured notes' for the purposes of section 283BH of the Corporations Act. Holders of Tatts Bonds rank behind any creditors preferred by law and any secured creditors of Tatts. See Section 1.7 'Ranking'.

The Tatts Bonds are guaranteed on a joint and several basis by the Guarantors subject to and in accordance with the Trust Deed. The obligations of the Guarantors are senior and unsecured obligations of each Guarantor and rank behind any creditors preferred by law and any secured creditors of the Guarantors. See Section 1.5 'Guarantee and negative pledge' and Section 1.7 'Ranking'.

Investment products such as Tatts Bonds are subject to risks which could affect their performance, including loss of investment and income. Tatts does not guarantee the market price of Tatts Bonds and/or any particular rate of return.

If you choose to invest in Tatts Bonds, you will be lending money to Tatts and will be exposed to the risk that Tatts may be unable to repay that money at the Maturity Date or on any Redemption Date.

Tatts Bonds will be issued by Tatts, and guaranteed by the Guarantors, subject to and in accordance with the Trust Deed. Holders will have no direct right to claim against Tatts or the Guarantors (as the case may be)

except as provided in the Trust Deed (see Section 4.6). Information about the key risks of investing in Tatts Bonds is detailed in Section 3 'Key Risks of Tatts Bonds'.

No representations other than in this Prospectus

No person is authorised to provide any information or to make any representation in connection with the Offer that is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied upon as having been authorised by Tatts.

Except as required by law, and only to the extent so required, neither Tatts nor any other person warrants or guarantees the future performance of Tatts, or any return on any investment made pursuant to this Prospectus.

Responsibility Statement by Trustee

The Trustee, Australian Executor Trustees Limited:

- has not authorised or caused the issue, submission, dispatch or provision of this Prospectus and does not make any statement or purport to make any statement in this Prospectus or any statement on which a statement in this Prospectus is based;
- nor any of its directors, employees, officers, affiliates, agents, advisors, intermediaries or related bodies corporate (each a 'related person') assumes any responsibility for the accuracy or completeness of any information contained in this Prospectus;
- to the maximum extent permitted by law expressly disclaims all liability in respect of, makes no representation or any statement regarding, and takes no responsibility for, any part of this Prospectus, or any statements in, or omissions from this Prospectus, other than the references to its name and the statement(s) and/or report(s) (if any) specified below and included in this Prospectus with its written consent;
- has given, and has not, before the lodgement of this Prospectus with ASIC withdrawn, its written consent to be named in this Prospectus in the form and content in which it is named;
- nor any related person makes any representation as to the truth and accuracy of the contents of this Prospectus;
- has relied on the Issuer for the accuracy of the contents of this Prospectus; and
- nor any related person makes any representation or warranty as to the performance of the Tatts Bonds or the payment of interest or Redemption of Tatts Bonds.

Prospectus does not provide investment advice

The information provided in this Prospectus is not investment advice and has been prepared without taking into account your investment objectives, financial situation or particular needs (including financial and taxation issues). It is important that you read and consider the information in this Prospectus (including the Terms) in full before deciding to invest in Tatts Bonds and consider the risks that could affect the performance of Tatts Bonds.

If you have any questions, you should seek advice from your financial adviser or other professional adviser before deciding to invest in Tatts Bonds.

Obtaining a Prospectus and Application Form

Paper copies of this Prospectus and an Application Form can be obtained for the Shareholder and Broker Firm Offers free of charge during the Offer Period by calling the Tatts Bonds Information Line on 1300 367 346 (within Australia) or +61 3 9415 4199 (international) (Monday to Friday – 9.00am to 5.00pm, Melbourne time) during the Offer Period.

This Prospectus (and, during the Offer Period, the Application Forms for the Shareholder, General and Broker Firm Offers) can also be obtained electronically from www.tattsbondsoffer.com.

Electronic access to the prospectus

This Prospectus is available to Australian investors including Eligible Shareholders within Australia in electronic form at www.tattsbondsoffer.com. The Offer constituted by this Prospectus in electronic form is available only to persons accessing and downloading or printing the electronic copy of the Prospectus within Australia and is not available to persons in any other jurisdictions (including the United States) without the prior approval of Tatts and the Joint Lead Managers. Persons in Australia having received a copy of this Prospectus in its electronic form may, before the Closing

Date of the Offer, obtain a paper copy of this Prospectus (free of charge) by telephoning the Tatts Offer Information Line on 1300 367 346 (within Australia) or +61 3 9415 4199 (international) (Monday to Friday – 9.00am to 5.00pm). Applications for Tatts Bonds may only be made on an Application Form that is attached to or accompanying this Prospectus following the opening of the Offer. A printable version of this Prospectus may be downloaded in its entirety from www.tattsbondsoffer.com. If you access an electronic copy of this Prospectus, then you should read 'Electronic access to Prospectus' in Section 4.4 for further information.

Restrictions on foreign jurisdictions

The distribution of this Prospectus, and the offer or sale of Tatts Bonds, may be restricted by law in certain jurisdictions. Persons who receive this Prospectus outside Australia must inform themselves about and observe all such restrictions. Nothing in this Prospectus is to be construed as authorising its distribution, or the offer or sale of Tatts Bonds, in any jurisdiction other than Australia without the prior express approval of Tatts and the Joint Lead Managers and Tatts does not accept any liability in that regard.

Further, Tatts Bonds may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material may be distributed or published, in any jurisdiction except under circumstances that will result in compliance with any applicable law or regulations.

Tatts reserves the right to offer Tatts Bonds under the Offer to investors outside Australia where to do so without a Prospectus or other formal document being prepared would not be in breach of the securities law requirements of the relevant jurisdiction.

This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. Neither this Prospectus nor any Application Forms or other materials relating to the Offer may be distributed in the United States. Applicants will be required to make certain representations, warranties and agreements regarding the foregoing and related matters when completing an Application Form to purchase Tatts Bonds.

Financial information and forward looking statements

Section 2 sets out in detail the financial information referred to in this Prospectus. The basis of preparation of that information is set out in Section 2.3.

All financial amounts contained in this Prospectus are expressed in Australian dollars unless otherwise stated.

Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

This Prospectus contains forward looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'intends' and other similar words that involve risks and uncertainties.

Any forward looking statements are subject to various risk factors that could cause Tatts' actual results to differ materially from the results expressed or anticipated in these statements.

Forward looking statements should be read in conjunction with risk factors as set out in Section 3, and other information in this Prospectus.

Defined words and expressions

Some words and expressions used in this Prospectus have defined meanings. These words and expressions are capitalised and are defined in Section 6 'Glossary'.

The definitions specific to Tatts Bonds are in clause 10 of the Terms in the Appendix. If there is any inconsistency in definitions between those in the Prospectus and the Terms, the definitions in the Terms prevail.

A reference to \$ or cents in this Prospectus is a reference to Australian currency. A reference to time in this Prospectus is a reference to Melbourne, Victoria, Australia time.

If you have any questions about Tatts Bonds or the Offer, you should seek advice from your financial adviser or other professional adviser. You can also call the Tatts Bonds Information Line on 1300 367 346 (within Australia) or +61 3 9415 4199 (international) (Monday to Friday – 9.00am to 5.00pm, Melbourne time) during the Offer Period.

ASIC and ASX guides for retail investors

ASIC has published a guide for retail investors who are considering investing in bonds, such as Tatts Bonds, called 'Investing in corporate bonds?' (the 'ASIC Guide'). A free copy of the ASIC Guide can be obtained from ASIC's MoneySmart website at www.moneysmart.gov.au/publications or by calling ASIC on 1300 300 630 (within Australia) or on +61 3 5177 3988 (international). A free copy of the ASIC Guide can also be obtained from www.tattsbondsoffer.com during the Offer Period.

ASX has published a guide that may be useful to prospective investors considering whether to invest in Tatts Bonds. The guide is entitled 'Understanding ASX Interest Rate Securities', and is available from www.asx.com.au/documents/resources/understanding_asx_interest_rate_securities.pdf. ASX's guide applies to a range of different and varying securities and does not specifically consider the terms of Tatts Bonds.

Further information about Tatts and Tatts Bonds

Tatts is a disclosing entity for the purposes of the Corporations Act and as a result, is subject to regular reporting and disclosure obligations under the Corporations Act and Listing Rules, including an obligation to lodge half-yearly and annual financial reports. Tatts must notify ASX immediately if it becomes aware of information about the company that a reasonable person would expect to have a material effect on the price or value of its securities, subject to limited exceptions.

Copies of documents lodged with ASIC in relation to Tatts may be obtained from, or inspected at, an ASIC office. You have the right to obtain a copy of these documents, including Tatts' annual financial report for the year ended 30 June 2011, half-year financial report for the half-year ended 31 December 2011 and any continuous disclosure notices lodged by Tatts after the annual financial report for the year ending 30 June 2011 and before lodgement of this Prospectus with ASIC.

In addition to the information in this Prospectus, other important information in relation to Tatts and Tatts Bonds, will be available from www.tattsbondsoffer.com during the Offer Period, from www.tattsgroup.com after the Issue Date, and on ASX's website www.asx.com.au during the term of Tatts Bonds and is expected to continue to be available on ASX's website www.asx.com.au after the Tatts Bonds have matured. This information includes Tatts':

- annual and half-year financial reports, including the annual financial report for the year ending 30 June 2011 and half-year financial report for the half-year ending 31 December 2011;
- quarterly reports about Tatts Bonds that are provided to ASIC and the Trustee in accordance with the requirements of section 283BF of the Corporations Act or quarterly reports containing material information from these reports;
- continuous disclosure notices submitted to ASX; and
- other half-year and annual updates of any key financial disclosures (which will be included in Tatts' annual or half-year financial reports), such as:
 - details of any debt ranking ahead or proposed to rank ahead of Tatts Bonds;
 - whether Tatts has materially breached any loan covenants or debt obligations; and
 - key financial metrics for Tatts as set out in section 2.3(b) of this Prospectus.

Email notification of certain new information

If you want to receive an email when Tatts announces or publishes new information about Tatts Bonds on the Tatts website or with ASX, you may elect to do so by providing your email address to Tatts' Registry, Computershare. Alternatively, when applying for Tatts Bonds you may register your details at www.tattsbondsoffer.com and then select 'email alerts'.

Chairman's letter

29 May 2012

Dear Investor

Offer of Tatts Bonds

Tatts is pleased to offer you the opportunity to invest in Tatts Bonds, new seven-year senior and unsecured debt securities which are being issued by Tatts and are to be listed on ASX. Tatts Bonds are different to ordinary shares in Tatts, and Tatts intends to raise approximately \$200 million by issuing Tatts Bonds (although the actual proceeds may be more or less than this amount).

Holders of Tatts Bonds will be entitled to receive quarterly interest payments and repayment of the Face Value when the Tatts Bonds mature on 5 July 2019. The interest rate will be a variable rate based on a three-month bank bill rate plus a fixed margin of between 2.90% and 3.10% per annum.

Tatts will use the proceeds raised from issuing Tatts Bonds to repay existing debt. Tatts Bonds will provide Tatts with increased financial flexibility, increased funding diversification and will lengthen Tatts' existing debt maturity profile.

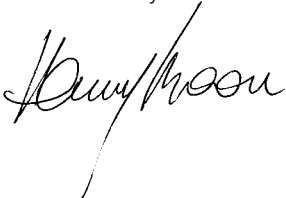
The Offer includes an invitation to Eligible Tatts Shareholders to apply for Tatts Bonds under the Shareholder Offer. The minimum investment is \$5,000 and the Offer is scheduled to open on 6 June 2012.

Full details of this opportunity, including the terms of issue of the Tatts Bonds and the risks associated with the investment, are set out in this Prospectus. Please read it carefully before deciding whether to invest in Tatts Bonds.

If you have any questions about the Offer please call the **Tatts Bonds Information Line on 1300 367 346 (within Australia) or +61 3 9415 4199 (international) (Monday to Friday – 9.00am to 5.00pm)**. If you are uncertain whether Tatts Bonds are a suitable investment for you, you should consult your financial or other professional adviser.

On behalf of the Board of Tatts, I invite you to consider this new investment opportunity.

Yours sincerely



Harry Boon
Chairman
Tatts Group Limited

Key dates

Key dates for the Offer

Lodgement of Prospectus with ASIC	29 May 2012
Bookbuild to determine Margin and Allocations to Syndicate Brokers and Institutional Investors	5 June 2012
Opening date for the Offer and lodgement of Replacement Prospectus with ASIC	6 June 2012
Closing date for the Shareholder Offer (via cheque payment)	21 June 2012
Closing date for the Shareholder and General Offer (via online payment)	25 June 2012
Closing date for the Broker Firm Offer	28 June 2012
Issue Date	29 June 2012
Tatts Bonds commence trading on ASX on deferred settlement basis	2 July 2012
Despatch of Holding Statements	3 July 2012
Tatts Bonds commence trading on ASX on normal settlement basis	4 July 2012

Key dates for Tatts Bonds

First Interest Payment Date¹	5 October 2012
Maturity Date	5 July 2019

Notes

- ¹ Interest is scheduled to be paid on the quarterly Interest Payment Dates (5 July, 5 October, 5 January and 5 April) until the Maturity Date or any earlier Redemption Date. If any of these scheduled dates is not a Business Day, then the Interest Payment Date will be the next Business Day. The first Interest Payment Date will be 5 October 2012.

Dates may change

The key dates for the Offer are indicative only and subject to change without notice. Tatts may, in consultation with the Joint Lead Managers, vary the timetable, including to close any one or more of the Offers early, extend any or all of the Offers, or to withdraw the Offer at any time prior to Issue. If any of the dates are changed, subsequent dates may also change. You are encouraged to lodge your Application as soon as possible after the Opening Date.

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Section 1

Summary of Tatts Bonds

Section 1

Summary of Tatts Bonds

The following is a summary of the Tatts Bonds. The full Terms are contained in the Appendix. Rights and liabilities attaching to Tatts Bonds may also arise under the Corporations Act, the Listing Rules and other applicable laws.

As this is only a summary, it is important that you read, and consider the information in this Prospectus (including the Terms) in full before deciding to invest in Tatts Bonds. If you have any questions, you should seek advice from your financial adviser or other professional adviser before deciding to invest in Tatts Bonds.

1.1 General		For more information
Issuer	Tatts Group Limited ABN 19 108 686 040 ('Tatts'). Tatts Group is a leading provider of wide-area networked gambling services in Australia. Tatts Group is comprised of lotteries, wagering and gaming businesses relying on wide-area network technology to deliver services to customers through a diversified network of retail and direct channels. Tatts Group also operates gaming machine monitoring, technical maintenance and network support services businesses. Tatts' origins can be traced back some 130 years and Tatts Group now has operations across every state and territory in Australia, and in the UK. With a market capitalisation of approximately \$3.5 billion (as at 25 May, 2012), Tatts is one of Australia's top 100 ASX listed companies by market capitalisation (ASX code: TTS). Key information on Tatts is provided in Section 2, including information on its business profile (Section 2.1), information on its directors and senior management (Section 2.2) and financial information (Section 2.3). The pro forma financial information in Section 2.3 has been adjusted to remove the historical results of the Tatts Pokies business, which will cease operations from 16 August 2012.	Section 2
Tatts Bonds	Interest bearing, senior and unsecured debt obligations, issued by Tatts. Each Tatts Bond is issued on and subject to the provisions of the Trust Deed and the Terms.	Section 4.6 and the Appendix
Face Value	\$100 per Tatts Bond.	
Currency	Australian dollars.	
Term	Seven years.	
Maturity Date	5 July 2019 (unless Redeemed early).	Section 1.4
Key benefits	<ul style="list-style-type: none">• Issued by Tatts.• Term of seven years.• Floating interest rate equal to the sum of the Bank Bill Rate plus the Margin.• Fixed Margin to be determined under the Bookbuild and expected to be in the range of 2.90% to 3.10%.• Interest paid quarterly in arrears.• Interest paid as 100% cash.• Interest is not deferrable by Tatts nor are interest payments discretionary.• Rank equally with all other senior and unsecured creditors of Tatts. However, Tatts Bonds rank behind any creditors preferred by law and any secured creditors.• Guaranteed by material Subsidiaries of Tatts on similar terms to guarantees of its other existing senior and unsecured debt arrangements.• Tatts Bonds may be sold on ASX prior to maturity.• Minimum Application of 50 Tatts Bonds (\$5,000) and thereafter in multiples of 10 Tatts Bonds (\$1,000).• Provide investors with an opportunity to diversify their investment portfolio.	Clause 2 of the Terms and Sections 1.3 and 5.2 Section 1.7 and Clause 4 of the Terms Sections 1.5 and 4.6 Section 5.1

Key risks

You should read Section 3 'Key Risks of Tatts Bonds' in full before deciding to invest.

Key risks associated with Tatts Bonds outlined in that section include:

- The market price of Tatts Bonds may fluctuate up or down due to various factors including many factors relating to markets generally (and is accordingly beyond the control of Tatts). Tatts Bonds may trade below, at or above their Face Value. Holders who sell Tatts Bonds at a market price below the amount paid to acquire those Tatts Bonds will lose some of their money invested in Tatts Bonds. Section 3.1
Section 3.1(a)
- The Interest Rate is a floating rate, equal to the sum of the Bank Bill Rate plus the fixed Margin. The Bank Bill Rate will fluctuate and therefore the Interest Rate will fluctuate. Over the term of the Tatts Bonds, the Interest Rate may be lower or higher than the initial Interest Rate on the Issue Date. Sections 1.3 and 3.1(b)
- The market for Tatts Bonds may not be liquid. If liquidity is low, Holders may be unable to sell their Tatts Bonds at an acceptable price, or at all, and there is a risk that the market price will become more volatile in general. Section 3.1(c)
- Tatts may default on payment of Face Value or Interest in which case Holders may not receive some or all of the money that they invested in Tatts Bonds or Interest that is due to be paid to them. Sections 3.1(d) and 4.6
- Holders of Tatts Bonds are unsecured creditors, which means the claims of Holders will rank after the claims of secured creditors and creditors preferred by law. Further, Tatts may grant security over its assets in favour of certain forms of existing or future debt that would rank ahead of Tatts Bonds on a winding up, which may affect the ability of Holders to be repaid on a winding up of Tatts. Section 3.1(e) and
Clause 4 of the Terms
- Tatts may issue further securities including further Tatts Bonds or bonds on similar terms to Tatts Bonds which rank equally with Tatts Bonds. The issue of further securities by Tatts or other Tatts Group entities may have the effect of reducing the amount that Holders would receive on a winding up and may have an adverse effect on the market price or liquidity of Tatts Bonds, although this is difficult to anticipate. Section 3.1(f) and
Clause 9.4 of the Terms
- Holders may only request that their Tatts Bonds be Redeemed early in limited circumstances and Tatts may only Redeem Tatts Bonds if a Tax Event or Clean Up Event occurs. Sections 1.4, 3.1(g) and
3.1(h) and Clause 3 of
the Terms
- Generally, only the Trustee is able to take action directly against Tatts. Section 3.1(i)

Key risks associated with Tatts' business outlined in that section include:

- Tatts' business operates predominantly in the gambling industry. A number of the key risks associated with Tatts' business relate to the regulated nature of that industry, including the need to hold various licences, approvals and authorisations, changes in the terms of, or the expiry or loss of exclusivity in relation to, those licences, approvals and authorisations, and changes in regulations. These important risks are dealt with in more detail in Section 3.2 generally. Section 3.2
Section 3.2 generally
- Tatts may be adversely affected by increased competition from new products and new competitors in the markets in which Tatts Group's various businesses operate, as well as from other forms of consumer discretionary spending. If Tatts does not adequately respond to an increase in competition, it may result in a material failure to grow, or loss of, market share or revenue. Section 3.2(d)
- Tatts relies on a range of information technology systems. A failure in one or more of those systems could result in a material interruption in the conduct of its business. Section 3.2(f)

Section 1 (continued)

Summary of Tatts Bonds

For more information

Minimum aggregate subscription amount	The minimum aggregate subscription for Tatts Bonds is \$50 million. If this amount is not raised under this Offer, the Tatts Bonds will not be issued and all Application Money will be returned (without interest) to Applicants as soon as practicable.
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1.2 Offer

Offer size	\$200 million, with the ability to raise more or less.	
Use of proceeds	The net proceeds of the Offer will be used to repay some of Tatts' existing debt under its syndicated multi-currency revolving facility.	Section 2.3(d)
Offer structure	The Offer comprises: <ul style="list-style-type: none"> • Shareholder Offer; • Broker Firm Offer; • Institutional Offer; and • General Offer. 	Section 5
Minimum Application	50 Tatts Bonds (\$5,000) and thereafter in multiples of 10 Tatts Bonds (\$1,000).	Section 5.1

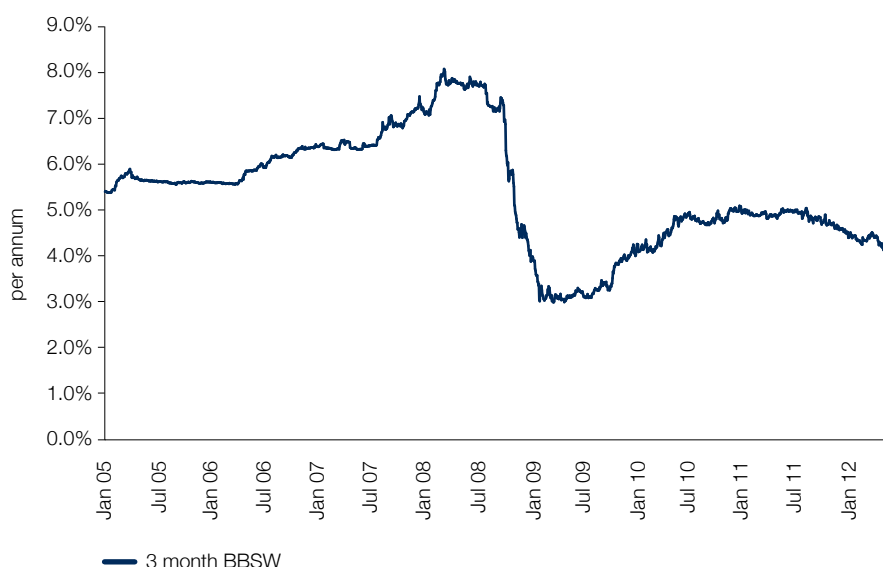
1.3 Interest

Interest Rate	The Interest Rate for each Interest Period is equal to the sum of the Bank Bill Rate, which is a variable rate, plus the Margin. Interest will accrue in arrears.	Clause 2.2 of the Terms
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The Margin will be determined under a Bookbuild and is expected to be in the range of 2.90% to 3.10% per annum. The Bank Bill Rate is set on the first Business Day of each Interest Period. The first Interest Rate will be calculated on the Settlement Date.

The Bank Bill Rate is the primary benchmark interest rate for the Australian money market. It is based on an average of rates at which major Australian financial institutions lend short term cash to each other over a three month period. It changes to reflect supply and demand in the cash and currency markets.

Historical 3 month BBSW



Note: This chart shows historical movements in the Bank Bill Rate. Past levels are not necessarily indicative of future levels.

		For more information
Calculation of Interest	<p>Interest on each Tatts Bond for each Interest Period is calculated using the following formula:</p> $\text{Interest} = \text{Face Value} \times \text{Interest Rate} \times \text{number of days in the Interest Period} / 365$ <p>For example, if the Bank Bill Rate was 3.54% per annum, the Margin was 2.90% and the Interest Period was 90 days in length, the Interest for the relevant Interest Period would be calculated as follows:</p> $\$100 \times 6.44\% \times 90 / 365 = \$1.5879 \text{ per Tatts Bond}$ <p>Tatts will announce to ASX the applicable Interest Rate and the amount of Interest for each Interest Period. This announcement will be made as soon as practicable after Tatts makes its determination, but no later than the fourth Business Day of each Interest Period.</p> <p>Information about the Interest Rate can also be obtained at www.tattsgroup.com following the completion of the Offer Period.</p>	Clause 2.3 of the Terms
Interest Payment Dates	<p>Interest will be paid quarterly in arrears on the following dates each year as well as on the Maturity Date, or any earlier Redemption Date:</p> <ul style="list-style-type: none"> • 5 October • 5 January • 5 April • 5 July <p>If any of these scheduled dates is not a Business Day, then the Interest Payment Date will be the next Business Day and Interest will continue to accrue until that date. The first Interest Payment Date will be 5 October 2012.</p>	Clauses 2.1 and 10 of the Terms
Payments	<p>Interest will be paid to Holders whose details are recorded with the Registry at 7.00pm on the record date, which is eight days prior to the relevant Interest Payment Date or as otherwise required by ASX.</p> <p>Payments of Face Value and Interest will be paid to Holders with a registered address in Australia by electronic transfer to a bank account in Australia maintained with a financial institution nominated by the Holder. For all other Holders, Interest will be paid by Australian dollar cheque.</p> <p>Information about the Australian tax consequences of receiving payments of Interest (including potential withholdings from such payments on account of tax) is in Section 4.3 'Taxation Summary'.</p>	<p>Section 5.4(d)</p> <p>Section 4</p>
Interest payments are mandatory	Interest payments are not deferrable and are mandatory. Non payment will constitute an Event of Default.	Section 1.6 and Clause 5.1 of the Terms

Section 1 (continued)

Summary of Tatts Bonds

1.4 Repayment of Face Value		For more information
Repayment of Face Value on the Maturity Date	<p>On the Maturity Date, Holders will receive:</p> <ul style="list-style-type: none">• the Face Value; plus• the final payment of Interest for the period from (and including) the preceding Interest Payment Date to (but excluding) the Maturity Date, unless the Tatts Bonds are Redeemed early in the circumstances set out below.	Clause 3.1 of the Terms
Early Redemption rights for Tatts	<p>Tatts will only have the right to Redeem the Tatts Bonds prior to the Maturity Date following the occurrence of a Tax Event or a Clean Up Event.</p> <p>A 'Tax Event' will occur, in summary, if any interest payment would not be deductible for tax purposes as a result of a change in law or Tatts is required to gross up an interest payment.</p> <p>A 'Clean Up Event' will occur, in summary, if less than 10% of the value of Tatts Bonds originally Issued remain on issue.</p> <p>On Redemption, Holders will be entitled to be paid the Face Value of each Tatts Bond and any accrued Interest.</p>	Clauses 3.2 and 8.2 of the Terms
Early Redemption rights for Holders in limited circumstances	<p>Generally, Holders will be able to sell Tatts Bonds on ASX at the prevailing market price.</p> <p>Holders of Tatts Bonds will only have the right to require Redemption prior to the Maturity Date following the occurrence of a Change of Control Event or a Delisting Event.</p> <p>A 'Change of Control Event' will occur, in summary, if a person and their associates come to have a relevant interest in more than 50% of the voting shares of Tatts.</p> <p>A 'Delisting Event' will occur, in summary, if the Tatts Bonds cease to be quoted on ASX, or if trading of the Tatts Bonds on ASX is suspended for more than 15 consecutive Business Days.</p> <p>Tatts must inform Holders and make an announcement to ASX if a Change of Control Event or a Delisting Event occurs.</p>	Clauses 3.3 and 3.4 of the Terms

1.5 Guarantee and negative pledge

For more information

Rationale for Guarantee	Material Subsidiaries of Tatts have given guarantees to lenders under Tatts' other existing senior unsecured debt arrangements. The Tatts Bonds are guaranteed in order to ensure that Holders enjoy the benefit of a guarantee similar to those guarantees.	Sections 1.7 and 2.3(d)
Guarantee	<p>The Tatts Bonds are guaranteed on a joint and several basis by the Guarantors subject to and in accordance with the Trust Deed.</p> <p>Under the Guarantee, the Guarantors guarantee (on a senior and unsecured basis) the payment of any amounts which become due and payable on Tatts Bonds. This includes any Interest not paid by Tatts and the amount of \$100 per Tatts Bond payable on a Maturity Date or Redemption Date.</p>	Section 4.6
Guarantors	<p>The Guarantors are wholly-owned Subsidiaries of Tatts and must comprise each member of the Tatts Group which has an outstanding guarantee with respect to Tatts' syndicated multi-currency revolving facility agreement or equivalent agreement (refer to Section 2.3(d) for details).</p> <p>Further, under the Tatts syndicated multi-currency revolving facility agreement, Tatts must ensure that any of its wholly-owned Subsidiaries that are responsible for at least 10% of Tatts' consolidated EBITDA are guarantors under that agreement and that those guarantors must collectively account for not less than 85% of Tatts' consolidated EBITDA. Accordingly, the members of the Tatts Group that comprise the Guarantor group may change prior to the maturity of the Tatts Bonds. In respect of the half-year ended 31 December 2011, the Guarantors collectively accounted for 95.4% of Tatts' consolidated EBITDA.</p>	Section 4.6
Ranking of claims under Guarantee	<p>Claims under the Guarantee are senior and unsecured obligations of each Guarantor. Claims under the Guarantee rank at least equally with all other senior unsecured obligations of the Guarantors and will not be subordinated to any other unsecured obligation of the Guarantors (other than those mandatorily preferred by law).</p> <p>In certain circumstances, a Guarantor may incur obligations that rank ahead of claims under the Guarantee. In particular, a Guarantor could create a security with respect to certain types of indebtedness or could otherwise create a Permitted Security Interest in the circumstances described in the sub-section outlining the 'negative pledge' below.</p>	Section 4.6
Rationale for negative pledge	<p>Holders have the benefit of a negative pledge in order to ensure that Holders will always have the benefit of the same or similar security as any other holders of key debt capital market instruments issued by Tatts.</p> <p>The negative pledge does not restrict Tatts from granting security in relation to bank debt.</p>	Clause 4.2 of the Terms
Details of the negative pledge	<p>The negative pledge provides that Tatts will ensure that members of the Tatts Group will only grant security over their assets for key debt capital market instruments (being indebtedness in the form of bonds, notes, debentures, loan stock or other securities which are, or are intended to be, quoted, listed or traded on any stock exchange, over-the-counter or other established securities market) if Tatts Bonds are secured on an equal basis. Alternatively, Tatts Bonds may be provided with another form of security that is not materially less beneficial to the Holders of Tatts Bonds.</p> <p>The negative pledge does not apply in respect of debt other than key debt capital market instruments. For this reason, the negative pledge does not restrict Tatts from granting security in relation to bank debt.</p>	Clause 4.2 of the Terms

Section 1 (continued)

Summary of Tatts Bonds

		For more information
Exceptions to the negative pledge	<p>There are a number of exceptions to the negative pledge, including in relation to such matters as:</p> <ul style="list-style-type: none">• the grant of any security securing indebtedness which in aggregate does not exceed 10% of Tatts Group's Total Assets;• the grant of any security over an asset created to secure the repayment of indebtedness for the purpose of acquiring or developing that asset where the rights of the holder of the security are limited to the asset the subject of the security (it being the intention that the holder of the security does not have recourse to Tatts or the Guarantors personally or any other property of Tatts or the Guarantors); and• any lien that arises by operation of law or in the ordinary course of trading. <p>If Tatts creates security over its assets, in the event of a winding up of Tatts or a Guarantor (as the case may be), Holders would be entitled to receive a repayment of the Face Value and any accrued but unpaid Interest on Tatts Bonds only after such secured creditors (and any claims mandatorily preferred by law) are paid in full.</p>	Section 3.1(e) and Clause 4.2 of the Terms
Existing security	As at the date of this Prospectus, none of Tatts' existing financiers have the benefit of any security granted by Tatts Group.	Section 1.7
1.6 Event of Default		
Event of Default	<p>Each of the following is an event of default in relation to Tatts Bonds:</p> <ul style="list-style-type: none">• Tatts or a Guarantor fails to pay within 10 Business Days after the due date any amount payable by it under any Tatts Bond;• Tatts or a Guarantor fails to comply with any of its other obligations under the Trust Deed and such failure remains unremedied for a period of 30 Business Days after Tatts has received written notice from the Trustee in respect of the failure;• any Financial Indebtedness of any member of the Tatts Group becomes payable or repayable prior to its stated maturity due to the occurrence of a default event (however described) or had not been paid or repaid when due nor within any applicable grace period, and such Financial Indebtedness exceeds \$15,000,000;• an Insolvency Event occurs in respect of Tatts or a Guarantor;• if it is or becomes unlawful for Tatts or the Guarantors to perform any of their payment obligations under the Tatts Bonds;• if a Guarantor (other than Tatts) is not or ceases to be controlled by Tatts and the Guarantor has not first been released from its obligations under the Trust Deed; and• other than as permitted under the Trust Deed, the Guarantee is terminated for any reason or otherwise ceases to be a valid, binding and enforceable obligation of the Guarantors.	Clause 5 of the Terms
Consequence of Event of Default	If an Event of Default occurs, the Trustee may by written notice to Tatts declare the Face Value (together with all accrued but unpaid Interest (if any)) applicable to each Tatts Bond held by the Holders to be due and payable immediately.	Clause 5 of the Terms

1.7 Ranking

For more information

No security

Tatts Bonds are not secured by any specific assets of Tatts. This means that they are not secured against any assets of Tatts or any of its Subsidiaries or any other person.

Ranking on winding up

If Tatts becomes unable to meet its obligations or suspends any payments it is required to make, Holders' claims will rank after the claims of any creditors preferred by law, such as employee entitlements, and any secured creditors of Tatts.

In the event of a winding up of Tatts, Holders will be entitled to receive repayment of the Face Value applicable to each Tatts Bond held by the Holders and any accrued but unpaid Interest only after any debts of Tatts that are mandatorily preferred by law, and any secured creditors of Tatts, are paid in full.

Except for those preferred and secured claims, Holders' claims will rank equally with Holders of other Tatts Bonds, equally with claims of all other senior and unsecured creditors of Tatts, and ahead of all holders of ordinary shares and subordinated creditors.

Information on the facility limits and amounts currently drawn down on Tatts' existing financing facilities are set out immediately below and in Section 2.3(d).

Tatts may incur more debt than it currently has or issue further securities including further Tatts Bonds or bonds on similar terms to Tatts Bonds which rank equally with Tatts Bonds. In certain circumstances, Tatts may grant security over existing or future debt that would rank ahead of Tatts Bonds on a winding up.

Refer to sub-sections outlining the 'negative pledge' in Section 1.5 as well as 'Further issues of securities' in Sections 1.8 and 4.6.

Illustration of ranking of Tatts' obligations in respect of existing debt arrangements and equity

The table below illustrates how Tatts Bonds would rank upon winding up of Tatts against Tatts' obligations in respect of existing debt arrangements and equity. This is a simplified capital structure and does not specifically identify every type of security issued by Tatts or every potential claim against Tatts in a winding up. Tatts has other liabilities, including liabilities such as trade and other payables, which would rank equally with Tatts Bonds in the case of a winding up of Tatts (if then existing). For further information on the amount of these liabilities as at 31 December 2011, see Section 2.3.

	Type	Existing debt arrangements, and equity	Amount*
Higher ranking ↑	Secured debt	None	0
	Senior unsecured debt	Tatts Bonds; US private placement notes; and bank debt	\$200.0m; \$220.4m; and \$853.6m** respectively
	Subordinated, unsecured debt and hybrid instruments	None	0
Lower ranking ↓	Ordinary equity	Tatts ordinary shares	\$2,491.2m

* Amount calculated as at 31 December 2011, adjusted to include the items set out in Section 2.3 (including \$200 million to be raised under this Offer). Applies a USD/AUD exchange rate of 1.0209 and a GBP/AUD exchange rate of 0.6570 (as at 31 December 2011).

** \$853.6m drawn; the facility limit is \$1,489.0m.

Section 1 (continued)

Summary of Tatts Bonds

1.8 Other		For more information
No voting rights for Holders	Holder do not have a right to vote at meetings of Shareholders of Tatts. However, Holders are entitled to vote on certain matters that affect their rights under the Trust Deed.	
Further issues of securities	<p>Tatts has the right to issue additional Tatts Bonds. Tatts also has the right to issue additional series of Tatts Bonds, which may be on similar terms to Tatts Bonds. Each series may be issued in one or more tranches. New Tatts Bonds in a different series may or may not be issued on the same terms as Tatts Bonds offered under this Prospectus.</p> <p>Tatts also has the right to issue other securities that have the same or different dividend, interest or distribution rates; maturities; or terms and conditions to Tatts Bonds and which may rank after, equally with, or ahead of Tatts Bonds, subject to the 'negative pledge' discussed in Section 1.5 above.</p> <p>A holding of Tatts Bonds does not confer any right to participate in further issues of securities by Tatts.</p>	Sections 1.5, 3.1(e) and (f) and Clause 9.4 of the Terms
Taxation consequences for investors	You should seek professional tax advice that takes into account your particular circumstances before deciding whether to invest in Tatts Bonds.	Section 4.3
Fees and charges	No fees, charges, brokerage, commission or stamp duty is payable by you on your application for Tatts Bonds. You may be required to pay brokerage if you sell your Tatts Bonds after Tatts Bonds are quoted on ASX.	
ASX quotation	Tatts will apply for quotation of Tatts Bonds on ASX. It is expected that Tatts Bonds will be quoted under the code 'TTSHA'. If Tatts does not make an application within seven days after the date of this Prospectus, or ASX does not approve quotation of the Tatts Bonds within three months after the date of this Prospectus, Tatts Bonds will not be issued and all Application Money will be returned (without interest) to Applicants as soon as practicable in accordance with the requirements of the Corporations Act.	
Amendment of Terms	Tatts may, without the consent of Holders, amend the Terms to address or correct any ambiguity or any manifest error, or to comply with applicable laws, if in the opinion of Tatts the amendment is not materially prejudicial to the interests of Holders as a whole. Other amendments may only be made to the Terms with consent obtained through a properly convened meeting of Holders pursuant to the Trust Deed.	Clauses 9.2 and 9.3 of the Terms
Trust Deed	Each Tatts Bond is issued on and subject to the provisions of the Trust Deed and the Terms.	Section 4.6
Trustee	Australian Executor Trustees Limited was appointed as Trustee pursuant to the Trust Deed executed on 28 May 2012. The Trust Deed provides for the obligations of Tatts, the Guarantors and the Trustee to Holders in relation to the Tatts Bonds. All rights in relation to the Tatts Bonds may generally only be enforced by the Trustee in accordance with the Trust Deed.	Section 4.6
Governing law	Victoria, Australia.	

If you have any questions about Tatts Bonds or the Offer, you should seek advice from your financial adviser or other professional adviser. You can also call the Tatts Bonds Information Line on 1300 367 346 (within Australia) or +61 3 9415 4199 (international) (Monday to Friday 9.00am – 5.00pm, Melbourne time) during the Offer Period.



Section 2

Overview of Tatts

Section 2

Overview of Tatts

2.1 Business profile

Company overview

Tatts Group is a leading provider of wide-area networked gambling services in Australia. Tatts Group is comprised of lotteries, wagering and gaming businesses relying on wide-area network technology to deliver services to customers through a diversified network of retail and direct channels. Tatts Group also operates gaming machine monitoring, technical maintenance and network support services businesses. Tatts' origins can be traced back some 130 years and Tatts Group now has operations across every state and territory in Australia, and in the UK. With a market capitalisation of approximately \$3.5 billion (as at 25 May 2012), Tatts is one of Australia's top 100 ASX listed companies by market capitalisation (ASX code: TTS).



The Tatts portfolio

Tatts Group is the largest lottery operator in Australia by revenue, operating in New South Wales, Victoria, Queensland, Tasmania, Australian Capital Territory and Northern Territory, and through online channels. Tatts Group also conducts totalisator wagering and fixed odds betting on racing and fixed odds betting on sports through licences held in Queensland, South Australia, Northern Territory and Tasmania, through retail and other channels including telephone and online. In addition, Tatts Group conducts gaming machine monitoring and 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, whilst such jackpot services are also supplied in Queensland and Northern Territory.

Tatts Group provides third party installation, repair and maintenance services for lottery, wagering, gaming, banking, point of sale and other transactional equipment and systems throughout Australia. Tatts Group also owns a gaming business in the UK and a gaming machine operator business in Victoria. Tatts Group's gaming machine operator business in Victoria will cease from 16 August 2012 and accordingly the pro forma financial information in Section 2.3 has been adjusted to remove its historical results.

Since listing in 2005, Tatts has successfully developed a portfolio of diversified income streams. During this time, the Company merged with UNITAB (now TattsBet) in 2006, and acquired the Queensland lottery (Golden Casket) and the New South Wales lottery businesses in 2007 and 2010 respectively. These acquisitions provided corresponding grants of 65-year and 40-year licences to conduct public lotteries in Queensland and New South Wales. In March this year Tatts Group completed the acquisition of Tote Tasmania which included the grant of a Tasmanian gaming licence (which includes totalisator, sports betting and race wagering endorsements) for 50 years, with an option for an additional 49 years, which Tatts Group can exercise, at no additional cost.

Tatts Group's portfolio of businesses is comprised of six key divisions which are detailed in the table below.

	Description	Business Profile
	Licensed provider of lottery products including Saturday lotteries, Powerball and Oz Lotto in Victoria, Queensland, Tasmania, New South Wales, Australian Capital Territory and Northern Territory in around 3,780 outlets. It is the largest operator of lotteries by revenue in Australia.	<ul style="list-style-type: none">• Revenue \$1.6+ billion in FY11.• Extensive retail presence in 1H FY12:<ul style="list-style-type: none">– 94% of sales from over 3,780 outlets.– 6% of sales from internet.• Over 300 million transactions in FY11.• High participation rates – approximately 50% of Australian adult population have played in past three months.• In FY11 \$12 average spend per transaction.• Currently over 2 million player card members.• Single proprietary technology platform to be rolled out by end of FY13.
	Licensed provider of totalisator and fixed odds betting services through licences held in Queensland, South Australia and Northern Territory via 1,231 sites and other channels including telephone and online. The acquisition of Tote Tasmania was completed in March 2012 adding a further 138 sites in Tasmania. TattsBet accounted for approximately 23% of national totalisator turnover in FY11.	<ul style="list-style-type: none">• Total TattsBet sales exceeded \$3.4 billion in FY11:<ul style="list-style-type: none">– 78% totalisator.– 22% fixed odds betting.• Race wagering (totalisator and fixed odds betting) represented 94% and sports betting 6% of FY11 total revenue.• Sales channels in FY11:<ul style="list-style-type: none">– 71% retail (1,200 + outlets).– 16% internet.– 10% telephone.– 3% on-course.• Currently over 400,000 account holders.• Fixed odds race betting growth of 80% in FY11.• Over 500 million transactions in FY11.• Proprietary technology developed, maintained and supported in-house.

maxgaming

Centralised gaming machine monitoring system and provider of value add services to over 132,000 gaming machines in Queensland, Northern Territory and New South Wales. It links jackpots to about 17,370 gaming machines across 3,911 venues in these jurisdictions.

- Monitors all electronic gaming machines (EGMs) in New South Wales and Northern Territory.
- Monitored 81% of EGMs in Queensland in FY11.
- Revenue over \$115m in FY11:
 - 49% from monitoring.
 - 31% from value add services.
 - 20% from EGM maintenance.
- Value add services for venues include:
 - Simplay – carded play and pre-commitment capability.
 - Maxdoorman – identification system.
 - Maxchange – support for Queensland trial of server based gaming.
- Mix of proprietary and licensed software, further developed and fully maintained and supported in-house.



Provides third party electronic equipment installation, repair and maintenance services to lotteries, gaming, wagering, banking and point of sale systems, and other transactional systems throughout Australia.

- Annual compound revenue growth in excess of 10% over past five years.
- Contribution to FY11 revenue by jurisdiction:
 - 28% Queensland.
 - 36% Victoria.
 - 21% New South Wales.
 - 15% Other.
- Growing revenue pipeline with over 60% of revenue from external customers in 1H FY12.
- Proprietary technology developed, maintained and supported in-house.



One of the leading 'high street' gaming businesses in the UK. Tatts owns 100% of Talarium which had 168 venues and 7,371 gaming machines at 31 December 2011.

- Largest provider of Adult Gaming Centres (AGC) across the UK with approximately 11% market share.
- AGC revenue for FY11 in excess of \$70 million.
- Operates online gambling via www.quicksilvergames.co.uk
- Utilising Maxgaming monitoring system.



Licensed to operate 13,750 EGMs in Victoria. At 31 December 2011 operated 13,227 EGMs in 248 venues.

In April 2008, the Victorian State Government announced changes to the Victorian gaming, wagering and keno licensing arrangements post 2012. As a consequence of the changes Tatts Pokies' gaming machine operations will cease from 16 August 2012, and Tatts Group will no longer generate earnings from these operations.

Long term licences

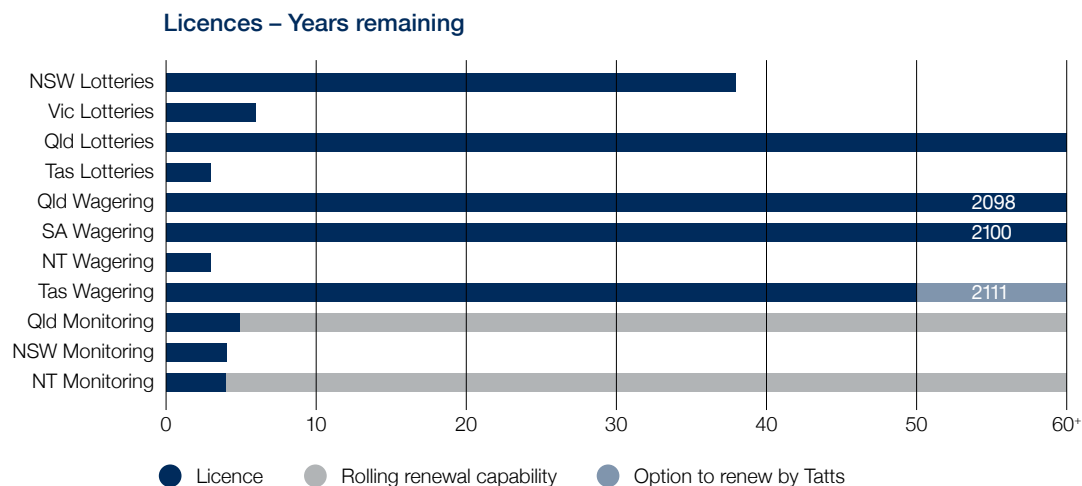
There are significant barriers to entry for new participants in the majority of the highly regulated industries in which Tatts Group operates. The existence of stringent licensing regimes in most of the wagering, lotteries and gaming machine monitoring jurisdictions in which Tatts Group operates, coupled with the long tenor of Tatts Group's key licences, and the cost involved in building a terrestrial network, underpins Tatts Group's leading market share in the jurisdictions in which it is licensed.

Tatts' wagering business is however faced with ongoing changes in the competitive environment for wagering and fixed odds sports betting with the internet and other new distribution methods having allowed new competitors to access customers in Tatts Group's traditional markets without those competitors being licensed in those jurisdictions.

Section 2 (continued)

Overview of Tatts

The graph below illustrates the long term nature of many of Tatts Group's licences. Around 75% of Tatts Group's continuing EBITDA (i.e. excluding EBITDA from the Tatts Pokies gaming machine operations) is generated from licences that run for at least 35 years



Tatts Group's Position within the Australian and UK gambling industries

The licences outlined above together with Tatts Group's growing internet and technology distribution capabilities, positions Tatts Group to compete in the key business sectors of the Australian gambling industry in which it operates.

Within the Australian lottery market, Tatts Group has licences, permits and authorities to sell lotteries in all states and territories other than South Australia and Western Australia (which currently remain in government ownership). The New South Wales licence is an exclusive licence, whilst the operator agreement with the Queensland Government is to operate its lottery licence for it as the current sole lottery operator. In Victoria, Tatts Group has exclusive rights to sell current Lottery Bloc (nationally pooled) games and Tatts Group's operations represent around 95% of Victorian lottery sales. This licence runs to 2018, at which time the Victorian Government will consider a new licence, which may see a tender process conducted (as undertaken for the current licence). Permits and authorities to conduct lotteries are held in other jurisdictions, generally with either sole or major operator status.

Tatts Group's wagering and sports betting licences in Queensland, South Australia, Northern Territory and now Tasmania represent around 23% of total totalisator wagering in Australia. The Victorian and New South Wales totalisator businesses are privately operated, with Western Australia and the Australian Capital Territory under government ownership. Tatts Group also holds a bookmaker licence in the Northern Territory. The Queensland race wagering licence runs to 2098 and the sports wagering licence to 2014. The South Australia racing and sports betting licence runs to 2100 and the Tasmanian wagering and sports betting licence for 50 years with an option for a further 49 years, which Tatts Group can exercise, at no cost. The Northern Territory licences run until 2015. Exclusivity on these licences expires at various stages. However, a barrier to entry to retail competition is the high cost of rolling out the retail infrastructure necessary to provide a comprehensive retail service to customers which includes the provision of:

- totalisator and fixed odds betting;
- cash and account betting;
- race vision, odds displays and other betting information (e.g. form guides); and
- operator presence and support.

The major competition to Tatts Group's wagering business lies in the internet and telephone betting channels of the business (predominantly in fixed odds products), such competition having been a feature of the industry for a number of years. TattsBet's sales in these channels have consistently held up at around 25%-30% of total sales and is an area of ongoing development within Tatts, particularly with the introduction by Tatts of its online single purse which holds funds which can be used to purchase lottery and wagering products via www.tatts.com.

Maxgaming's Queensland monitoring licence and NT TAB's Northern Territory monitoring licence are granted for ten and five year periods respectively and are subject to rolling renewal processes around meeting probity and licence fee payment requirements. Tatts Group is the sole operator in the Northern Territory, and one of two operators in Queensland with a market share (by number of EGMs monitored) of around 81%. The exclusive monitoring and linked-jackpot licences in New South Wales expire between 2016 to 2019, with no direction from the New South Wales Government at this time on future arrangements.

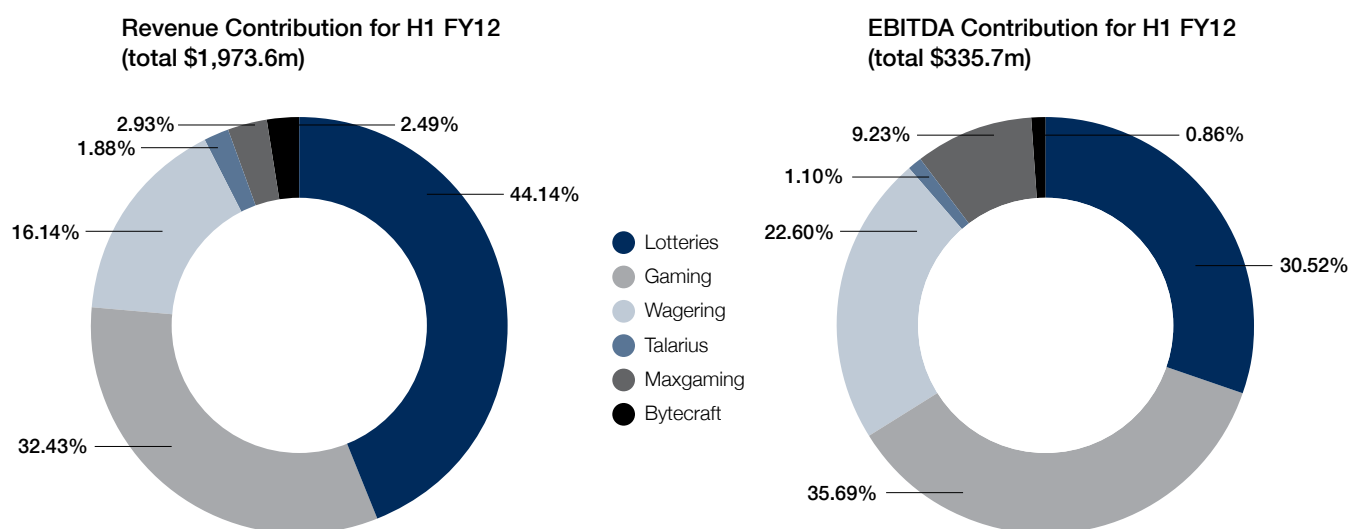
Bytecraft's employees are licensed to enable them to maintain and repair gambling equipment, and Bytecraft is approved, where necessary, as a repair and maintenance operator. Bytecraft competes across various market sectors and has been successfully growing revenue at a compound annual growth rate in excess of 10% for the last five years. In the UK, Talarius operates in the AGC market under venue specific permits and is one of a few entities in the UK AGC market that own more than 100 venues in that market segment.

Contribution to Tatts' revenue and EBITDA

Tatts' portfolio of assets provides a diversified exposure to different segments of the gambling industry and with the high volume and low average value nature of Tatts Group's lottery and wagering transactions this generally delivers stable revenue flows and supports an operating model that exhibits some resilience to economic volatility. Tatts has a diversified earnings base with contributions from each of its divisions and earnings spread across states and territories of Australia and in the UK. This diversity assists to mitigate the business impacts from shocks and incidents, e.g. floods, that may occur from time to time in any one business of Tatts Group, or in any one geographic area.

Since listing on ASX, Tatts has been proactive in diversifying its product and geographic offering. Therefore, while Tatts will cease to derive revenue and profits from its Tatts Pokies gaming machine operations from 16 August 2012, it has grown its other business operations, which has resulted in Tatts being in a better position to manage the loss of the Tatts Pokies business. Tatts has changed the composition of its portfolio through a number of successfully integrated acquisitions, including the acquisition of Golden Casket in 2007, Talarius in 2008, NSW Lotteries in 2010 and Tote Tasmania in 2012.

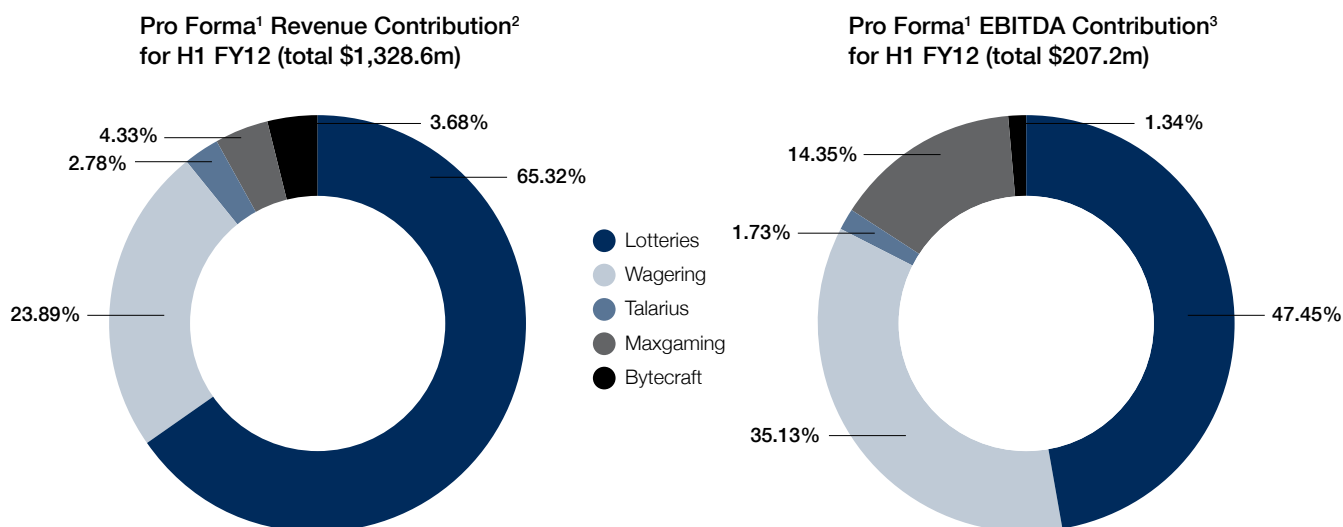
For the six months ended 31 December 2011, Tatts generated revenue of \$1,973.6m and EBITDA of \$335.7m. The charts below show the contribution made by each of Tatts businesses to the revenue and EBITDA generated for the half-year ended 31 December 2011:



As noted above, the Tatts Pokies gaming machine operations in Victoria will cease from 16 August 2012. Accordingly, from 16 August 2012 Tatts will no longer generate earnings and cash flows directly from domestic gaming machine operations. If the contribution of Tatts Pokies' gaming machine operations was ignored, Tatts would have generated revenue of \$1,328.6m and EBITDA of \$207.2m for the six months ended 31 December 2011. The charts below show the contribution made by each business to Tatts' revenue and EBITDA for the half-year ended 31 December 2011, assuming that the Tatts Pokies gaming machine operations made no contribution:

Section 2 (continued)

Overview of Tatts



1 Refer to Section 2.3 for details of Pro Forma adjustments.

2 The Pro Forma Revenue percentage contribution includes inter-business revenue (such as Bytecraft revenue received from internal service provision to other Tatts Group businesses) and excludes unallocated revenue (such as rentals received on properties owned by Tatts Group at the group level).

3 The Pro Forma EBITDA percentage contribution is based on EBITDA before taking into account the impact of unallocated overhead costs.

Accordingly, following the cessation of the Tatts Pokies gaming machine operations, the lotteries business of Tatts Group will represent around half of its profitability.

Corporate Strategy

Tatts Group's core business strategies 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 licensing of the gambling industry (in Australia and internationally);
- pursuing strategic acquisitions of state and privately owned gambling assets as and when they become available;
- maintaining a flexible balance sheet to support the existing business and fund other growth opportunities, including opportunities outside the gambling industry, that fit with Tatts Group's core capabilities.

Tatts has stated its interest to pursue the opportunity to acquire the South Australia Lottery business which the South Australian Government has stated is for sale, indicating an end of calendar 2012 completion. Tatts Group has also stated that it will assess its prospects of acquiring the Irish National Lottery which the Irish Government has stated is for sale within potentially a similar timeframe to South Australia.

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

2.2 Directors and senior management

Board of Directors

Tatts' Board of Directors is highlighted below.



Mr Harry Boon – Chairman – Non-executive

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.

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

Other current directorships

Harry is Chairman of PaperlinX Limited and a Non-executive Director of Toll Holdings Limited, both ASX listed companies.

Harry resigned on 25 May 2012 as a Director of Hastie Group Limited which was placed into voluntary administration on 28 May 2012.



Mr Dick McIlwain – Managing Director and Chief Executive

Member of the Board since 12 October 2006

Dick is the Managing Director and Chief Executive of Tatts Group, previously having joined UNiTAB as Chief Executive in 1989. He was appointed as a Director of UNiTAB in September 1999. Dick will retire towards the end of this year and a process has been initiated to identify his successor.

Dick holds a Bachelor of Arts from the University of Queensland.

Other current directorships

Dick is non-executive Chairman of Wotif.com Holdings Limited, an ASX listed company.



Mr Robert Bentley – Non-executive Director

Member of the Board since 12 October 2006, previously having been appointed to the Board of UNiTAB 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).



Ms 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 and the Victorian Premier's Round Table and as Chairman of the Women's and Children's Health Care Network.

Lyndsey holds a Bachelor of Science from the University of Melbourne.

Other current directorships

Lyndsey is a Non-executive Director of Treasury Wine Estates Limited and PaperlinX Limited, both ASX listed companies. She also holds directorships with other private companies.

Section 2 (continued)

Overview of Tatts



Mr Brian Jamieson – Non-executive Director

Member of the Board since 31 May 2005

Brian Jamieson was Chief Executive of Minter Ellison Melbourne from 2002 to 2005. Prior to joining Minter Ellison, he was the Chief Executive Officer at KPMG Australia from 1998 to 2000; Managing Partner of KPMG Melbourne and Southern Regions from 1993 to 1998 and Chairman of KPMG Melbourne from 2001 to 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.

Other current directorships

Brian is Chairman of Mesoblast Limited and Sigma Pharmaceuticals Limited and a Non-executive Director of OzMinerals Limited and Tigers Realm Coal Limited, all ASX listed companies.



Mr Julien Playoust – Non-executive Director

Member of the Board since 21 November 2005

Julien is Managing Director of AEH Group, a private investment company. His professional career includes Andersen Consulting and Accenture and he works across various sectors in capital structuring, mergers and acquisitions, strategy, change, technology and supply-chain programs.

Julien holds a Masters of Business Administration from AGSM, Bachelor of Architecture, First Class Honours and Bachelor of Science from Sydney University.

Other current directorships

Julien is a Non-executive Director of Australian Renewable Fuels Limited, an ASX listed company. He is a Director of private equity company MGB Equity Growth Pty Limited.



Mr Kevin Seymour AM – Non-executive Director

Member of the Board since 12 October 2006, previously having been appointed to UNiTAB's Board in September 2000

Kevin is Executive Chairman of Seymour Group, a private property development and investment group of companies based in Queensland. Kevin has extensive management and business experience including company restructuring. 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) and 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 and a Non-executive Director of Watpac Limited, both ASX listed companies. He also holds board positions with several private companies in Australia.

Senior Management

Tatts Group's senior management team is led by Managing Director and Chief Executive, Dick McIlwain who is supported by a senior management team comprising the various divisional heads and strategic business unit chief executives. Details for the members of Tatts' senior management team are listed below.

Dick McIlwain

Managing Director and Chief Executive

See 'Board of Directors' in Section 2.2 for Dick McIlwain's profile.

Ray Gunston

Chief Financial Officer

Ray joined Tatts as Chief Financial Officer in 2000 and has been Tatts Group's Chief Financial Officer through its listing in 2005, the UNiTAB merger in 2006, and the domestic and international acquisitions since then.

Ray is a Non-executive Director of Sigma Pharmaceuticals Limited, an ASX listed company.

Michael Carr

Chief Executive – Maxgaming

Michael has led Maxgaming since its commencement of operations in 1998 and has been the Maxgaming Chief Executive since 2005.

Francis Catterall

Executive General Manager – Corporate Strategy

Francis joined Tatts in October 2003 as the Senior Manager Strategic Development prior to its listing in 2005. Francis was appointed to his current role in July 2010 following the successful acquisition of NSW Lotteries.

Dan Crane

Chief Executive – Tatts Online

Dan joined Tatts Group in 2009 as Strategy Manager of Tatts Online and took over as Chief Executive in 2011.

Barrie Fletton

Chief Executive – TattsBet

Barrie joined TAB Queensland (now TattsBet) in January 1992 and was appointed to his current role as Chief Executive – TattsBet in 2006.

Penny Grau

General Counsel and Company Secretary

Penny joined Tatts as General Counsel & Company Secretary in March 2007 after 17 years as a lawyer at national law firm Clayton Utz and is responsible for Tatts Group's legal and company secretarial functions.

Bruce Houston

Executive General Manager Media, Government and Community Relations

Bruce commenced at Tatts in Melbourne in January 2007 following the merger with UNiTAB. Prior to his current role, Bruce held senior operational roles at UNiTAB since 1995.

Stephen Lawrie

Group Chief Information Officer

Stephen is the Group Chief Information Officer for Tatts Group. He began in the Chief Information Officer role when Tatts and UNiTAB merged in late 2006, having been the Head of Technology with UNiTAB since mid-1999.

Frank Makryllos

Chief Executive – Tatts Pokies

Frank joined Tatts in 1998 and was appointed as Chief Executive – Tatts Pokies in late 2006. Frank has previously held various senior management positions in Tatts Group covering product and channel management for both the gaming and lotteries business.

Maree Patane

Chief Auditor

Maree joined TAB Queensland (now TattsBet) in 1992 as the Executive Manager Audit. Maree was appointed to her current role as Chief Auditor in 2006.

Kevin Szekely

Chief Executive – Bytecraft

In 2007 Kevin Szekely joined Tatts as Bytecraft Chief Executive. This followed six years as the General Manager Corporate Strategy and Business Development for Bytecraft.

Bill Thorburn

Chief Executive – Tatts Lotteries

Bill Thorburn was appointed as Chief Executive of Golden Casket in 1995. Following Tatts' acquisition of Golden Casket in June 2007, Bill was appointed as Chief Executive of Tatts Lotteries.

Peter Harvey

Chief Executive Officer – Talarius

Peter joined Talarius in January 2008 in the capacity of CFO heading up the Finance, Commercial, Security, Property and Compliance teams and was appointed to his current role as Chief Executive Officer, Talarius in 2010.

Section 2 (continued)

Overview of Tatts

2.3 Financial information

(a) Historical and Pro Forma Financial Information

(i) Overview

This Section contains pro forma historical financial information of Tatts (the **Financial Information**), which is comprised of the following:

- pro forma historical consolidated income statements for the year ended 30 June 2011 and the six month period ended 31 December 2011 (the **Pro Forma Income Statements**) which assumes completion of the Offer; and
- pro forma historical consolidated balance sheet as at 31 December 2011 (the **Pro Forma Balance Sheet**) which assumes completion of the Offer.

Tatts is a disclosing entity for the purposes of the Corporations Act and, as a result, is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules, including an obligation to lodge half-yearly and annual financial reports with ASIC.

Tatts' most recent financial report was for the half-year ended 31 December 2011 (**H1 FY12 Financial Statements**). Tatts' most recent annual financial report was for the year ended 30 June 2011 (**FY11 Financial Statements**).

A copy of the annual FY11 Financial Statements can be obtained from www.tattsbondsoffer.com. Copies of announcements lodged with ASX since the date of the FY11 Financial Statements including the H1 FY12 Financial Statements and announcements to be lodged during the term of the Tatts Bonds can also be obtained from www.asx.com.au.

The Financial Information should be read in conjunction with the risks described in Section 3 and other information contained in this Prospectus.

The Tatts' Directors are responsible for the preparation and presentation of Financial Information.

The Financial Information has been reviewed by the Investigating Accountant. The Investigating Accountant's Report is included in Section 2.3(e). The comments made in relation to the scope and limitations of the Investigating Accountant's Report should be noted.

(ii) Basis of preparation

The Financial Information in this Section 2.3(a) has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards and other mandatory professional reporting requirements in Australia. The Financial Information is presented in an abbreviated form and does not contain all of the disclosures required by Australian Accounting Standards in an annual financial report prepared in accordance with the Corporations Act.

The Financial Information has been derived from Tatts' FY11 Financial Statements and H1 FY12 Financial Statements. Tatts' FY11 Financial Statements were audited by PricewaterhouseCoopers in accordance with Australian Auditing Standards. The auditor's opinion issued to Tatts in relation to the FY11 Financial Statements was unmodified. Tatts' H1 FY12 Financial Statements were reviewed by PricewaterhouseCoopers in accordance with Australian Auditing Standards. The auditor's review report issued to Tatts in relation to the half-year financial report was unmodified.

The Financial Information has been prepared by the Directors and assumes completion of the Offer. The accounting policies used in preparation of the Financial Information are consistent with those set out in Tatts' FY11 Financial Statements.

(iii) Pro Forma Adjustments

The following adjustments have been made to the Financial Information to reflect:

1. cessation of the Tatts Pokies gaming machine operations from 16 August 2012:
 - i) Tatts has signed commitments to sell Tatts Pokies' gaming machines for \$63.8 million when its gaming operator licence ceases from 16 August 2012. The Pro Forma Balance Sheet has been adjusted as if the gaming machine operations ceased and the sale of the gaming machines took place as at 31 December 2011. The \$4.5 million adjustment to net assets at 31 December 2011 removes the net assets of Tatts Pokies and assumes the gaming machines will be sold for cash proceeds of \$63.8 million;
 - ii) the Pro Forma Income Statements have been adjusted to remove the historical results of the Tatts Pokies business, as if the gaming machine operations ceased on 1 July 2010. The contribution of the Tatts Pokies business does not include the allocation of Group information technology overhead costs and accordingly differs to the contribution presented in the segment notes for the H1 FY12 Financial Statements and FY11 Financial Statements. The gain on the future sale of gaming machines as well as any potential shared service cost savings resulting from the cessation of the gaming machine operations have not been reflected in the Pro Forma Income Statements. Net finance costs have not been adjusted to reflect additional interest generated from the cash that will be derived from the sale of the gaming machines;

2. the impact of the Offer

- i) the historical consolidated balance sheet at 31 December 2011 (**Balance Sheet**) has been adjusted as if the Offer was completed at 31 December 2011. The adjustment reflects the issue of \$200 million of Tatts Bonds, net of transaction costs. The bond issue will have no impact on net assets as the net cash raised (after transaction costs) from the issuance of the Tatts Bonds will be used to repay existing debt;
- ii) the historical consolidated income statements for the year ended 30 June 2011 and the six month period to 31 December 2011 (**Income Statements**) have been adjusted as if the Offer was completed at 1 July 2010 and 1 July 2011. The net finance costs adjustment assumes the subscription level of \$200 million (adjusted for transaction costs) is used to repay existing debt. The incremental interest reflects that Tatts Bonds have a higher interest margin than the existing debt that will be repaid.

The Financial Statements have not been adjusted for the full impact of the Tote Tasmania acquisition. On 1 December 2011, Tatts Group (via TattsBet) entered into binding agreements to purchase Tote Tasmania for \$103 million subject to regulatory approvals, and paid a deposit of \$10.3 million at that date which is reflected in the reported Balance Sheet at 31 December 2011. The acquisition was settled on 26 March 2012 with the payment of a further \$92.7 million to the Tasmanian Government. These payments were funded from a mixture of cash reserves and existing loan facilities. The impact of this acquisition has not been incorporated by adjustment to the EBITDA for the 12 months to 30 June 2011 and the six months to 31 December 2011 due to the fundamental change in the operations of Tote Tasmania since acquisition (in particular, the inclusion of Tote Tasmania into TattsBet's totalisator and fixed odds pools, changed customer benefit arrangements which when combined with the change to the pooling arrangements has significantly reduced the size of the wholesale business, and its integration into Tatts Group's corporate structure reducing the number of staff required to operate the business). As a result the actual historical financial performance does not provide a meaningful basis for the purpose of deriving the Pro Forma Income Statements. On the basis that the Pro Forma Income Statements have not been adjusted, the Pro Forma Balance Sheet has not been adjusted so as to avoid distorting the ratios disclosed in Section 2.3(b). Whilst net debt increased by \$103 million to finance the acquisition, operating cashflow received between 31 December 2011 and acquisition date has resulted in minimal net debt movement relative to the 31 December 2011 Pro Forma Balance Sheet. The acquisition has no impact on net assets.

(iv) Pro Forma Income Statements

Set out below are Tatts' Pro Forma Income Statements:

Consolidated Pro Forma Income Statements

	Full-year FY11 \$'000 ¹	Pro Forma Adjustment for the removal of Tatts Pokies \$'000	Pro Forma Adjustment for the impact of the Offer \$'000	Pro Forma Full-year FY11 \$'000	Half-year FY12 \$'000 ¹	Pro Forma Adjustment for the removal of Tatts Pokies \$'000	Pro Forma Adjustment for the impact of the Offer \$'000	Pro Forma Half-year FY12 \$'000
Revenue from continuing operations	3,669,265	(1,226,689)	–	2,442,576	1,973,587	(644,976)	–	1,328,611
Statutory outgoings:								
Government share	(1,768,319)	619,871	–	(1,148,448)	(954,801)	324,617	–	(630,184)
Venue share/commission	(680,878)	340,105	–	(340,773)	(361,242)	178,681	–	(182,561)
Product and program fees	(188,269)	–	–	(188,269)	(102,508)	–	–	(102,508)
Other income	30	–	–	30	3	–	–	3
Other expenses from ordinary activities								
Employee expenses	(176,279)	4,031	–	(172,248)	(95,250)	1,987	–	(93,263)
Operating fees and direct costs	(69,578)	16,606	–	(52,972)	(34,364)	8,004	–	(26,360)
Other expenses	(169,716)	6,058	–	(163,658)	(89,753)	3,231	–	(86,522)
Earnings before interest, income tax, depreciation and amortisation	616,256	(240,018)	–	376,238	335,672	(128,456)	–	207,216
Depreciation and amortisation	(119,415)	28,137	–	(91,278)	(52,794)	5,371	–	(47,423)
Net finance costs	(97,923)	–	(1,030)	(98,953)	(49,818)	–	(515)	(50,333)
Profit before income tax	398,918	(211,881)	(1,030)	186,007	233,060	(123,085)	(515)	109,460
Income tax expense ²	(123,490)	63,564	309	(59,617)	(66,181)	36,925	155	(29,101)
Profit attributable to owners of Tatts Group Limited	275,428	(148,317)	(721)	126,390	166,879	(86,160)	(360)	80,359

1 Extracted from the Tatts Group Limited FY11 Financial Statements and H1 FY12 Financial Statements.

2 Adjustments have been tax effected at the corporate tax rate of 30%.

Section 2 (continued)

Overview of Tatts

(v) Pro Forma Balance Sheet

Set out below is Tatts' Pro Forma Balance Sheet:

Consolidated Pro Forma Balance Sheet

	31 Dec 2011 \$'000 ¹	Pro Forma Adjustment for the removal of Tatts Pokies \$'000	Pro Forma Adjustment for the impact of the Offer \$'000 ²	Pro Forma 31 Dec 2011 \$'000
Assets				
Current assets				
Cash and cash equivalents	276,494	57,080	–	333,574
Trade and other receivables	176,963	(18,877)	–	158,086
Other current assets	63,425	(48,630)	–	14,795
Total current assets	516,882	(10,427)	–	506,455
Non-current assets				
Property, plant and equipment	176,716	–	–	176,716
Intangible assets	3,997,209	(10,837)	–	3,986,372
Other non-current assets	122,245	(1,025)	–	121,220
Total non-current assets	4,296,170	(11,862)	–	4,284,308
Total assets	4,813,052	(22,289)	–	4,790,763
Liabilities				
Current liabilities				
Trade and other payables	556,901	(27,374)	–	529,527
Other current liabilities	36,438	2,148	–	38,586
Total current liabilities	593,339	(25,226)	–	568,113
Non-current liabilities				
Interest bearing liabilities	1,275,584	–	–	1,275,584
Deferred tax liabilities	215,733	(1,573)	–	214,160
Other non-current liabilities	113,711	–	–	113,711
Total non-current liabilities	1,605,028	(1,573)	–	1,603,455
Total liabilities	2,198,367	(26,799)	–	2,171,568
Net assets	2,614,685	4,510	–	2,619,195
Equity				
Contributed equity	2,491,237	–	–	2,491,237
Reserves	(15,005)	–	–	(15,005)
Retained profits	138,453	4,510	–	142,963
Total equity	2,614,685	4,510	–	2,619,195

1 Extracted from the Tatts Group Limited H1 FY12 Financial Statements.

2 Represents net funds raised (after transaction costs of \$4.4m) used to repay existing borrowings.

(b) Relevant financial ratios

The ratios included below have been calculated based on financial information for the six months to 31 December 2011.

Leverage Ratio

Tatts has a Leverage Ratio of 1.8 based on statutory financial information sourced from the H1 FY12 Financial Statements and calculated using the following formula:

$$\text{Leverage Ratio} = \frac{\text{Net Debt}^1 \div 2^2}{\text{EBITDA}}$$

1. The calculation of net debt includes Tatts Group's interest bearing liabilities and other liabilities less cash held by Tatts Group (cash excludes prize reserves).
2. Net Debt is divided by 2 to annualise the ratio (as the EBITDA included above is for the six month period to 31 December 2011).

The Leverage Ratio is calculated as Net Debt (divided by two) to EBITDA for the relevant six month period. The Leverage Ratio provides an indication of the number of years it would take Tatts to pay off all its existing Net Debt if Net Debt and EBITDA were held constant (ignoring factors of interest and taxes).

It therefore provides important information about Tatts' ability to repay its existing Net Debt and capacity to take on additional debt obligations. A high Leverage Ratio may indicate that Tatts may not be able to service its debt and could place downward pressure on Tatts' credit profile.

Taking into account the impact of the cessation of the Tatts Pokies gaming machine operations, Tatts would have a pro forma Leverage Ratio of 2.7 as at 31 December 2011. The Offer will have no impact on the Leverage Ratio as the proceeds from the Offer are being used to repay existing debt.

In considering the pro forma Leverage Ratio, which takes the FY11 Financial Statements and adjusts for the cessation of the Tatts Pokies gaming machine operations by simply removing the contribution and financial position of the business from the Financial Statements, it should be noted that this calculation does not attempt to portray the likely level of this ratio in FY13 when the Tatts Pokies gaming machine operations actually cease. Factors that the calculation above does not take into account that would improve this ratio are:

- The Tatts Pokies business will operate for approximately six weeks in FY13, which could represent up to \$30 million of EBITDA.
- The calculation assumes no group information technology savings from the cessation of Tatts Pokies' gaming machine operations. There are expected to be savings from rationalising data centres, the extent of which has not yet been determined.
- The Net Debt figure is not adjusted for cash flow to be generated by the group since December 2011.
- The EBITDA figure does not reflect the efficiency benefits expected to be received in the lotteries business from the replacement of the externally provided lottery system in NSW Lotteries with Tatts Group's in-house system in late FY12.

Gearing Ratio

Tatts has a Gearing Ratio of 84.1% based on statutory financial information sourced from the H1 FY12 Financial Statements and calculated using the following formula:

$$\text{Gearing Ratio} = \frac{\text{Total liabilities}}{\text{Total equity}}$$

The Gearing Ratio is required to be included in this document by the Corporations Act (as modified by ASIC Class Order CO 10/321, as amended). It indicates the extent to which the assets of Tatts are funded by debt. Generally, a higher ratio indicates greater use of borrowings to fund a business.

Taking into account the impact of the cessation of the Tatts Pokies gaming machine operations, Tatts would have a pro forma Gearing Ratio of 82.9% as at 31 December 2011. The Offer will have no impact on the Gearing Ratio as the proceeds from the Offer are being used to repay existing debt.

Balance Sheet Gearing Ratio

The Balance Sheet Gearing Ratio is a ratio that has been disclosed historically by Tatts to indicate the extent to which the assets of Tatts are funded by debt. This ratio is an alternative to the Gearing Ratio described above which may assist you in deciding whether or not to invest in Tatts Bonds. Generally, a higher Balance Sheet Gearing Ratio indicates greater use of borrowings to fund a business.

Tatts has a Balance Sheet Gearing Ratio of 31.2% based on statutory financial information sourced from the H1 FY12 Financial Statements and calculated using the following formula:

$$\text{Balance Sheet Gearing Ratio} = \frac{\text{Net Debt}}{\text{Net Debt} + \text{Total equity}}$$

Section 2 (continued)

Overview of Tatts

Taking into account the impact of the cessation of the Tatts Pokies gaming machine operations, Tatts would have a pro forma Balance Sheet Gearing Ratio of 30.2% as at 31 December 2011. The Offer will have no impact on the Balance Sheet Gearing Ratio as the proceeds from the Offer are being used to repay existing debt.

Interest Cover

Tatts has an Interest Cover of 6.7 times based on statutory financial information sourced from the H1 FY12 Financial Statements and calculated using the following formula:

$$\text{Interest Cover} = \frac{\text{EBITDA}}{\text{Net interest expense}}$$

Interest Cover gives an indication of Tatts' ability to meet its interest payments from earnings. It therefore provides important information about Tatts' financial sustainability and the risks associated with Tatts' level of borrowings. A low Interest Cover may indicate that Tatts could face difficulties in servicing its debt if earnings decrease or interest rates increase.

Taking into account the impact of the cessation of the Tatts Pokies gaming machine operations, Tatts would have a pro forma Interest Cover of 4.2 times as at 31 December 2011. After adjusting for the impact of the Offer on Tatts' net interest expense the pro forma Interest Cover is 4.1 times as at 31 December 2011.

Working Capital Ratio

Tatts has a Working Capital Ratio of 87.1% based on statutory financial information sourced from the H1 FY12 Financial Statements and calculated using the following formula:

$$\text{Working Capital Ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

Taking into account the impact of the cessation of the Tatts Pokies gaming machine operations, Tatts would have a pro forma Working Capital Ratio of 89.1%. The Offer will have no impact on the Working Capital Ratio as the proceeds from the Offer are being used to repay existing debt.

A Working Capital Ratio indicates whether an issuer has sufficient short term assets to meet its short term liabilities. Generally, a higher ratio indicates a greater ability to meet liabilities over the short term (including unexpected liabilities).

In Tatts' case, with its regular and consistent cash flow profile and an EBITDA that largely represents cash inflow from operations, the Working Capital Ratio needs to be considered in the context of its overall funding as outlined in Section (d) below.

(c) Approach to capital management

Tatts' capital risk management approach is to maintain a capital structure for the business which ensures sufficient liquidity and support for the business operations, maintains shareholder and market confidence, provides stakeholder returns, and positions the business for future growth. Tatts believes it has maintained an appropriately positioned balance sheet and a disciplined approach in ensuring strong credit metrics with further capacity for expansion. In implementing this approach, Tatts Group has sought to generally maintain its gearing ratio metrics at levels that allow scope to absorb acquisitions and/or events such as the cessation of the Tatts Pokies gaming machine operations whilst ensuring these ratios stay at appropriate levels for the business. This was reflected during FY10 when Tatts Group acquired NSW Lotteries for \$850 million using debt and cash reserves and the increase in funding levels increased the Balance Sheet Gearing and Leverage Ratios. These ratios reduced the following year as a result of the enhanced EBITDA and the cash generated within the business being used to repay debt.

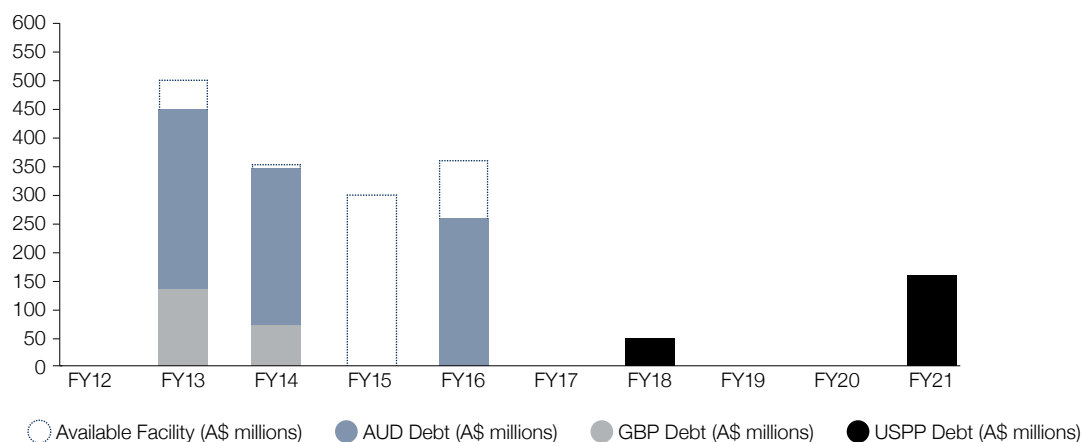
(d) Tatts' existing debt facilities and debt maturity

Tatts Group seeks to maintain a diversified debt portfolio that enables it to access a range of debt markets and instruments to meet its ongoing business requirements and investment opportunities. Tatts Group has accessed a range of sources of funding in previous years. The issue of the Tatts Bonds will add a new source of funding to, and thereby further diversify, Tatts Group's debt portfolio. This means that Tatts Group will be less reliant on its existing funding sources.

As at 31 December 2011, Tatts had drawn down debt (interest bearing liabilities) of \$1,269.6 million, and \$568.0 million of available liquidity from undrawn debt facilities and corporate cash and cash equivalents.

The chart on page 29 (Debt maturity profile (prior to issue of Tatts Bonds)) sets out the maturity profile of Tatts' drawn and undrawn committed facilities as at 31 December 2011 and does not include any adjustment for the issue of Tatts Bonds.

Debt maturity profile (prior to issue of Tatts Bonds)



Note: applies a USD/AUD exchange rate of 1.0209 and a GBP/AUD exchange rate of 0.6570 (as at 31 December 2011).

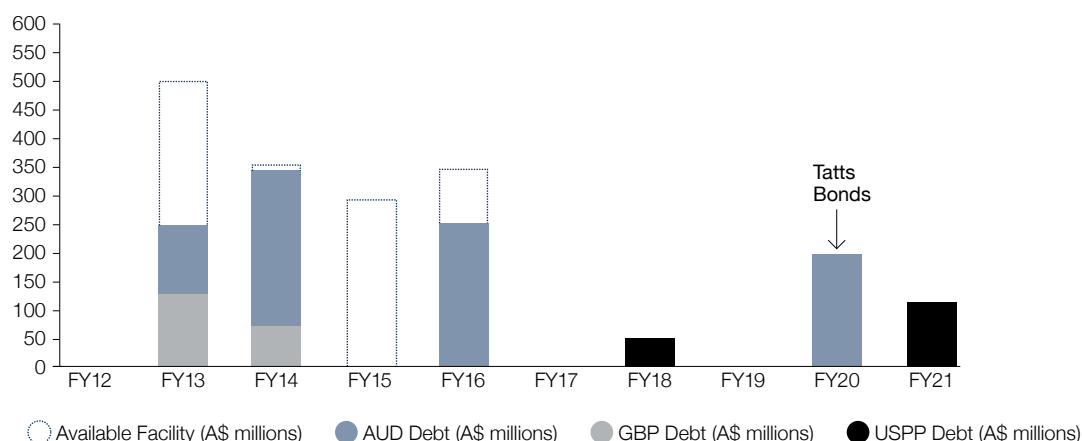
Tatts existing debt facilities and their maturities are as follows:

- US\$225.0 million from a 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\$1,489.0 million syndicated multi-currency revolving facility which is comprised of:
 - A\$189.0 million maturing in June 2013;
 - A\$300.0 million maturing in March 2013;
 - A\$350.0 million maturing in March 2014;
 - A\$300.0 million maturing in March 2015; and
 - A\$350.0 million maturing in March 2016.

It is the intention that the funds raised under the Offer of Tatts Bonds will be used to repay part of Tatts Group's syndicated multi-currency revolving facility. Following the Offer, Tatts Group's debt maturity profile would include an additional amount in the FY20 period in respect of the total funds raised under the Offer with a reduction in the drawn balance equal to the amount of net proceeds, in earlier years. The chart below sets out the debt maturity profile of Tatts Group's drawn and undrawn committed facilities after the Offer, assuming that the debt maturing in March 2013 (which is in AUD) is partly paid down by the proceeds of the Offer. Tatts Group intends to maintain the capacity to redraw this facility up until its maturity date. This means that the issue of Tatts Bonds will assist Tatts Group to maintain its capacity to access bank funding via this existing facility and thereby assist it to pursue potential future strategic growth initiatives.

Repaying existing bank debt with the net proceeds of the Offer will also have the effect of lengthening the debt maturity profile of Tatts Group. The resulting broader and longer debt maturity profile will reduce Tatts Group's exposure to refinancing risk, including the associated exposure to market volatility, by increasing the number of the time periods in which debt may need to be refinanced in the future.

Debt maturity profile (following issue of Tatts Bonds)



Note: applies a USD/AUD exchange rate of 1.0209 and a GBP/AUD exchange rate of 0.6570 (as at 31 December 2011).

(e) Investigating Accountant's Report



The Directors
Tatts Group Limited
615 St Kilda Road
Melbourne VIC 3004

29 May 2012

Dear Directors

Subject: Investigating Accountant's Report on Financial Information and Financial Services Guide

We have prepared this report on certain financial information of Tatts Group Limited (the **Company**) for inclusion in a prospectus dated on or about 29 May 2012 (the **Offer Document**) relating to the issue of approximately \$200m of retail bonds in the Company (the **Offer**).

Expressions defined in the Offer Document have the same meaning in this report.

The nature of this report is such that it should be given by an entity which holds an Australian financial services licence under the Corporations Act 2001. PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers, holds the appropriate Australian financial services licence. This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

Scope

The Company has requested PricewaterhouseCoopers Securities Ltd to prepare this investigating accountant's report (the **Report**) covering the following information:

Financial Information

- (a) the pro forma historical consolidated income statements for the year ended 30 June 2011 and the six month period ended 31 December 2011 (the **Pro Forma Income Statements**) which assume completion of the Offer; and

PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617, Holder of Australian Financial Services Licence No 244572
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au



- (b) the pro forma historical consolidated balance sheet as at 31 December 2011 (the **Pro Forma Balance Sheet**), which assumes completion of the Offer
- (collectively, the **Financial Information**).

This Report has been prepared for inclusion in the Offer Document. We disclaim any assumption of responsibility for any reliance on this Report or on the Financial Information to which this Report relates for any purposes other than the purpose for which it was prepared.

Scope of review of Financial Information

The Financial Information set out in Section 2.3(a) of the Offer Document has been extracted from the audited financial statements of the Company for the year ended 30 June 2011 and the reviewed financial statements for the six month period ended 31 December 2011. The financial statements for the year ended 30 June 2011 were audited separately by PricewaterhouseCoopers who issued an unmodified audit opinion on them on 25 August 2011. The financial statements for the six month period ended 31 December 2011 were reviewed separately by PricewaterhouseCoopers who issued an unmodified review opinion on them on 23 February 2012. The Directors of the Company are responsible for the preparation of the Financial Information, including the determination of the pro forma adjustments.

We have conducted our review of the Financial Information in accordance with Australian Auditing Standards applicable to review engagements. We made such inquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:

- an analytical review of the financial performance of the Company for the year ended 30 June 2011 and the six month period ended 31 December 2011
- a review of work papers, accounting records and other documents
- a review of the pro forma adjustments (as described in section 2.3(a)(iii) of the Offer Document) made to the Financial Information
- a comparison of consistency in application of the recognition and measurement principles under Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Company disclosed in the financial statements for the year ended 30 June 2011 and the six month period ended 31 December 2011, and
- enquiry of Directors of the Company, management and others.



These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Financial Information.

Review statement on Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the Financial Information has not been properly prepared on the basis of the pro forma adjustments
- the pro forma adjustments do not form a reasonable basis for the Financial Information
- the Financial Information, as set out in Section 2.3(a) of the Offer Document does not present fairly:
 - (a) Pro Forma Income Statements which assume completion of the pro forma adjustments; and
 - (b) the Pro Forma Balance Sheet, which assumes completion of the pro forma adjustments,

in accordance with the recognition and measurement principles prescribed under Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Company disclosed in the financial statements for the year ended 30 June 2011.

Subsequent events

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no material transactions or events outside of the ordinary course of business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

Independence or disclosure of interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of the Offer other than the preparation of this Report and participation in due diligence procedures for which normal professional fees will be received.



Liability

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this Report in the Offer Document in the form and context in which it is included. The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this Report in the Offer Document.

PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or any omissions from, the Offer Document.

Financial Services Guide

We have included our Financial Services Guide as Appendix A to our Report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our Report.

Yours faithfully

A handwritten signature in black ink, appearing to read 'A Welsh'.

Andy Welsh
Authorised Representative of
PricewaterhouseCoopers Securities Ltd



Appendix A – Financial Services Guide

PRICEWATERHOUSECOOPERS SECURITIES LTD FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 29 May 2012

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Holder of Australian Financial Services Licence No. 244572) (**PwC Securities**) has been engaged by Tatts Group Limited (the **Company**) to provide a report in the form of an Investigating Accountant's Report in relation to the Pro Forma Historical Financial Information (the **Report**) for inclusion in a prospectus dated on or about 29 May 2012 (the **Offer Document**) relating to the issue of approximately \$200m of retail bonds in the Company (the **Offer**).

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. This Financial Services Guide

This Financial Services Guide ("**FSG**") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3. Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

4. General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

5. Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees are on a fixed basis and are \$110,000 (exc GST).

Directors or employees of PwC Securities, PricewaterhouseCoopers (ABN 52 780 433 757), or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6. Associations with issuers of financial products

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business. PricewaterhouseCoopers is the auditor of the Company.

7. Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service ("**FOS**"), an external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.

8. Contact Details

PwC Securities can be contacted by sending a letter to the following address: Andy Welsh, Freshwater Place 2 Southbank Boulevard, SOUTHBANK VIC 3000



Section 3

Key risks of Tatts Bonds

Section 3

Key risks of Tatts Bonds

Introduction

By investing in Tatts Bonds you will be lending money to Tatts and may be exposed to a number of risks which can be broadly classified as risks associated with Tatts Bonds and risks associated with Tatts Group's business that may affect Tatts Bonds.

This Section describes potential risks associated with Tatts' business and risks associated with an investment in Tatts Bonds and Tatts. It does not purport to list every risk that may be associated with an investment in Tatts Bonds now or in the future, and the occurrence or consequences of some of the risks described in this Section of the Prospectus are partially or completely outside the control of Tatts, its Directors and senior management team. The selection of risks has been based on an assessment of a combination of the probability of the risk occurring and impact of the risk if it did occur. This assessment is based on the knowledge of the Directors as at the date of this Prospectus but there is no guarantee or assurance that the importance of different risks will not change or other risks emerge.

There can be no guarantee that Tatts will meet trading performance or financial results guidance that it may provide to the market, or that any forward looking statements contained in this Prospectus will be realised or otherwise eventuate. Investors should note that past performance is not always a reliable indicator of future performance.

Before applying for Tatts Bonds, you should satisfy yourself that you have a sufficient understanding of these matters and should consider whether Tatts Bonds are a suitable investment for you, having regard to your own investment objectives, financial circumstances and taxation position. If you do not understand any part of this Prospectus or are in any doubt as to whether to invest in Tatts Bonds or not, it is recommended that you seek professional guidance from your solicitor, accountant or other independent and qualified professional adviser before deciding whether to invest.

3.1 Risks associated with Tatts Bonds

(a) The market price of Tatts Bonds may fluctuate

Tatts will apply for quotation of Tatts Bonds on ASX. The market price of Tatts Bonds on ASX may fluctuate due to various factors, including:

- changes in Australian and international economic conditions, interest rates, credit margins, inflation rates and foreign exchange rates;
- the performance or financial position of Tatts;
- movements in the market price of equity and/or other debt issued by Tatts or by other issuers;
- changes in investor perceptions and sentiment in relation to Tatts or the gambling industry; and
- other major Australian and international events such as hostilities and tensions, and acts of terrorism.

The market price for Tatts Bonds may also be negatively impacted by interest rate fluctuations and low liquidity as described in Sections 3.1(b) and (c) below.

It is possible that Tatts Bonds may trade at a market price below the Face Value and that the market price of Tatts Bonds may be more sensitive than that of ordinary shares to changes in interest rates, credit margins and other market prices.

If Tatts Bonds trade at a market price below the amount at which you acquired them, there is a risk that if you sell them prior to the Maturity Date, you may lose some of the money you invested.

Tatts does not guarantee the market price of Tatts Bonds.

(b) The Interest Rate will fluctuate

The Interest Rate is a floating rate, equal to the sum of the Bank Bill Rate plus the fixed Margin. The Bank Bill Rate will fluctuate and therefore the Interest Rate will fluctuate. Over the term of the Tatts Bonds, the Interest Rate may be lower or higher than the initial Interest Rate on the Issue Date.

If the Interest Rate decreases, there is a risk that the return on the Tatts Bonds may become less attractive compared to returns on other investments, including investments which carry fixed interest rates.

Tatts does not guarantee any particular rate of return on Tatts Bonds.

(c) The liquidity of Tatts Bonds may be low

The market for Tatts Bonds may not be liquid. Although Tatts is seeking to raise \$200 million it does have the ability to raise less (subject to a minimum subscription level of \$50 million). A smaller issue size is likely to result in lower liquidity.

If liquidity is low, there is a risk that, if you wish to sell your Tatts Bonds prior to the Maturity Date, you may not be able to do so at a price acceptable to you, or at all, and there is a risk that the market price will become more volatile in general.

Tatts does not guarantee that you will be able to sell your Tatts Bonds.

(d) Tatts may default on payment of Face Value or Interest

Depending upon its performance and financial position, Tatts may default on payment of some or all of the Face Value or Interest on Tatts Bonds.

If Tatts and the Guarantors do not pay some or all of the Face Value or Interest as and when payable under the Terms, then you may not receive some or all of the money you invested in Tatts Bonds or Interest that is due to be paid to you

(e) Holders of Tatts Bonds are unsecured creditors

If Tatts becomes unable to meet its obligations or suspends any payments it is required to make, Holders' claims will rank after any secured creditors of Tatts as well as the claims of any creditors preferred by law, such as employee entitlements.

Under Tatts' current funding arrangements, Holders of Tatts Bonds rank equally with Tatts existing bank debt and USPP notes. Under clause 4.2 of the Terms, Tatts is restricted from issuing further prior ranking securities, or granting security over its assets in favour of certain of its other lenders, without providing similar security to holders of Tatts Bonds.

Those restrictions principally operate in respect of key debt capital market instruments (broadly, debt instruments that are publicly offered and trade on a market). The restrictions do not operate in respect of bank debt and there are exceptions to the restrictions, (refer to Section 1.5 and Clauses 4.2 and 10 of the Terms). In the event of a winding up of Tatts or a Guarantor (as the case may be), Holders' claims would rank behind the claims of such other creditors.

If there are insufficient assets to satisfy Holder claims after the claims of secured creditors and creditors preferred by law are satisfied, then there is a risk that you may lose some or all of the money you invested in Tatts Bonds and any Interest that has accrued but remains unpaid.

(f) Tatts may issue further securities

Tatts has the right to issue further Tatts Bonds.

Tatts has the right to issue further securities (including additional series of Tatts Bonds) that may:

- have the same or different dividend, interest or distribution rates as Tatts Bonds;
- have the same or different maturities as Tatts Bonds;
- have the same or different terms and conditions as Tatts Bonds; and
- rank for payment of the principal or interest (including on winding up of Tatts) after, equally with, or ahead of Tatts Bonds subject to the negative pledge.

A holding of Tatts Bonds does not confer any right to participate in further issues of securities by Tatts, whether equity, debt, or some other security. In addition, other entities in the Tatts Group may issue securities with the same or different dividend, interest or distribution rates, maturities, or terms and conditions to Tatts Bonds.

The issue of further securities by Tatts or other Tatts Group entities may have the effect of reducing the amount that Holders would receive on a winding up and may have an adverse effect on the market price or liquidity of Tatts Bonds, although this is difficult to anticipate.

(g) Holders may only request that their Tatts Bonds be Redeemed early in limited circumstances

Holders of Tatts Bonds may only request Redemption of their Tatts Bonds prior to the Maturity Date where there is a Change of Control Event or a Delisting Event. Alternatively, to realise your investment, you may be able to sell your Tatts Bonds on ASX at the prevailing market price but, depending on market conditions at the time, it is possible that Tatts Bonds may be trading at a market price below the Face Value and/or the market for Tatts Bonds may not be liquid.

(h) Tatts may Redeem Tatts Bonds if a Tax Event or a Clean Up Event occurs

Tatts has the right to Redeem Tatts Bonds if a Tax Event or a Clean Up Event occurs.

Depending on market conditions at the time, you may not be able to reinvest the amount you receive on Redemption at a similar rate of return to the rate of return you expected on your Tatts Bonds if you had held them until the Maturity Date.

Section 3 (continued)

Key risks of Tatts Bonds

(i) Limited Holder rights

In the event that Tatts defaults on the payment of Face Value or Interest, only the Trustee is able to take action directly against Tatts; Holders rights are limited to voting in meetings of Holders to request the Trustee to take action. Refer to Section 4.6 for more information.

(j) Guarantors

On the Issue Date, the Guarantors will comprise the initial Guarantors. Holders should note that the entities comprising the Guarantors may change from time to time. Therefore, the members of the Tatts Group that comprise the Guarantors on the Issue Date may change prior to the maturity of the Tatts Bonds (as described in Section 1.5). Consequently, Holders may not in the future have the benefit of a Guarantee from each initial guarantor.

(k) Taxation considerations

A summary of potential Australian taxation implications for Holders is set out in Section 4.3. This is a general summary and is not intended to provide specific advice in relation to the circumstances of any particular investor. Accordingly, Holders should seek independent advice in relation to their own individual taxation circumstances.

(l) Corporate actions

The Terms do not provide Holders with any rights in the event that Tatts undertakes any transactions that may involve the restructure of the Tatts Group – such as asset disposals or acquisitions or other corporate transactions. Any such transactions would only give rise to rights for Holders if they constitute a Change of Control Event or a Delisting Event (see Sections 1.4 and 3.1(g)).

3.2 Risks associated with Tatts Group's business that may affect Tatts Bonds

(a) Licences and other approvals

The conduct of wagering and lotteries in Australia and the operation of gaming machines in Australia and the UK are governed by regulations and through the granting of licences, permits or other approvals to participants by the relevant state, territory and UK Governments.

Tatts Group must comply with relevant regulations and the terms of its respective wagering, lotteries, monitoring and gaming licences, permits or other approvals. Any non-compliance could lead to a range of disciplinary actions, including a letter of censure, reprimand, fines, amended or additional terms or, ultimately, the suspension or cancellation of a licence, permit or approval. In the event that a licence, permit or approval was cancelled by a state or territory government or the UK Government, Tatts Group would not be permitted to operate the relevant business.

Any material non-compliance by Tatts 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 Tatts Group or result in the loss of a business unit and corresponding revenues from that business unit.

(b) Regulation and changes to regulation

The regulation of gambling activities in Australia is primarily the responsibility of state and territory governments. The Federal Government also has jurisdiction over areas of regulation which may affect the gambling industry. Regulation at the state, territory and federal government levels is subject to change and Tatts Group has no control over the regulations that apply to its current or proposed activities.

The gambling activities which Tatts Group conducts, and will conduct, and the level of competition those businesses experience, and will experience, depend to a significant extent on:

- the licences, permits and other approvals granted to Tatts Group (Authorisations); and
- government policy and the manner in which the relevant governments exercise their broad powers in relation to the conduct of the relevant businesses.

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 Tatts Group's businesses which impact the way Tatts Group conducts its businesses. Such changes may reduce Tatts Group's margins, turnover, or both.

(c) Authorisation exclusivity

The exclusivity periods for the following Authorisations held by Tatts Group will expire during the term of the Tatts Bonds:

Authorisation	Expiry of Exclusivity
Queensland Race Wagering Licence (Totalisator and fixed odds betting on racing)	June 2014
South Australian Authorised Betting Operations Licence (Totalisator and fixed odds betting on racing and sports)	January 2017

Neither the Queensland nor South Australian Governments have yet foreshadowed what will occur after the expiry of the respective exclusivity periods, but the potential licensing of additional totalisator operators in either Queensland or South Australia or both could result in the introduction of one or more new entrants in those jurisdictions which would adversely affect Tatts Group's earnings.

(d) Competition

Tatts Group's lotteries businesses in Victoria and Tasmania, its gaming machine monitoring business in Queensland, its UK gaming business and Bytecraft's non-Tatts Group related operations are subject to direct competition from existing competitors. Even if Tatts Group's gaming, wagering and lotteries Authorisations are renewed, its businesses may also be subject to competition from new entrants from the time of renewal.

Technological developments (including online gaming and lottery products) have and will continue to increase competition to Tatts Group's businesses, regardless of Authorisations. Tatts Group's wagering businesses currently and have for some time competed 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 odds products. The internet and other new forms of distribution have allowed new competitors to enter Tatts Group's traditional markets of Queensland, South Australia and Tasmania without those competitors being licensed in those states. There is a possibility that competition from interstate and international operators may extend to Tatts Group's retail network in the future. This would undermine the retail exclusivity of the licences that are presently held by TattsBet in Queensland, South Australia, Northern Territory and Tasmania. State governments may be unable or unwilling to take action to preserve retail exclusivity.

Gambling also competes with other forms of consumer discretionary spending.

If Tatts Group does not adequately respond to the competition which it faces, there may be a change in consumer spending patterns which may have an adverse effect on the operational and financial performance of Tatts Group. A sustained increase in competition from new entrants may result in a material failure to grow or loss of market share or revenues.

(e) Authorisation expiry

The following Authorisations held by Tatts Group will expire during the term of the Tatts Bonds:

Authorisation	Expiry Date
Queensland Sports Wagering Licence (Totalisator and fixed odds betting on sports)	June 2014
Northern Territory Totalisator and Sports Betting Licences (Totalisator and fixed odds betting on racing and sports)	June 2015
New South Wales Centralised Gaming Machine Monitoring Licence	November 2016
Victorian Lotteries Licence	June 2018

Section 3 (continued)

Key risks of Tatts Bonds

Tatts Group cannot be certain:

- whether any of these Authorisations will be renewed or new licences, permits or authorisations will be granted to Tatts Group when these Authorisations expire;
- whether such renewal or grant process will be the subject of a competitive tender;
- if any of the Authorisations are renewed or new licences, permits or authorisations are granted to Tatts Group:
 - when they will be renewed or granted (as applicable);
 - the terms on which they will be renewed or granted by the respective state and territory governments, including amounts which might be required to be paid by way of licence fees; and
- that additional licences, permits or authorisations will not be issued to third parties.

If these Authorisations are not renewed or new Authorisations granted on terms not acceptable to or less favourable to Tatts Group, there is a possibility that this would result in Tatts Group being unable to conduct the specific businesses which operate pursuant to these Authorisations or being unable to generate revenues equal to those currently being generated by these businesses.

(f) Systems

Tatts Group operates a range of proprietary and non-proprietary information technology systems, including hardware and software, for existing and new infrastructure to conduct its wagering, lotteries and gaming businesses. Tatts Group is exposed to the risk of failure of, or significant interruption to, its information technology systems or infrastructure which may have a material adverse impact on the financial performance of Tatts Group.

Tatts Group manages this risk by having system redundancy and other back-up measures in place. However, there can be no assurance that Tatts Group's mitigation arrangements will be sufficient to entirely prevent the risk of a significant systems failure. A prolonged failure of the computer systems operated by Tatts Group which support its wagering, lotteries and gaming businesses would result in a significant loss of revenue and profit to Tatts Group as it would be unable to process bets, lottery tickets and other revenue generating transactions and this may have an adverse effect on the operational and financial performance of Tatts Group.

(g) Reliance on third parties

Tatts Group is reliant on a number of third parties for the operation of its businesses. The areas in which Tatts Group has significant reliance on third parties include:

- provision and maintenance of telecommunications infrastructure between Tatts Group's data centres and its networks of gaming venues and wagering and lottery outlets;
- provision of racing product from racing industries;
- provision of racing vision to Tatts Group's network of wagering outlets;
- maintenance services for critical hardware infrastructure;
- banking services for the collection of funds from gaming venues and wagering and lottery outlets, and the remittance of funds to governments; and
- insurance for the cover of insured losses and damage.

Failure of, or significant interruption to, third party products and services upon which Tatts Group relies for a sustained period of time may result in Tatts Group being unable to provide certain services during that period, which may have a material adverse impact on the financial performance of Tatts Group.

(h) Reputation

Tatts considers its reputation for trust and integrity as important in maintaining customer goodwill and regulatory confidence for its wagering, lotteries, gaming and other operations. A range of events, including a material non-compliance with regulations or Authorisation terms or a breach of Tatts Group's information systems leading to the occurrence of fraudulent activity such as identity theft or credit card fraud, or other disclosure of customers' personal information, could have a material adverse impact on Tatts Group's reputation and the value of its brands and increased expenditure due to additional security costs and/or potential claims for compensatory damages.

Significant disciplinary actions, the imposition of monetary fines or the loss of an Authorisation in one jurisdiction could affect Tatts Group's reputation and adversely affect its current Authorisations or future opportunities for licences, permits or approvals in other jurisdictions. The consequences of such events could be very significant for Tatts Group, including reduced revenues, increased expenses, loss of consumer trust in the relevant brand or products, and loss of a business unit.

(i) Gaming operator's licence compensation payment

Tatts Group conducts gaming operations in Victoria under a gaming operator's licence which is due to expire at midnight on 15 August 2012. When this licence expires, Tatts Group will no longer generate earnings and cash flows from the activities which are currently conducted under this licence. Bytecraft may also lose some of the revenues it currently earns from providing maintenance services to Tatts Group's gaming venues.

Tatts considers that it is entitled to receive a compensation payment of up to \$598 million from the Victorian Government upon the expiry of its gaming operator's licence in certain circumstances. The previous Victorian Government has stated that it considers that its decision to move to a new structure for the gambling industry represents an entirely new regulatory model for the operation of wagering, gaming and Keno in Victoria after the expiration of the current licences in 2012. In announcing that decision, the Victorian Government stated that it had formed the view that Tatts is not entitled to compensation. Tatts intends to pursue all of its rights and to take all appropriate action in respect of the payment, however, there is a risk that the amount claimed may be less than \$598 million and that Tatts will be unsuccessful in its claim and receive none or only some of the amount claimed.

As a result of the Victorian Government's decision, Tatts decided to fully write down the value of its gaming operator's licence and brand on its balance sheet in FY08. The accounting treatments adopted by Tatts in writing down the value of the licence and brand are in accordance with Australian Accounting Standards, particularly in relation to the gaming operator's licence, and do not reflect any assessment by Tatts of its entitlement to compensation.

(j) Taxes and levies

Taxes and levies relating to the wagering, lotteries and gaming segments of the gambling industry are currently determined by the relevant governments. A material increase in the taxes and levies payable by Tatts Group in respect of its wagering, lotteries or gaming businesses may reduce margins and have a material adverse impact on the financial performance of Tatts Group.

In addition to gambling taxes and levies, the rate of GST and corporate taxation is determined in Australia by the Federal Government. In the UK, VAT and corporate taxation is determined by the UK Government. A material increase in the taxes imposed by these governments may increase Tatts Group's expenses and have a material adverse impact on the financial performance of Tatts Group.

(k) Industry and economic conditions

The performance of Tatts Group depends to a large extent on the level of discretionary consumer spending along with other economic factors in Australia and the UK such as economic growth, interest rates, inflation, household disposable income, taxation, employment levels, consumer and business sentiment and market volatility. There can be no guarantee that the current economic environment and gambling industry conditions will remain the same and there is a risk that material adverse changes to general economic or industry conditions may have a material adverse impact on the financial performance of Tatts Group, as a consequence of the potential for customer numbers and/or spend per customer to reduce leading to a loss of revenues. Changes in government fiscal, monetary and regulatory policies could also affect the performance of Tatts Group.

(l) Race fields fees

Each state and most territories have implemented race fields fee arrangements, under which each state or territory's racing industry charges wagering operators fees for the use of that industry's race fields information. Consequently, Tatts Group is required to pay additional product fees.

Following the High Court's recent decisions in *Sportsbet v New South Wales* and *Betfair v Racing New South Wales*, which confirmed the validity of the New South Wales race fields regime and the approvals issued by the relevant racing control bodies and clarified the constitutionality of the New South Wales race fields regime, some states and territories have indicated that they will seek to amend the race fields arrangements to charge a fee based on a percentage of turnover rather than gross margin.

While TattsBet's Queensland, South Australian and Northern Territory businesses have contracts that allow them to offset some or all of these fees or obtain damages under contract, if all race fields fees were to be charged on a percentage of turnover, or otherwise materially increased, this could result in an increase in expenses and a corresponding reduction in margin for parts of the wagering business.

Section 3 (continued)

Key risks of Tatts Bonds

(m) Lottery Blocs

The major lotteries operated by Tatts Group in Victoria, Queensland, New South Wales, Tasmania, the Australian Capital Territory and the Northern Territory currently operate as part of national Lottery Blocs. The collation of prize funds under national Lottery Blocs provides larger prize pools which assists with the sales of certain of Tatts Group's lottery products. Discontinuation of, or significant variation to, one or more of the Lottery Blocs may reduce the size of prize pools or the size of jackpots. There is a possibility that such outcomes may affect the desirability of these products which in turn may lead to a reduction in revenues generated by these products.

(n) Impairment risk

Tatts Group assesses whether there is any indication that an asset may be impaired on an ongoing basis. When an indicator of impairment exists, Tatts Group makes a formal estimate of the recoverable amount. When the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to the recoverable amount. Adverse outcomes of some of the risk factors listed above, as well as new developments that are not currently apparent, could trigger an impairment and have a negative impact on the reported financial results of Tatts Group. While such impairments would not immediately impact on the Company's ability to pay the interest due on the Tatts Bonds, they could adversely impact Tatts Group's ability to refinance its debt obligations.

(o) Acquisition and divestment activities

From time to time, Tatts Group examines new acquisition opportunities, including the opportunity to bid for new licences, permits or approvals both domestically and internationally, which may relate to existing businesses or to new areas of operation for Tatts Group. There is a risk that Tatts Group may incur substantial costs, delays or other problems in implementing its strategy for any acquired businesses, or be unsuccessful in bidding for new businesses or licences, permits or approvals which could negatively impact Tatts Group's operations, profitability or reputation.

Tatts Group also pursues divestment strategies from time to time. There is a risk that the divestment of an existing business may be costly and may result in variability in earnings over time.

In addition, there could be liabilities that arise in connection with the businesses that Tatts Group may sell or acquire in the future, which could adversely affect Tatts Group's earnings.

(p) Other risks

There are a number of other general commercial risk factors that could adversely affect Tatts Group's financial performance, position and prospects (and therefore Tatts' ability to meet its obligations under the Tatts Bonds) including, but not limited to, the following:

- Access to funding and capital – to meet its financial obligations, Tatts Group is required to maintain sufficient cash and available funding through an adequate amount of committed credit facilities. If Tatts Group fails to appropriately manage its liquidity position, or if markets are not available generally or to Tatts Group specifically, at the time of any financing or refinancing that Tatts Group requires, there is a risk that Tatts Group's business, prospects and financial flexibility may be adversely affected.
- Key personnel – Tatts Group's businesses are dependent upon the continued performance, expertise and, where required, regulatory approval of key personnel. While efforts are made to retain key personnel, the loss of such personnel may have a material adverse impact on the financial performance of Tatts Group.
- Litigation – from time to time, members of Tatts Group may become involved in litigation and disputes. While the Company believes it has made appropriate provisions in respect of such litigation and disputes, there is a risk that the resolution of such litigation and disputes may result in those provisions being exceeded. There is also the risk that Tatts Group's reputation may suffer due to the profile of, and public scrutiny surrounding, any such litigation and disputes regardless of the outcome.

The above risks should not be taken as a complete list of the risks associated with an investment in Tatts Bonds. The risks outlined above and other risks not specifically referred to may in the future materially adversely affect the value of Tatts Bonds and their performance. Accordingly, no assurance or guarantee of future performance or profitability is given by Tatts in respect of the Tatts Bonds.



Section 4

Other Information

Section 4

Other information

4.1 No breaches of loan covenants or debt obligations

Tatts has not breached any loan covenants or capital market debt obligations in the two years prior to the date of this Prospectus.

4.2 Compliance with Chapter 2M and section 674 of the Corporations Act

As at the date of this Prospectus, Tatts has complied with the provisions of Chapter 2M of the Corporations Act as they apply to Tatts and with section 674 of the Corporations Act.

4.3 Taxation Summary

The discussion contained in this Taxation Summary is of a general nature only and does not take into account the specific circumstances of any Holder. Holders should seek their own independent taxation advice.

This summary only addresses the Australian tax position of Holders who:

- are either Australian resident taxpayers (in this Section, **Australian Holders**) or certain non-Australian residents (in this Section, **Non-resident Holders**);
- acquire the Tatts Bonds via the Offer;
- do not hold the Tatts Bonds on behalf of any other person or entity;
- acquire and hold their Tatts Bonds on capital account;
- in the case of Australian Holders, do not acquire the Tatts Bonds in carrying on a business through a permanent establishment outside Australia; and
- in the case of Non-resident Holders, do not acquire the Tatts Bonds in carrying on a business in Australia through a permanent establishment in Australia.

Other Holders may have different taxation consequences not addressed in this Taxation Summary.

This summary has been prepared based on the Australian income tax laws as at the date of this Prospectus. Holders should note that the law and administrative practice may change at any time. Any such change may adversely affect Holders. All references to legislative provisions are to provisions of the 1997 Act and the 1936 Act unless otherwise indicated.

(a) Character of Tatts Bonds and Division 230

The Tatts Bonds should be debt interests (not equity interests) for tax purposes. As such:

- Interest on the Tatts Bonds will not be frankable; and
- the interest withholding tax rules will apply to Interest paid to Non-resident Holders.

Division 230 contains comprehensive rules for the taxation of financial arrangements. Broadly, where Division 230 applies, the gain from a financial arrangement will be assessable, the loss from a financial arrangement may be deductible, and the recognition of the gain or loss will be determined in accordance with one of the timing methods set out in Division 230.

The Tatts Bonds should be financial arrangements and, as the Tatts Bonds will not be equity interests, they will not otherwise be generally excluded from the operation of Division 230. Where a Holder is subject to Division 230 these rules will operate to tax gains from the Tatts Bonds on an accruals or realisation basis unless an alternative timing method is chosen.

Division 230 can apply to both Australian Holders and Non-resident Holders. Division 230 should not apply to Holders who are:

- individuals;
- complying superannuation funds with a turnover and assets of less than \$100m; or
- companies with a turnover and financial assets of less than \$100m and total assets of less than \$300m, unless the Holder elects for the provisions of Division 230 to apply.

As the operation of the rules in Division 230 is complex and the application of Division 230 will depend upon the facts and circumstances of each Holder, Holders should obtain independent tax advice applicable to their personal circumstances.

(b) Interest and Guarantee Payments

(i) Australian Holders

Australian Holders will be required to include Interest on the Tatts Bonds, and any payments received under the Guarantee in respect of Interest, in their assessable income.

Where Division 230 applies, an Australian Holder will be required to recognise the Interest or Guarantee payments in accordance with the appropriate rules and timing methods in Division 230.

If Division 230 does not apply, the Interest and any Guarantee payment should generally be recognised on a cash receipts basis.

(ii) Non-resident Holders

Generally, Non-resident Holders will be subject to interest withholding tax at a rate of 10% on any Interest received.

However, Tatts intends to issue the Tatts Bonds in a manner which will satisfy the provisions of section 128F. Where the issue of Tatts Bonds does satisfy the provisions of section 128F, Interest paid to Non-resident Holders will not be subject to interest withholding tax.

The interest withholding tax exemption in section 128F will not apply to Interest paid to Non-resident Holders who are associates of Tatts.

Whilst the position is not clear, the better view is that payments made to Non-resident Holders under the Guarantee in respect of Interest should not be subject to interest withholding tax. This is especially the case if the payment under the Guarantee relates to Interest which would have been exempt from interest withholding tax under section 128F.

A Non-resident Holder will not otherwise be subject to tax on Interest which is subject to interest withholding tax or exempt from interest withholding tax under section 128F. In addition, a Non-resident Holder will not be subject to tax on payments made to Non-resident Holders under the Guarantee where those payments are not Australian sourced income.

(c) Disposal of Tatts Bonds

(i) Australian Holders

Broadly, Australian Holders will be required to include any gain on the disposal of the Tatts Bonds in their assessable income and should be entitled to a deduction for any loss realised on the disposal of the Tatts Bonds.

Where Division 230 applies, an Australian Holder will be required to calculate the gain or loss having regard to the Interest received, the disposal proceeds and the cost to the Australian Holder of the Tatts Bonds. Any gain or loss will be recognised in accordance with the appropriate rules and timing and adjustment methods in Division 230.

If Division 230 does not apply, the Tatts Bonds should be traditional securities and the gain or loss should equal the difference between the disposal proceeds and the cost to the Australian Holder of the Tatts Bonds. The gain or loss should generally be recognised in the income year in which the disposal occurs.

Although the disposal will also result in a capital gains tax (CGT) event, any capital gain or loss should be disregarded to the extent it is recognised in the manner described above.

Section 4 (continued)

Other information

(ii) Non-resident Holders

Non-resident Holders should only be subject to tax on a gain realised on the disposal of the Tatts Bonds if that gain is Australian sourced income. Whether a gain is Australian sourced income will depend on the precise facts and circumstances.

Where a gain on disposal is Australian sourced income, the calculation and recognition of the gain or loss will be determined under Division 230 or the rules relating to traditional securities.

A Non-resident Holder may nonetheless be eligible for relief from Australian tax if the Non-resident Holder is a resident of a country which has a double tax agreement with Australia.

Although the disposal will also result in a CGT event, any capital gain should be disregarded.

(d) TFN/ABN Withholding

A Holder may provide Tatts with their Tax File Number (TFN) or, in certain circumstances, their Australian Business Number (ABN) or notify Tatts of an exemption. A Holder is not required to provide Tatts with their TFN, ABN or exemption details.

If a TFN or ABN or exemption details are not provided, Tatts will be required to withhold an amount on account of tax from any Interest payments at a rate of 46.5%.

Tatts will not be required to withhold an amount on account of tax from Interest paid to Non-resident Holders where the Interest is subject to interest withholding tax or exempt from interest withholding tax under section 128F.

(e) GST

GST is not payable on the issue, receipt, disposal or Redemption of Tatts Bonds.

GST is not payable in relation to the payment of Face Value or Interest by Tatts.

(f) Stamp Duty

No stamp duty should be payable on the issue, receipt, disposal or Redemption of Tatts Bonds.

4.4 Electronic access to the prospectus

This Prospectus is available to Australian investors (including Eligible Shareholders within Australia) in electronic form at www.tattsbondsoffer.com.

The following conditions apply if this Prospectus is accessed electronically:

- you must download the entire Prospectus;
- your application will only be considered where you have applied on an Application Form that was attached to or accompanied by a copy of the Prospectus; and
- the Prospectus is available electronically to you only if you are accessing and downloading or printing the electronic copy of the Prospectus in Australia, or if you are an Eligible Shareholder in Australia.

During the Offer Period, you can also request a free paper copy of this Prospectus and an Application Form (for the Shareholder and Broker Firm Offers) by calling the Tatts Bonds Information Line on 1300 367 346 (within Australia) or +61 3 9415 4199 (international) (Monday to Friday – 9.00am to 5.00pm).

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, a printed copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Your application will only be considered where you have applied pursuant to an Application Form (either electronic or paper) that was attached to, or accompanied by, a copy of the Prospectus, and have provided your Application Monies.

4.5 Rights and liabilities of the securities being offered

The rights and liabilities attaching to Tatts Bonds are contained in the Terms and the Trust Deed. The Terms are set out in the Appendix to this Prospectus and a summary is provided in Section 1. A summary of the Trust Deed is set out below.

Rights and liabilities attaching to Tatts Bonds may also arise under the Corporations Act, Listing Rules and other applicable laws.

4.6 Trust Deed

Tatts and the initial Guarantors entered into a Trust Deed constituted under Victorian law, with Australian Executor Trustees Limited as the trustee, on or about the date of this Prospectus. The Terms and the Tatts Bond Guarantee are set out as schedules to the Trust Deed. The Terms are also set out in the Appendix to this Prospectus.

Tatts will provide a copy of the Trust Deed upon request free of charge to potential investors during the period until the Issue Date and thereafter to Holders of Tatts Bonds. A copy of the Trust Deed can be obtained free of charge by any person who requests it during the Offer Period, by calling the Tatts Bonds Information Line on 1300 367 346 (within Australia) or +61 3 9415 4199 (international) (Monday to Friday – 9.00am to 5.00pm).

The Trustee has agreed to act as the trustee of the assets and rights held on trust for Holders (as described below) pursuant to the terms of the Trust Deed. Tatts Bonds are issued subject to the terms and conditions contained in the Trust Deed.

The Trustee is not responsible for monitoring compliance by Tatts or the Guarantors with their respective covenants and obligations under the Trust Deed or any other activities or status of the Issuer or the Guarantors except as required by law. In this regard, the Trustee is subject to certain statutory duties imposed on it under Chapter 2L of the Corporations Act including to:

- exercise reasonable diligence to ascertain whether:
 - the property of Tatts or the Guarantors that is or should be available will be sufficient to repay the amounts lent by Holders in respect of Tatts Bonds; and
 - Tatts or the Guarantors have breached the Terms, the Trust Deed or the provisions of Chapter 2L of the Corporations Act
- and unless the Trustee is satisfied the breach is not material, it must do everything in its power to ensure Tatts or the relevant Guarantor remedies such a breach.

The following is a summary only of the principal provisions of the Trust Deed.

(a) Tatts Bond Guarantee and the Guarantors

Under the terms of the Tatts Bond Guarantee, each Guarantor irrevocably and unconditionally guarantees to each Holder the performance by Tatts of all of Tatts' obligations under the Terms of the Tatts Bond and the Trust Deed and undertakes to each Holder to pay any amount accrued but unpaid under any Tatts Bonds immediately on demand.

In addition, each Guarantor indemnifies each Holder immediately on demand against any cost, loss or liability suffered by that Holder if any obligation guaranteed by it under the Tatts Bond Guarantee (or anything which would have been an obligation guaranteed by it if not unenforceable, invalid or illegal) is or becomes unenforceable, invalid or illegal.

The obligations of each Guarantor under the Tatts Bond Guarantee constitute direct, unconditional, unsubordinated and (subject to clause 4.2 of the Terms) unsecured obligations of that Guarantor and rank at least equally with all present and future unsubordinated and unsecured debt obligations of the Guarantor (subject to laws and principles of equity generally affecting creditors' rights or as provided by operation of law).

In certain circumstances, a Guarantor may incur obligations that rank ahead of the Guarantee. In particular, they could create a security with respect to certain types of indebtedness (being indebtedness which is not Relevant Indebtedness) or could otherwise create a Permitted Security Interest in the circumstances described in Section 1.5. In the event of a winding up of a Guarantor, Holders would be entitled to receive a payment under the Guarantee in respect to Tatts Bonds only after such secured creditors of the Guarantor (and claims mandatorily preferred by law) are paid in full.

Section 4 (continued)

Other information

Under the Trust Deed, Tatts must ensure that each member of the Tatts Group which has an outstanding guarantee with respect to Tatts' syndicated multi-currency revolving facility agreement or equivalent agreement is a Guarantor under the Tatts Bond Guarantee in respect of the Tatts Bonds. Accordingly, the members of the Tatts Group that comprise the Guarantors may change prior to the maturity of the Tatts Bonds.

Similarly, if at any time a member of the Tatts Group is released from its guarantee obligations under Tatts' syndicated multi-currency revolving facility agreement or equivalent agreement (which might occur if Tatts obtained the consent of certain of its other existing financiers), Tatts will be able to automatically release that member of the Tatts Group from its obligations under the Tatts Bond Guarantee in respect of the Tatts Bonds and it would therefore cease to be a Guarantor in respect of the Tatts Bonds.

(b) Priority of the Trustee

All moneys that are received by the Trustee under the Trust Deed will be applied first in payment of any amounts owing to the Trustee in connection with the Trust Deed, secondly in or towards payment of all amounts of Interest due but unpaid under the Tatts Bonds to the relevant Holders and third in or towards payment of all amounts of principal due but unpaid under the Tatts Bonds to the relevant Holders. The balance (if any) of the money remaining after those payments will be returned to Tatts.

(c) Appointment of Trustee and declaration

The Trustee holds on trust for Holders:

- a trust settlement sum of \$10.00;
- the right to enforce Tatts' duty to repay under the Tatts Bonds;
- the right to enforce Tatts' obligation to pay all other amounts payable under the Tatts Bonds;
- the right to enforce any other duty or obligation that Tatts or any Guarantor has under the Terms, the Trust Deed or Chapter 2L of the Corporations Act;
- any other property held by the Trustee on trust under the Trust Deed (including, without limitation, the benefit of any covenants, undertakings, representations, warranties, rights, powers, benefits or remedies in favour of the Trustee under the Trust Deed).

(d) Tatts undertakings

Tatts has undertaken to the Trustee that it will, among other things:

- pay the amount due and payable in respect of the Tatts Bonds under and in accordance with the Trust Deed;
- comply with its obligations under the Terms;
- comply with all statutory and regulatory requirements applicable to it (including under Chapter 2L of the Corporations Act) to the extent they relate to obligations under the Trust Deed, where failure to do so would be likely to have a material adverse effect on the business, property, condition or operations of Tatts and the Guarantors (taken as a whole), or the ability of Tatts and the Guarantors (taken as a whole) to perform their obligations under the Trust Deed, or the validity or enforceability of the whole or any material part of the Trust Deed or any rights or remedies of the Holders (or the Trustee on behalf of the Holders) under this Deed.

(e) Trustee Limitation of Liability

The Trustee is not liable to Tatts, any Guarantor, the Holders or any other person in any capacity other than as Trustee of the Trust Deed, except where the Trustee acts fraudulently, negligently or wilfully defaults under the Trust Deed.

(f) Action by Trustee

The Trustee is required at all times, to act in accordance with its obligations under the Terms, the Trust Deed, the Corporations Act and applicable law.

Subject to the Trust Deed, the Trustee need not take any action to enforce the Trust Deed in accordance with its terms unless all of the following conditions are met:

- the Trustee is requested to take action by Holders who hold in aggregate one fifth or more of the Face Value of all Tatts Bonds then outstanding or by a Special Resolution; and
- the Trustee is indemnified to its reasonable satisfaction against:
 - all actions, proceedings, claims and demands to which the Trustee may render itself liable by taking such action;
 - all costs, charges, fees and expenses which the Trustee may incur in taking the action; and
 - all management time spent by employees or officers of the Trustee in relation to such action; and
- the action is not prohibited under the Trust Deed and the Trustee is not restricted or prohibited by any order of any competent court or any applicable law.

(g) Direct action by Holder

No Holder is entitled to proceed directly against Tatts or a Guarantor to enforce any right or remedy under or in respect of any Tatts Bond, unless the Trustee, having become bound to proceed, fails to do so within a reasonable period and such failure is continuing.

(h) Fees and expenses

Under the Trust Deed, Tatts will pay the Trustee by way of a fee for its services such amounts as may be agreed between Tatts and the Trustee. The agreed fees are an initial establishment fee of \$6,000 (exclusive of GST) and an annual fee of up to \$25,000 (exclusive of GST). Tatts and the Guarantors will also pay the Trustee's costs and expenses arising out of, among other things, the Trustee acting as trustee under the Trust Deed (including reasonable legal fees, costs and disbursements) as well as additional fees for any enforcement action that the Trustee takes in relation to the Trust Deed following the occurrence of an Event of Default or any duties agreed by Tatts to be outside the scope of the normal duties of the Trustee.

(i) Retirement and removal

The Trustee may retire by giving written notice to Tatts, which will not be effective until 60 days after the date of the notice has passed and provided that the appointment of a new trustee is effective. The Trustee may be removed by Tatts if, among other things:

- the Trustee cannot be a trustee under section 283AC of the Corporations Act;
- the Trustee has acted fraudulently, negligently or is in wilful default, or is in breach of trust or in breach of section 283DA of the Corporations Act, and where such breach is capable of rectification, the Trustee has not rectified the breach within seven Business Days of receiving a notice from Tatts of its occurrence;
- any licence, consent, authorisation or similar thing the Trustee is required to hold to carry out its obligations under the Trust Deed is revoked or not renewed;
- Tatts is requested to do so by a meeting of Holders called under the Trust Deed;
- the Trustee becomes subject to an Insolvency Event.

Tatts must appoint a new trustee following the retirement or removal of the Trustee.

Section 4 (continued)

Other information

(j) Meetings

A meeting of Holders has the power, by Holder resolution to:

- give directions to the Trustee as to; or
- authorise, ratify or confirm anything the Trustee has done or omitted to do in respect of

the performance or exercise of any of its duties, rights, powers and remedies under the Trust Deed or Tatts Bonds, or any other instrument to which the Trustee is or becomes a party in its capacity as trustee under the Trust Deed.

The Holders may by Special Resolution, approve the release of the Trustee from liability for anything done or omitted to be done by the Trustee or any other person.

Each Holder is entitled to one vote on a show of hands. On a poll, each Holder is entitled to one vote for each Tatts Bond that the person holds.

4.7 Offer Management Agreement

Tatts and the Joint Lead Managers entered into the Offer Management Agreement on 29 May 2012.

Under the Offer Management Agreement, Tatts appointed ANZ and Evans and Partners to arrange the Offer (Arrangers) and as Joint Lead Managers, and ANZ as settlement agent for the Offer.

The following is a summary only of the principal provisions of the Offer Management Agreement.

Under the Offer Management Agreement, the Joint Lead Managers have agreed to use their reasonable endeavours to procure offers to subscribe for Tatts Bonds in accordance with this Prospectus and the timetable set out in the Offer Management Agreement, including by conducting the Bookbuild described in this Prospectus, and to manage the completion of the issue of the Tatts Bonds under the Offer.

The Arrangers will provide settlement support for the settlement obligations under the Institutional Offer, and the Joint Lead Managers will provide settlement support for the settlement obligations under the Broker Firm Offer.

(a) Fees

The estimated aggregate fees payable by Tatts to the Arrangers and Joint Lead Managers under the Offer Management Agreement are approximately \$3.4m (exclusive of GST), making certain assumptions as to the allocations of Tatts Bonds between the Institutional Offer, Broker Firm Offer, Shareholder Offer and General Offer. The actual amount payable will not be known until the allotment of the Tatts Bonds.

In addition, Tatts must pay each Joint Lead Manager for all reasonable travel costs, expenses and disbursements, including (in certain circumstances) legal costs, in connection with the Offer.

The Arrangers are responsible for paying all pay-away fees, including selling fees or other commissions or fees payable to Co-Managers and Participating Brokers.

(b) Representations and warranties

Tatts gives various representations, warranties and undertakings to the Joint Lead Managers, including that the Prospectus complies with the Corporations Act (as modified by ASIC Class Order [CO 10/321]) and the Listing Rules.

Tatts also represents and warrants that, with the exception of the Tatts Bonds (and any other issue referred to or contemplated by this Prospectus), it will not issue, agree or offer to issue, any debentures or debt securities of the Company that rank equally with the Tatts Bonds or any tradeable debentures or debt securities of the Company that are proposed to be (or are likely to be) listed for quotation on ASX as one class with the Tatts Bonds issued under the Offer, without the prior consent of the Arrangers, during the period commencing on the date of the Offer Management Agreement and ending six months after the Issue Date.

(c) Indemnity

Tatts agrees to indemnify the Joint Lead Managers and certain parties affiliated with them against claims, demands, actions, damages, losses, costs, expenses or liabilities incurred in connection with the Offer. This indemnity does not apply to the extent to which any liability is finally judicially determined by a court of competent jurisdiction to have resulted primarily from the bad faith, recklessness, fraud, wilful default, gross misconduct, gross negligence or breach of the Offer Management Agreement by the relevant person, or if the liability relates to a criminal penalty or fine which the relevant person is required to pay in contravention of the Corporations Act.

(d) Termination Events

A Joint Lead Manager may terminate its obligations under the Offer Management Agreement by giving notice in writing to Tatts, if any one or more of the following events occurs between the date of the Offer Management Agreement and the date the Tatts Bonds are issued:

- at 4.00pm on 2 consecutive Business Days, the average mid-rate for the iTraxx Australia Index of a term of five years is 55% or more above its level as at the close of business on the Business Day immediately before the date of the Offer Management Agreement.
- the ASX/S&P 200 Index falls by 12.5% or more from its level at the time the Offer Management Agreement is entered into between the parties and is at or below that level at the close of trading on 2 consecutive Business Days.
- the Company fails to lodge the Prospectus with ASIC on or before 29 May 2012 in a form approved by the Joint Lead Managers.
- ASX makes an official statement to any person, or indicates to the Company or the Joint Lead Managers that ASX will not grant quotation of the Tatts Bonds to be issued under the Offer.
- the Company or any Guarantor fails to comply in any material way with any of the following:
 - a provision of its constitution;
 - a provision of the Trust Deed;
 - any of the Terms;
 - the Corporations Act or any other statute;
 - ASIC Class Order [10/321]; or
 - the Listing Rules,except to the extent that compliance with any applicable law has been waived, or an exemption granted, by a government agency having authority to do so.
- a statement in any confirmation certificate required to be given under the Offer Management Agreement is untrue or incorrect in a material respect or there is a material omission from any confirmation certificate.
- without limiting any other termination event:
 - ASIC applies for an order under section 1324B of the Corporations Act in relation to the Prospectus and the application is not dismissed or withdrawn before the Closing Date;
 - a person (other than the Joint Lead Managers) gives a notice under section 730 of the Corporations Act in relation to the Prospectus;
 - ASIC gives notice of intention to hold a hearing in relation to the Prospectus under section 739(2) of the Corporations Act or makes an interim order under section 739(3) of the Corporations Act, except where such notice, interim order or order does not become public and is withdrawn within two Business Days; or
 - any person (other than the Joint Lead Managers) who consented to being named in the Prospectus withdraws that consent.
- a Joint Lead Manager reasonably forms the view that a supplementary or replacement document (excluding the replacement prospectus) must be lodged with ASIC under section 719 of the Corporations Act and the Company does not lodge a supplementary or replacement document in the form, with the content and within the time reasonably required by the Joint Lead Manager.

Section 4 (continued)

Other information

- any of the following occurs:
 - an application is made by ASIC for an order under Part 9.5 in relation to the Prospectus or ASIC commences any investigation or hearing under Part 3 of the Australian Securities and Investments Commission Act 2001 (Cth) in relation to the Prospectus; or
 - any person (other than a Joint Lead Manager) gives a notice under section 733(3) of the Corporations Act or any person who has previously consented to the inclusion of its name in the Prospectus (or any replacement prospectus or supplementary prospectus) or to be named in the Prospectus (or any replacement prospectus or supplementary prospectus) withdraws that consent.
- an insolvency event occurs with respect to the Company or a Guarantor.
- a change to the board of directors, the Chief Executive Officer or the Chief Financial Officer of the Company occurs (except as disclosed in the Prospectus).
- other than as disclosed in the Prospectus, the Company or a related body corporate charges or agrees to charge, the whole, or a substantial part of its business or property.
- any event specified in the Offer Management Agreement (including the timetable) up to and including the Closing Date is delayed without the prior written consent of the Joint Lead Managers by more than one Business Day or any event specified in the Offer Management Agreement (including in the timetable) from (but excluding) the Closing Date is delayed without the prior written consent of the Joint Lead Managers by more than three Business Days. This does not apply to a delay in the timetable caused by ASIC extending the exposure period in accordance with section 727(3) of the Corporations Act.
- Tatts does not give each Joint Lead Manager a confirmation certificate on the Settlement Date.

A Joint Lead Manager may also terminate its obligations under the Offer Management Agreement if any of the following events occurs, provided that the Joint Lead Manager determines reasonably and in good faith that the event: (a) has or would be likely to have had a material adverse effect on the success of the Offer (including Completion), or the ability of the Joint Lead Managers to market, promote or settle the Offer; or (b) could create a liability for the Joint Lead Manager under the Corporations Act or any other applicable law:

- any of the following occurs which does or is likely to prohibit, restrict or regulate the Offer:
 - the introduction of legislation into the parliament of the Commonwealth of Australia or of any State or Territory of Australia; or
 - the public announcement of prospective legislation or policy by the Federal Government or the Government of any State or Territory (other than legislation or policy which has been publicly announced or is generally known to the market before the date of the Offer Management Agreement).
- a significant or material contract referred to in the Prospectus is, without the prior written consent of the Joint Lead Managers:
 - breached by the Company or a related body corporate; or
 - terminated (whether by breach or otherwise).
- the Company:
 - changing in a material respect the terms of the Offer as set out in the Prospectus (or any replacement prospectus or supplementary prospectus) without the prior written consent of the Joint Lead Managers; or
 - changing in a material respect the Terms without the prior written consent of the Joint Lead Managers.
- the Company is in default of any of the terms and conditions of the Offer Management Agreement or breaches any warranty, undertaking or covenant given or made by it under the Offer Management Agreement and that default or breach is either incapable of remedy or is not remedied within ten Business Days after being given notice to do so by the Joint Lead Managers.
- the Company or a related body corporate alters its capital structure without the prior written consent of the Joint Lead Managers, other than as contemplated in the Prospectus.
- the constitution or any other constituent document of the Company or a Guarantor, the Trust Deed or the Terms is amended (other than the inclusion in the Trust Deed and the Terms of the Margin following its determination in accordance with the Offer Management Agreement or any consequential amendments) without the prior written consent of the Joint Lead Managers.
- the Company or a related body corporate seeks the approval of shareholders under section 260B of the Corporations Act, without the prior written consent of the Joint Lead Managers.

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- the Company or a related body corporate:
 - disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property other than as contemplated in the Prospectus; or
 - ceases or threatens to cease to carry on business,in either case without the prior written consent of the Joint Lead Managers.
 - there is an outbreak of hostilities (whether or not war or a national emergency has been declared) not presently existing, or a major escalation in existing hostilities occurs, or a major act of terrorism occurs in or involving any one or more of the following:
 - Australia;
 - the United Kingdom;
 - the United States of America,
 - the Peoples Republic of China;
 - any member country of the European Union;
 - South Korea; and
 - Japan;or involving any diplomatic, military, commercial or political establishment of any of those countries elsewhere in the world.
 - any adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company, including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company from those disclosed in the Prospectus.
 - without limiting any other termination event:
 - there is an omission from the Prospectus of information required to be included by the Corporations Act or ASIC Class Order [10/321] to be included in the Prospectus;
 - the Prospectus contains a misleading or deceptive statement;
 - a statement in the Prospectus becomes misleading or deceptive;
 - a forecast in the Prospectus becomes incapable of being met or unlikely to be met in the projected time; or
 - the Prospectus does not comply with section 710, 711, 715A or 716 of the Corporations Act, the Listing Rules or any other applicable laws or regulations.
 - the due diligence report or any other information supplied by or on behalf of the Company to the Joint Lead Managers in relation to the Tatts Bonds, the Company or the Offer, is untrue, incorrect, misleading or deceptive.
 - any of the following occur:
 - a director, the Chief Executive Officer or the Chief Financial Officer of the Company is charged with an indictable offence relating to a financial or corporate matter;
 - any governmental agency commences any public action against the Company or any of its directors or senior managers in their capacity as directors or senior managers of the Company;
 - any director or senior manager of the Company is disqualified from managing a corporation under Part 2D.6 of the Corporations Act; or
 - the Company or a director or senior manager of the Company engages in any fraudulent conduct or activity.
 - a force majeure affecting the Company's business or its obligations under the Offer Management Agreement lasting in excess of 7 days occurs.
 - there is:
 - a suspension or limitation in trading in all securities quoted or listed on ASX, the New York Stock Exchange, the Hong Kong Stock Exchange or the London Stock Exchange for at least one day on which that exchange is open for trading;
 - a general moratorium on commercial banking activities in Australia, the United States of America, the United Kingdom, the European Union, Canada, Japan, the Republic of China or Hong Kong is declared by the relevant authorities in those places, or there is a disruption in commercial banking or securities settlement or clearance services in those places;
 - a disruption or crisis to the existing financial markets, political or economic conditions of, or currency exchange rates or controls in Australia, the United States of America, the United Kingdom, the European Union, Canada, Japan, the Republic of China or Hong Kong or the international financial markets or any disruption or crisis in national or international political, financial or economic conditions; or
 - after the date of the Offer Management Agreement, a change or development (other than a change or development which has been publicly announced or is generally known to the market before the date of the Offer Management Agreement) involving a prospective adverse change in taxation affecting the Company, its shares or the Tatts Bonds occurs.

Section 4 (continued)

Other information

4.8 ASX Relief

Tatts has received in-principle confirmation from ASX that:

- ASX will classify the Tatts Bonds as debt securities; and
- ASX will allow Tatts Bonds to trade on a deferred settlement basis in accordance with the timetable set out in this Prospectus.

4.9 Interests of advisers

ANZ and Evans and Partners have acted as Arrangers and Joint Lead Managers of the Offer, in respect of which they will receive fees set out in section 4.7(a). The Arrangers will be responsible for paying Co-Managers and Participating Brokers a selling fee of 1.0% of the value of Tatts Bonds allocated to Co-Managers and Participating Brokers as well as paying the fees discussed in section 4.10 below.

Clayton Utz has acted as Tatts' Australian legal and tax adviser in relation to the Offer. In respect of this work, Clayton Utz will be paid approximately \$350,000 (excluding disbursements and GST) for work performed by it until the date of this Prospectus. Further amounts may be paid to Clayton Utz in accordance with its time-based charges.

PricewaterhouseCoopers has acted as Tatts' auditors and PricewaterhouseCoopers Securities Limited has acted as the Investigating Accountant to the Offer. In respect of this work, PricewaterhouseCoopers Securities Limited will be paid approximately \$110,000 (excluding GST and disbursements) for work performed by it until the date of this Prospectus. Further amounts may be paid to it in accordance with its time-based charges.

Australian Executor Trustees Limited will be paid the fees described in section 4.6(h) in respect of acting as trustee in respect of the Tatts Bonds.

Other than as disclosed in this Prospectus:

- no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; and
- no promoter or underwriter of the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

holds at the date of this Prospectus, or has held in the two years before that date, an interest in:

- the Offer; or
- any property acquired or proposed to be acquired in connection with the Offer.

Other than as disclosed in this Prospectus, no person has been paid or agreed to be paid any amount, nor has any benefit been given or agreed to be given to any such persons, for services provided by them in connection with the Offer.

4.10 Cornerstone investors

Certain Institutional Investors have, prior to the lodgement of the Prospectus on 29 May 2012, committed to the Arrangers to apply for Tatts Bonds on the same terms as all other investors. The Arrangers will pay these Institutional Investors (but not any other investors that subsequently give commitments to invest under the Bookbuild (refer Section 5.2)):

- 0.25% of the amount they committed to and that is then allocated to them; and
- a further 0.25% of the amount allocated to them provided they continue to hold that allocation for three months after the Issue Date.

Any payments made by the Arrangers to Institutional Investors, in the manner contemplated above, will be out of the fees paid to the Arrangers by Tatts under the Offer.

4.11 Interests of Directors

Other than as set out in this Prospectus, no Director holds, at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of Tatts;
- the Offer; or
- any property acquired or proposed to be acquired by Tatts in connection with its formation or promotion or with the Offer.

Other than as set out in this Prospectus, no amount (whether in cash, ordinary shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given, or agreed to be given to any Director or proposed Director:

- to induce a person to become, or qualify as, a Director; or
- for services provided by a Director or proposed Director in connection with the formation or promotion of Tatts or the Offer.

Interest in Tatts securities

The Directors at the date of this Prospectus had the following relevant interests in issued securities of Tatts.

Director	Relevant interest in ordinary shares	Relevant interest in options or other rights over ordinary shares
Dick McIlwain	1,947,500	2,221,600
Harry Boon	150,000	0
Brian Jamieson	80,943	0
Kevin Seymour	14,108,306	0
Lyndsey Cattermole	182,663	0
Julien Playoust	176,000	0
Bob Bentley	160,000	0

Directors' fees

Tatts' constitution provides that the Directors will be entitled to remuneration out of the funds of Tatts as determined by the Directors but the remuneration of Non-executive Directors may not exceed in aggregate, in any year, the amount fixed by holders of ordinary shares in a general meeting for that purpose. The amount last fixed by holders of ordinary shares in a general meeting held on 27 October 2011 for that purpose was \$2.0 million.

Participation in the Offer

Directors (and their associates) may participate in the issue of Tatts Bonds.

4.12 Dealings in Tatts Bonds

Tatts or any other member of Tatts Group may subscribe for, purchase or resell Tatts Bonds from time to time.

Section 4 (continued)

Other information

4.13 Privacy

Tatts collects personal information from you in order to process your Application, administer your investment and keep in touch with you about your investment.

Tatts may disclose this information on a confidential basis to its Subsidiaries as well as agents, contractors and third party service providers that provide services on its behalf (for example, the Registry and a printing firm or mailhouse engaged to print and mail statements to you).

Your personal information may also be used and disclosed from time to time to inform you about products and services offered by Tatts which it considers may be of interest to you. If you do not wish to receive this information, please contact the Registry. Your consent will remain current until you advise Tatts otherwise.

If you used a financial adviser who recommended your investment in Tatts Bonds then details of your investment may be provided to that adviser.

Tatts will also disclose your information if required to do so by law or if you consent to or request the disclosure.

If you think Tatts' records of your personal information are incorrect or out of date, it is important that you contact Tatts so that your records can be corrected. You may (subject to permitted exceptions) access the personal information Tatts holds about you at any time by contacting the Registry in writing. Tatts is permitted to charge a fee for such access but does not intend to do so.

You may choose not to give your personal information or to limit the information you provide to Tatts. Depending on the type of information you withhold, Tatts may not be able to process your Application efficiently (if at all), or make payments to you.

4.14 Diagrams

Diagrams appearing in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables are based on information available at the date of the Prospectus.

4.15 Consents to be named

Each of the parties named below ('Consenting Parties') has given its written consent to be named in this Prospectus in the form and context in which it is named and has not, at the date of this Prospectus, withdrawn its consent:

- each Joint Lead Manager;
- each Co-Manager;
- Clayton Utz as legal and tax adviser;
- PricewaterhouseCoopers as auditor;
- PricewaterhouseCoopers Securities Limited as Investigating Accountant;
- Australian Executor Trustees Limited as trustee; and
- Computershare Investor Services Pty Limited.

None of the Consenting Parties has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based. Each Consenting Party, expressly disclaims all liability in respect of, makes no representations regarding, and takes no responsibility for, any statements in, or omissions from, this Prospectus.

4.16 Governing law

This Prospectus and the contracts that arise from the acceptance of Applications and bids under this Prospectus are governed by the law applicable in Victoria, Australia and each Applicant and bidder submits to the exclusive jurisdiction of the courts of Victoria, Australia.

4.17 Directors' authorisation

This Prospectus is authorised by each Director who has given and has not withdrawn their consent to the issue of this Prospectus and to its lodgement with ASIC.



Section 5

How to Apply

Section 5

How to apply

5.1 Applying for Tatts Bonds

To apply for Tatts Bonds, you must complete an Application Form attached to the Prospectus or online at www.tattsbondsoffer.com.

If eligible, you may apply for Tatts Bonds under:

- the Shareholder Offer;
- the Broker Firm Offer;
- the Institutional Offer;
- the General Offer.

The instructions for lodging your Application and accompanying cheque and/or money order or, if applying online, payment by BPAY vary depending on whether you apply under the Shareholder Offer, the Broker Firm Offer, the Institutional Offer or the General Offer.

The Offer may close early so you are encouraged to submit your Application as soon as possible after the Opening Date.

(a) Applying under the Shareholder Offer

The Shareholder Offer is available to Eligible Shareholders.

You are an Eligible Shareholder if you are a Shareholder of Tatts Group Limited as at 7.00pm on 28 May 2012 and have a registered Australian address.

As an Eligible Shareholder, you may apply for Tatts Bonds under the Shareholder Offer by either:

- completing the Application Form attached to this Prospectus, providing your SRN or HIN, and lodging your Application and accompanying cheque and/or money order with the Registry; or
- applying online at www.tattsbondsoffer.com, providing your SRN or HIN and following the instructions in relation to payment of your Application Monies.

Mail Address

Tatts Bonds Offer
c/- Computershare Investor Services Pty Limited
GPO Box 505
Melbourne VIC 3001
Australia

Delivery Address

Tatts Bonds Offer
c/- Computershare Investor Services Pty Limited
Yarra Falls
452 Johnson Street
Abbotsford VIC 3067
Australia

Your cheque and/or money order must be in Australian dollars drawn on an Australian branch of a financial institution. It should be made payable to 'Tatts Bonds Offer' and be crossed 'not negotiable'.

If you apply using a paper Application Form you must pay by cheque or money order and may not make a BPAY payment.

Applications and accompanying cheques and/or money orders must be received at one of the above addresses by no later than 5.00pm (Melbourne time) on Thursday, 21 June 2012. Applications and accompanying Application Monies will not be accepted at any other address or office and will not be accepted at Tatts' registered office or at any of Tatts Group's retail outlets or offices.

Online applications will be accepted until 5.00pm Monday, 25 June 2012.

If you have any questions about the Offer or how to apply for Tatts Bonds please call the Tatts Bond information line on 1300 367 346 (within Australia) or +61 3 9415 4199 (international) (Monday to Friday – 9.00am to 5.00pm) or contact your broker or other professional advisor.

If Tatts does not accept all Applications it has received for Tatts Bonds, it will give priority to Applications received under the Shareholder Offer over the General Offer. If your Application is accepted, this does not mean that your Application under the Shareholder Offer will be accepted in full as Tatts reserves the right to scale back your Application.

(b) Applying under the Broker Firm Offer

The Broker Firm Offer is available to Australian resident investors who are clients of a Syndicate Broker, including Eligible Shareholders.

If you are applying under the Broker Firm Offer, you should contact the Syndicate Broker who has offered you an allocation in the Broker Firm Offer for information about how and when to lodge your Application and accompanying cheques and/or money orders. Generally, you will lodge your Application with the Syndicate Broker. Your Application must be received by your Syndicate Broker in time for them to arrange settlement on your behalf by the Closing Date for the Broker Firm Offer, which is 10.00am 28 June 2012. Tatts and the Registry take no responsibility for any acts or omissions by your Syndicate Broker in connection with your Application.

(c) Applying under the Institutional Offer

If you are an Institutional Investor, you must apply to participate in the Institutional Offer by contacting the Joint Lead Managers. Tatts reserves the right to not accept Applications under the Institutional Offer, including Applications that appear to be Applications from Institutional Investors where they have not been received through the Joint Lead Managers.

(d) Applying under the General Offer

The General Offer is available to members of the general public who are resident in Australia.

If you are applying for Tatts Bonds under the General Offer, you may only apply for Tatts Bonds online at www.tattsbondsoffer.com. There is no paper application form for the General Offer and you must pay your Application Monies via BPAY. If you do not make the BPAY payment, your online Application will be incomplete and will not be accepted by Tatts.

Online applications will be accepted until 5.00pm Monday, 25 June 2012.

If Tatts does not accept all Applications it has received for Tatts Bonds, it will give priority to Applications received under the Shareholder Offer over the General Offer. If your Application is accepted, this does not mean that your Application will be accepted in full as Tatts reserves the right to scale back your Application.

(e) Minimum Application

The amount you have to pay for each Tatts Bond is \$100. You must apply for a minimum of 50 Tatts Bonds, which is a minimum investment of \$5,000. Applications for greater than 50 Tatts Bonds must be in multiples of 10 Tatts Bonds (\$1,000).

(f) No brokerage or stamp duty

You do not have to pay brokerage or stamp duty on your Application for Tatts Bonds. However, you may have to pay brokerage (and applicable GST) on any subsequent purchases or sales of Tatts Bonds on ASX.

(g) Allocation policy and refunds

The allocation of Tatts Bonds to Syndicate Brokers and Applicants in the Institutional Offer will be determined through the Bookbuild (see Section 5.2). On the basis of those bids, Tatts and the Joint Lead Managers will determine the Margin and the firm allocations of Tatts Bonds to Syndicate Brokers. Tatts and the Joint Lead Managers will determine the firm allocations to certain Institutional Investors.

The allocation of Tatts Bonds for the Shareholder and General Offers will be determined by Tatts (in consultation with the Joint Lead Managers) after the Closing Date. There is no specified proportion of the Offer that may be allocated to the Shareholder Offer and General Offer.

Applications may be scaled back or rejected if there is excess demand for the Shareholder Offer and the General Offer. If Tatts does not accept all Applications that it has received for Tatts Bonds, it will give priority to Applications received under the Shareholder Offer over the General Offer. If your Application is accepted, this does not mean that your Application will be accepted in full as Tatts reserves the right to scale back your Application. Any scale back and the basis of Allocation will be announced on the Issue Date (expected to be 29 June 2012) on ASX and through advertisements in *The Australian*, *Australian Financial Review*, *The Sydney Morning Herald* and *The Age* newspapers.

If you have applied under the Broker Firm Offer, your Syndicate Broker is responsible for determining allocations. Tatts takes no responsibility for any allocation, scale back or rejection that is decided by your Syndicate Broker.

Until Tatts Bonds are Issued, Tatts will hold the Application Monies received by it in a trust account. The account will be established and kept solely for the purpose of depositing Application Monies and dealing with those funds.

If you are not Allocated any Tatts Bonds or you are allocated less than the number of Tatts Bonds you applied for, all or some of your Application Monies (as applicable) will be refunded to you as soon as practicable after the Closing Date. No interest will be payable on Application Monies which are refunded. Any interest earned in the trust account will be retained by Tatts.

If in the event that the Offer does not proceed for any reason, all Applicants will have their Application Monies returned (without interest) as soon as practicable.

Section 5 (continued)

How to apply

5.2 Bookbuild

The Joint Lead Managers will conduct a Bookbuild to determine the Margin and firm allocations of Tatts Bonds to Bookbuild participants. The Bookbuild is expected to be conducted on 5 June 2012 in accordance with the terms and conditions agreed by Tatts and the Joint Lead Managers. As part of the Bookbuild, certain Institutional Investors and Syndicate Brokers will be invited to lodge bids for Tatts Bonds. On the basis of those bids, Tatts in consultation with the Joint Lead Managers will determine the Margin and the firm allocations of Tatts Bonds to Syndicate Brokers. Tatts in consultation with the Joint Lead Managers will determine the firm allocations to certain Institutional Investors. Tatts Bonds allocated during the Bookbuild will be issued under this Prospectus.

The Margin set by the Bookbuild is expected to be announced on 6 June 2012 to ASX. Details will also be available by calling the Tatts Bonds Information Line on 1300 367 346 (within Australia) or +61 3 9415 4199 (international) (Monday to Friday – 9.00am to 5.00pm) from on or about 6 June 2012.

Certain Institutional Investors have, prior to the lodgement of the Prospectus on 29 May 2012, committed to the Joint Lead Managers to apply for Tatts Bonds on the same terms as all other investors. Refer to section 4.10 for details of payments being made to these investors.

5.3 Issue and quotation of Tatts Bonds

Tatts will apply for the Tatts Bonds to be quoted on ASX within seven days of the lodgement of this Prospectus with ASIC. It is not intended to quote Tatts Bonds on any securities exchange apart from ASX. If ASX does not grant permission for Tatts Bonds to be quoted by the Issue Date, Tatts Bonds will not be Issued and all Application Monies will be refunded (without interest) as soon as practicable.

It is expected that Tatts Bonds will be quoted under code 'TTSHA'.

5.4 Trading and Holding Statements

(a) Commencement of trading of Tatts Bonds on ASX

It is expected that Tatts Bonds will begin trading on ASX on a deferred settlement basis on Monday, 2 July 2012. Trading on a deferred settlement basis occurs when Holding Statements have not yet been despatched and it is not possible to settle trades on a trade date plus three business days (T+3) basis. The trade is settled on a date specified by ASX.

It is expected that Tatts Bonds will begin trading on ASX on a normal settlement basis on Wednesday, 4 July 2012.

It is your responsibility to determine your holding of Tatts Bonds before trading to avoid the risk of selling Tatts Bonds you do not own. To assist you in determining your holding prior to receipt of a Holding Statement, Tatts will announce the basis of Allocation by placing advertisements in *The Australian*, *Australian Financial Review*, *The Sydney Morning Herald* and *The Age* newspapers on the date deferred settlement trading commences which is expected to be Monday, 2 July 2012. You should also check your holding by asking your broker or calling the Tatts Bonds Information Line on 1300 367 346 (within Australia) or +61 3 9415 4199 (international) (Monday to Friday – 9.00am to 5.00pm, Melbourne time) after close of the Offer Period.

(b) Holding Statements

Tatts will apply for Tatts Bonds to participate in CHESS and, if accepted, no certificates will be issued. Instead, a Holding Statement will be mailed to Holders. Tatts expects that Holding Statements will be despatched to successful Applicants by 3 July 2012.

If your holding of Tatts Bonds changes, you will receive an updated Holding Statement.

(c) Provision of TFN and/or ABN

When your Holding Statement is mailed, you will be also be mailed instructions on how to update your TFN and/or ABN online by using the Registry's Easy Update website (see Section 4.3(d)).

(d) Provision of bank account details

Interest will be paid in Australian dollars by direct credit into nominated Australian financial institution accounts (excluding credit card accounts), for Holders with a registered address in Australia. For all other Holders, Interest will be paid by Australian dollar cheque. When your Holding Statement is mailed, you will also be mailed instructions on how to provide your direct credit instructions by using the Registry's Easy Update website.



Section 6

Glossary

Section 6

Glossary

This Section provides a glossary of key terms used throughout this Prospectus and the Application Form. There is also a list of further defined terms in the immediately following Appendix (Terms).

Term	Meaning
1936 Act	Income Tax Assessment Act 1936 (Cth)
1997 Act	Income Tax Assessment Act 1997 (Cth)
ABN	Australian Business Number
ACN	Australian Company Number
AGC	Adult Gaming Centre
Allocation	The number of Tatts Bonds allocated under this Offer to a Syndicate Broker. Allocated has a corresponding meaning
ANZ	ANZ Securities Limited ABN 16 004 997 111
Applicant	A person who lodges an Application Form in accordance with this Prospectus
Application	A valid application for Tatts Bonds made through a completed Application Form in accordance with this Prospectus
Application Form	A paper or electronic form (as the context requires) attached to, or accompanying, this Prospectus upon which an Application for Tatts Bonds may be made
Application Monies	The amount payable on each Application, being the Face Value multiplied by the number of Tatts Bonds applied for
Arrangers	ANZ Securities Limited ABN 16 004 997 111 and Evans and Partners Pty Limited ABN 85 125 338 785
ASIC	Australian Securities and Investments Commission
ASIC Guide	The guide published by ASIC entitled 'Investing in corporate bonds?'
ASX	ASX Limited ABN 98 008 624 691 or the securities market operated by it (as the context requires)
Australian Accounting Standards	Accounting standards set by the Australian Accounting Standard Board for the purposes of Section 334 of the Corporations Act
Australian Auditing Standards	Auditing standards issued by the Auditing and Assurance Standards Board under Section 336 of the Corporations Act
Australian Financial Services Licence	Has the meaning given to that term in the Corporations Act
Authorisations	The licences, permits and other approvals granted to Tatts Group
Balance Sheet	As set out in Section 2.3(a)
Balance Sheet Gearing Ratio	As defined in Section 2.3(b)
Bank Bill Rate	For the relevant Interest Period, the average mid rate for Bills having a tenor of three months as displayed on the 'BBSW' page of the Reuters Monitor System on the first Business Day of the Interest Period. However, if the average mid rate is not displayed by 10.30 am on that day, or if it is displayed but the Issuer determines that there is an obvious error in that rate, Bank Bill Rate means the rate determined by the Issuer in good faith at approximately 10.30 am on that day having regard, to the extent possible, to the rates otherwise bid and offered for bank accepted Bills of that tenor at or around that time (including any displayed on the 'BBSY' or 'BBSW' page of the Reuters Monitor System)
Bookbuild	The process through which Syndicate Brokers bid for a firm Allocation of Tatts Bonds
Broker Firm Offer	The offer as described in Section 5 'How to Apply'
Business Day	Has the meaning given to that term in the Listing Rules
Bytecraft	Bytecraft Systems Pty Ltd ACN 007 136 361 and each of its Subsidiaries
CGT	Capital Gains Tax

Term	Meaning
CHESS	Clearing House Electronic Subregister System
Closing Date	The closing date for the Offer which is expected to be Thursday, 28 June 2012
Company	Tatts Group Limited ACN 108 686 040
Co-Managers	Bell Potter Securities Limited ABN 25 006 390 772 and RBS Morgans Limited ABN 49 010 669 726
Corporations Act	Corporations Act 2001 (Cth)
Director	Director of Tatts
EBITDA	Earnings before interest, tax, depreciation and amortisation
EGM	Electronic Gaming Machine
Eligible Shareholder	Registered holders of Tatts ordinary shares as at 7.00pm on 28 May, 2012 and have a registered Australian address (as described in Section 5 'How to Apply')
Evans and Partners	Evans and Partners Pty Ltd ABN 85 125 338 785
Face Value	\$100 per Tatts Bond
Financial Information	The pro forma financial information of Tatts comprising the pro forma income statements and the pro forma balance sheet
FY or Financial Year	The 12 months commencing as 1 July and ending on the following 30 June
Gearing Ratio	As defined in Section 2.3(b)
General Offer	The offer as described in Section 5 'How to Apply'
Golden Casket	Golden Casket Lottery Corporation Limited ACN 078 785 449
Group	Tatts and each of its Subsidiaries
GST	Goods and Services Tax
Guarantee	The guarantee given in favour of Holders from time to time by the Guarantors under and in accordance with the Trust Deed
Guarantor	Each initial guarantor and each other member of Tatts Group who becomes a Guarantor from time to time until any such entity ceases to be a Guarantor in accordance with the Trust Deed. At the date of the Prospectus, the initial guarantors are Tattersall's Holdings Pty Limited ACN 081 925 706, Tattersall's Gaming Pty Limited ACN 081 925 680, Tattersall's Sweeps Pty Limited ACN 081 925 662, TattsBet Limited ACN 085 691 738, Maxgaming NSW Pty Limited ACN 078 250 423, Maxgaming QLD Pty Limited ACN 078 963 050, Golden Casket Lottery Corporation Limited ACN 078 785 449, New South Wales Lotteries Corporation Pty Limited ACN 142 890 195, European Gaming Limited (a company incorporated under the laws of England and Wales) (Company No. 05984506) and Talarius Limited (a company incorporated under the laws of England and Wales) (Company No. 0532157)
HIN	Holder Identification Number
Holder	A registered Holder of Tatts Bonds
Holding Statement	A statement issued to Holders by the Registry which sets out the number of Tatts Bonds Issued to that Holder
Income Statement	As set out in Section 2.3(a)
Institutional Investor	An investor to whom Tatts Bonds are able to be offered under applicable laws without the need for any prospectus, registration or other formality (other than a registration or formality which the Issuer is willing to comply with)
Institutional Offer	The offer as described in Section 5 'How to Apply'

Section 6 (continued)

Glossary

Term	Meaning
Interest	Interest payable on each Tatts Bond
Interest Cover	As defined in Section 2.3(b)
Interest Payment Dates	5 October, 5 January, 5 April and 5 July in each year until the Maturity Date or a Redemption Date. If any of these scheduled dates is not a Business Day, then the Interest Payment Date will be the next Business Day. The first Interest Payment Date will be 5 October 2012
Interest Period	Each period commencing on (and including) an Interest Payment Date to (but excluding) the next Interest Payment Date. However: (a) the first Interest Period commences on (and includes) the Settlement Date; and (b) the final Interest Period ends on (but excludes) the Maturity Date or a Redemption Date
Interest Rate	The sum of the Bank Bill Rate on the first Business Day of the relevant Interest Period plus the Margin in each case expressed as a percentage per annum
Investigating Accountant	PricewaterhouseCoopers Securities Limited ABN 54 003 311 617
Investigating Accountant's Report	The report prepared by the Investigating Accountant set out in Section 2.3(e) of this Prospectus
Issue	The process of issuing Tatts Bonds to Holders. Issue and Issued have corresponding meanings
Issue Date	The date Tatts Bonds are Issued which is expected to be Friday, 29 June 2012
Issuer	Tatts
Joint Lead Managers	ANZ and Evans and Partners
Leverage Ratio	As defined in Section 2.3(b)
Listing Rules	The listing rules of ASX, with any modification or waivers which ASX may grant to Tatts from time to time
Lottery Bloc	The groups of lottery operators which have entered into agreements to market and sell entries to create combined prize pools
Margin	[X]% per annum
Maturity Date	5 July 2019, unless Redeemed early in accordance with the Terms
Maxgaming	Maxgaming Holdings Pty Ltd ACN 079 909 541 and each of its Subsidiaries
Net Debt	Tatts Group's interest bearing liabilities and other liabilities less cash held by Tatts Group (cash excludes prize reserves)
NSW Lotteries	New South Wales Lotteries Corporation Pty Ltd ACN 142 890 195
NT TAB	NT TAB Pty Ltd ACN 092 655 831
Offer	The offer made through this Prospectus by Tatts of Tatts Bonds to raise \$200 million, with the ability to raise more or less. The offer comprises the Shareholder Offer, Broker Firm Offer, Institutional Offer and General Offer
Offer Management Agreement	Offer management agreement entered into between Tatts and the Joint Lead Managers
Offer Period	The period from the Opening Date to the Closing Date
Opening Date	The opening date of the Offer which is Wednesday, 6 June 2012

Term	Meaning
Participating Brokers	Any participating organisation of ASX invited by the Joint Lead Managers to participate in the Bookbuild
PC	Personal computer
Prospectus	This prospectus which was lodged with ASX on Tuesday, 29 May 2012
Register	The register of Tatts Bonds maintained by the Registry on Tatts' behalf and including any subregister established and maintained in CHESS
Registry	Computershare Investor Services Pty Limited ABN 48 078 279 277 or any other registry that Tatts appoints
Settlement Date	Expected to be 28 June 2012
Shareholder Offer	The offer as described in Section 5 'How to Apply'
Shareholder	A holder of an ordinary share in Tatts
SRN	Securityholder Reference Number
Subsidiary	Has the meaning given to that term in Part 1.2 of Division 6 of the Corporations Act
Syndicate Broker	Any of the Joint Lead Managers, Co-Managers and Participating Brokers
Talarius	European Gaming Limited (a company incorporated under the laws of England and Wales) Company No. 05984506 and its Subsidiaries, including Talarius Limited (a company incorporated under the laws of England and Wales) Company No. 05382157
Tatts	Tatts Group Limited ACN 108 686 040
TattsBet	TattsBet Limited ACN 085 691 738 and each of its Subsidiaries
Tatts Bonds	Interest bearing, senior and unsecured bonds, to which the Terms apply
Tatts Group	Tatts Group Limited ACN 108 686 040 and each of its Subsidiaries
Tatts Lotteries	Strategic business unit comprising Golden Casket, NSW Lotteries and Tattersall's Sweeps Pty Ltd ACN 081 925 662
Tatts Pokies	Tattersall's Gaming Pty Limited ACN 081 925 680
Tatts 2011 Annual Report	The annual report of Tatts for the year ended 30 June 2011
Terms	The terms of Tatts Bonds attached as a schedule to the Trust Deed, as set out in the Appendix
Tote Tasmania	Tote Tasmania Pty Ltd ABN 62 095 972 106
Trust Deed	The trust deed dated 28 May 2012 made between Tatts, the Guarantors and Trustee
Trustee	Australian Executor Trustees Limited ABN 84 007 869 794
TFN	Tax File Number
UK	United Kingdom
UNiTAB	TattsBet Limited ACN 085 691 738
US	United States of America
US Person	Has the meaning given in Regulation S of the US Securities Act
US Securities Act	United States Securities Act of 1933, as amended
Working Capital Ratio	As defined in Section 2.3(b)



Appendix

Terms of Tatts Bonds

Appendix

Terms of Tatts Bonds

1. Form of Tatts Bonds

1.1 Constitution under Trust Deed

Tatts Bonds are debt obligations of the Issuer constituted by, and owing under, the Trust Deed.

1.2 Form

Tatts Bonds are issued in registered form by entry in the Register.

1.3 Face Value

Tatts Bonds are issued fully paid with a Face Value of \$100.00.

1.4 Currency

Tatts Bonds are denominated in Australian dollars.

1.5 Clearing System

The rights of a person holding an interest in the Tatts Bonds are subject to the rules and regulations of the Clearing System.

1.6 Tatts Bond Guarantee

Tatts Bonds are issued with the benefit of the Tatts Bond Guarantee set out in the Trust Deed, pursuant to which each Guarantor unconditionally and irrevocably guarantees payment to each Holder of all amounts at any time due for payment, which remain unpaid, by the Issuer to that Holder.

1.7 No certificates

No certificates will be issued to Holders unless the Issuer determines that certificates should be available or are required by any applicable law.

1.8 ASX quotation

The Issuer must use all reasonable endeavours and furnish any documents, information and undertakings as may be reasonably necessary in order to ensure that the Tatts Bonds are, and until Redeemed remain, quoted on ASX.

1.9 No other rights

Tatts Bonds confer no rights on a Holder:

- (a) to vote at any Shareholders meeting of the Issuer or any Guarantor;
- (b) to subscribe for new securities or to participate in any bonus issue of securities of the Issuer or any Guarantor; or
- (c) to otherwise participate in the profits or property of the Issuer or any Guarantor, except as set out in these Terms or the Trust Deed.

2. Interest

2.1 Interest

- (a) Each Tatts Bond bears interest on its Face Value from (and including) the Settlement Date to (but excluding) the Maturity Date or any Redemption Date, at the Interest Rate.
- (b) Interest is payable in arrears on each Interest Payment Date.

Appendix (continued)

Terms of Tatts Bonds

2.2 Interest Rate

- (a) The Interest Rate payable in respect of a Tatts Bond must be determined by the Issuer in accordance with these Terms.
- (b) The Interest Rate applicable to a Tatts Bond for each Interest Period is calculated according to the following formula:

$$\text{Interest Rate} = \text{Market Rate} + \text{Margin}$$

where:

Market Rate means the Bank Bill Rate.

Margin means a rate (expressed as a percentage per annum) determined in accordance with the Bookbuild and as described in the Prospectus.

- (c) The Interest Rate determined by the Issuer must be expressed as a percentage rate per annum.

2.3 Calculation of Interest Rate and interest payable

- (a) The Issuer must, as soon as practicable after determining the Interest Rate applicable to each Interest Period, calculate the amount of interest payable for that Interest Period in respect of each Tatts Bond.
- (b) The amount of interest payable on each Tatts Bond for an Interest Period is calculated according to the following formula:

$$\text{Interest payable} = (\text{Interest Rate} \times \text{Face Value} \times N)/365$$

where:

N means, in respect of:

- (i) the first Interest Payment Date in respect of a Tatts Bond, the number of days from (and including) the Settlement Date to (but excluding) that first Interest Payment Date; and
- (ii) each subsequent Interest Payment Date, the number of days from (and including) the preceding Interest Payment Date to (but excluding) that Interest Payment Date or, in the case of the last Interest Period, the Maturity Date or Redemption Date.

2.4 Notification of Interest Rate, interest payable and other items

- (a) The Issuer must notify the Trustee, the Registry and ASX (and any securities exchange or other relevant authority on which the Tatts Bonds are quoted) of:
 - (i) for each Interest Period, the Interest Rate and the amount of interest payable per Tatts Bond; and
 - (ii) any amendment to the Interest Rate or the amount referred to in paragraph (i) arising from any extension or reduction in any Interest Period or calculation period.
- (b) The Issuer must give notice under this clause 2.4 as soon as practicable after it makes its determination. However, it must give notice of each Interest Rate and the amount of interest payable by the fourth Business Day of the Interest Period.
- (c) The Issuer may amend its determination of any amount, item or date (or make appropriate alternative arrangements by way of adjustment) as a result of the extension or reduction of the Interest Period or calculation period without prior notice but must notify the Trustee, the Registry and ASX (and any securities exchange or other relevant authority on which the Tatts Bonds are quoted) after doing so.

2.5 Determination final

The determination by the Issuer of all amounts, rates and dates required to be determined by it under these Terms is, in the absence of manifest error, final and binding on the Trustee, the Registry and each Holder.

2.6 Calculations

For the purposes of any calculations required under these Terms:

- (a) all percentages resulting from the calculation must be rounded, if necessary, to the nearest ten-thousandth of a percentage point (with 0.00005% being rounded up to 0.0001%);
- (b) all figures must be rounded to four decimal places (with 0.00005 being rounded up to 0.0001); and
- (c) all amounts that are due and payable must be rounded to the nearest one cent (with 0.5 of a cent being rounded up to 1 cent).

2.7 Default interest

If an amount is not paid under these Terms when due, then interest accrues on the unpaid amount (both before and after any demand or judgment) at the last applicable Interest Rate plus 2% until the date on which payment is made to the Holder.

3. Redemption and purchase

3.1 Redemption on Maturity Date

Each Tatts Bond must be Redeemed by the Issuer on the Maturity Date at its Face Value (together with any interest accrued but unpaid on the Tatts Bond) unless:

- (a) the Tatts Bond has been previously Redeemed; or
- (b) the Tatts Bond has been purchased by the Issuer and cancelled.

3.2 Early Redemption by the Issuer

- (a) If:
 - (i) a Tax Event occurs, the Issuer may Redeem some or all of the Tatts Bonds; or
 - (ii) a Clean Up Event occurs, the Issuer may Redeem all (but not some) of the Tatts Bonds, in whole before the Maturity Date at the Face Value of the Tatts Bonds (together with any interest accrued but unpaid on the Tatts Bonds to (but excluding) the Redemption Date).
- (b) The Issuer may only Redeem a Tatts Bond under paragraph (a) if:
 - (i) the Issuer has given at least 10 Business Days' (and no more than 45 Business Days') notice to the Trustee, the Registry, the Holder and ASX (and any securities exchange or other relevant authority on which the Tatts Bonds are quoted) of the Redemption and the proposed Redemption Date;
 - (ii) before the Issuer gives the notice under paragraph (i), the Trustee has received:
 - A. a certificate from the Issuer with details of the Tax Event or Clean Up Event (as applicable); and
 - B. in the case of a Tax Event, an opinion of legal advisers, or tax advisers, of recognised standing in Victoria that:
 - 1) the Issuer would be required under clause 8.2, or the Guarantors would be required under the Tatts Bond Guarantee, to increase the amount of any payment in respect of the Tatts Bonds; or
 - 2) the circumstances set out in paragraph (b) of the definition of Tax Event have or would occur; and
 - (iii) the proposed Redemption Date nominated by the Issuer is an Interest Payment Date.

3.3 Early Redemption by Holders following a Delisting Event

- (a) If a Delisting Event occurs, the Holder of a Tatts Bond may require the Issuer to Redeem that Tatts Bond on the Delisting Redemption Date at the Face Value of the relevant Tatts Bond (together with any interest accrued but unpaid on the Tatts Bond to (but excluding) the Delisting Redemption Date).
- (b) Promptly after the occurrence of a Delisting Event, the Issuer must inform the Trustee of the Delisting Event.
- (c) As soon as reasonably practicable after the occurrence of a Delisting Event, the Issuer must give notice of the Delisting Event to the Trustee with a copy to the Registry, the Holders and ASX (and any securities exchange or relevant authority on which the Tatts Bonds are quoted) (a **Delisting Notification**). The Delisting Notification will contain a statement informing Holders of their entitlement to exercise their rights to require Redemption of the Tatts Bonds pursuant to this clause 3.3 and will also specify:
 - (i) all information material to the Holders concerning the Delisting Event;
 - (ii) the closing price of the Tatts Bonds on the day that the Tatts Bonds were trading on ASX immediately prior to the occurrence of the Delisting Event;
 - (iii) the form of the exercise notice (the **Delisting Redemption Exercise Notice**); and
 - (iv) the last day of the Delisting Redemption Period.
- (d) To exercise the right under paragraph (a), a Holder must deliver to the Registry (as agent for the Issuer) a duly completed and signed Delisting Redemption Exercise Notice, in the form attached to the Delisting Notification, at any time in the Delisting Redemption Period.
- (e) If a Delisting Redemption Exercise Notice is delivered by a Holder in accordance with paragraph (d), the Issuer must Redeem all Tatts Bonds the subject of the Delisting Redemption Exercise Notice on the relevant Delisting Redemption Date.

3.4 Early Redemption by Holders following a Change of Control Event

- (a) If a Change of Control Event occurs, the Holder of a Tatts Bond may require the Issuer to Redeem that Tatts Bond on the Change of Control Event Redemption Date at the Face Value of the relevant Tatts Bond (together with any interest accrued but unpaid on the Tatts Bond to (but excluding) the Change of Control Event Redemption Date).
- (b) Promptly after the occurrence of a Change of Control Event, the Issuer must inform the Trustee of the Change of Control Event.
- (c) As soon as reasonably practicable after the occurrence of a Change of Control Event, the Issuer must give notice of the Change of Control Event to the Trustee with a copy to the Registry, the Holders and ASX (and any securities exchange or relevant authority on which the Tatts Bonds are quoted) (a **Change of Control Event Notification**). The Change of Control Event Notification will contain a statement informing Holders of their entitlement to exercise their rights to require Redemption of the Tatts Bonds pursuant to this clause 3.4 and will also specify:
 - (i) all information material to the Holders concerning the Change of Control Event;
 - (ii) the closing price of the Tatts Bonds on the day that the Tatts Bonds were trading on ASX immediately prior to the occurrence of the Change of Control Event;
 - (iii) the form of the exercise notice (the **Change of Control Event Redemption Exercise Notice**); and
 - (iv) the last day of the Change of Control Event Redemption Period.
- (d) To exercise the right under paragraph (a), a Holder must deliver to the Registry (as agent for the Issuer) a duly completed and signed Change of Control Event Redemption Exercise Notice, in the form attached to the Change of Control Event Notification, at any time in the Change of Control Event Redemption Period.
- (e) If a Change of Control Event Redemption Exercise Notice is delivered by a Holder in accordance with paragraph (d), the Issuer must Redeem all Tatts Bonds the subject of the Change of Control Event Redemption Exercise Notice on the relevant Change of Control Event Redemption Date.

3.5 Effect of notice of Redemption

Any notice of Redemption given under this clause 3 is irrevocable.

3.6 Purchase

- (a) The Issuer and any of its Related Bodies Corporate may at any time purchase Tatts Bonds in the open market or otherwise and at any price.
- (b) If purchases are made by tender, tenders must be available to all Holders alike.
- (c) Tatts Bonds purchased under this clause 3.6 may be held, resold or cancelled at the discretion of the purchaser (and, if the Tatts Bonds are to be cancelled, the Issuer), subject to compliance with any applicable law or requirement of ASX (or any securities exchange or other relevant authority on which the Tatts Bonds are quoted).

4. Ranking and negative pledge

4.1 Ranking

- (a) The Tatts Bonds are direct, senior and (subject to clause 4.2) unsecured debt obligations of the Issuer and rank without preference or priority among themselves and at least equally with all present and future unsubordinated and unsecured debt obligations of the Issuer (subject to laws and principles of equity generally affecting creditors' rights or as provided by operation of law). The ranking of Tatts Bonds is not affected by the date of registration of any Holder in the Register.
- (b) The obligations of each Guarantor under the Tatts Bond Guarantee constitutes direct, unconditional, unsubordinated and (subject to clause 4.2) unsecured obligations of that Guarantor and rank at least equally with all present and future unsubordinated and unsecured debt obligations of that Guarantor (subject to laws and principles of equity generally affecting creditors' rights or as provided by operation of law).

4.2 Negative pledge

- (a) Subject to paragraph (b) below, so long as any of the Tatts Bonds remain outstanding, the Issuer must ensure that no member of the Group will create or permit to subsist any Security over any of its assets as security for any Relevant Indebtedness unless prior to or simultaneously with the creation of such Security, and in any other case, promptly, the Issuer or the applicable Group member (as the case may be) either:
 - (i) grants or procures to be granted Security or Securities securing the Issuer's obligations under the Tatts Bonds and the Trust Deed which will result in such obligations being secured equally and rateably in all respects so as to rank *pari passu* with the applicable Relevant Indebtedness; or
 - (ii) grants or procures to be granted such other Security or Securities in respect of the Issuer's obligations under the Tatts Bonds and the Trust Deed that is not materially less beneficial to the interest of the Holders or as is approved by a Special Resolution of the Holders.
- (b) Paragraph (a) does not apply to any Permitted Security Interest.

5 Events of Default

5.1 Events of Default

Each of the following is an Event of Default in relation to the Tatts Bonds (whether or not it is in the control of the Issuer):

- (a) the Issuer or a Guarantor fails to pay, within 10 Business Days after the due date, any amount payable by it under any Tatts Bond;
- (b) the Issuer or a Guarantor fails to comply with any of its other obligations under the Trust Deed and such failure remains unremedied for a period of 30 Business Days after the Issuer has received written notice from the Trustee in respect of the failure;
- (c) any Financial Indebtedness of any member of the Group becomes payable or repayable prior to its stated maturity due to the occurrence of a default event (however described) or has not been paid or repaid when due nor within any applicable grace period, and such Financial Indebtedness exceeds \$15,000,000 (or its equivalent in any other currency or currencies);
- (d) an Insolvency Event occurs in respect of the Issuer or a Guarantor;
- (e) it is or becomes unlawful for the Issuer or the Guarantors to perform any of their payment obligations under the Tatts Bonds;
- (f) a Guarantor (other than the Issuer) is not or ceases to be Controlled by the Issuer and that Guarantor has not first been released from its obligations under the Trust Deed; and
- (g) other than as permitted under clause 4.2(c) of the Trust Deed, the Tatts Bond Guarantee is terminated for any reason or otherwise ceases to be a valid, binding and enforceable obligation of the Guarantors.

5.2 Notification

If an Event of Default occurs which is continuing, the Issuer must promptly after becoming aware of it, notify the Trustee, the Holders and ASX (or any securities exchange or other relevant authority on which the Tatts Bonds are quoted) of the occurrence of the Event of Default (specifying details of the Event of Default).

5.3 Consequences of an Event of Default

- (a) If an Event of Default occurs which is continuing, the Trustee by written notice to the Issuer may declare the Face Value (together with all accrued but unpaid interest (if any)) applicable to each Tatts Bond held by the Holders to be due and payable immediately or on such other date as specified in the notice.
- (b) The Trustee is not bound to take any of the actions referred to in paragraph (a) to enforce the obligations of the Issuer in respect of the Tatts Bonds or any other proceedings or action pursuant to, or in connection with, the Trust Deed or the Tatts Bonds unless:
 - (i) directed by a Special Resolution or requested in writing by the Holders which hold in aggregate one fifth or more of the Face Value of all Tatts Bonds then outstanding;
 - (ii) it has been indemnified as contemplated by clause 2.3 of the Trust Deed; and
 - (iii) the action is not prohibited under the Trust Deed and the Trustee is not restricted or prohibited by any order of any court or applicable law.

6. Title and transfer of Tatts Bonds

The provisions relating to title and transfer of the Tatts Bonds are set out in clause 18 of the Trust Deed.

7. Payments

The provisions relating to payment in connection with the Tatts Bonds are set out in clause 19 of the Trust Deed.

8. Taxation

8.1 No set-off, counterclaim or deductions

All payments in respect of the Tatts Bonds must be made in full without set-off or counterclaim, and without any withholding or deduction in respect of Taxes, unless prohibited by law.

8.2 Withholding tax gross up

Subject to clause 8.3, if a law requires the Issuer to withhold or deduct an amount in respect of Taxes from a payment in respect of the Tatts Bonds such that the Holder would not receive on the due date the full amount provided for under the Tatts Bonds, then:

- (a) the Issuer agrees to deduct the amount for the Taxes (and any further withholding or deduction applicable to any further payment due under paragraph (b) below); and
- (b) if the amount deducted or withheld is in respect of Taxes imposed by a Relevant Tax Jurisdiction the amount payable is increased so that, after making the deduction and further deductions applicable to additional amounts payable under this clause 8.2, each Holder is entitled to receive (at the time the payment is due) the amount it would have received if no deduction or withholding had been required to be made.

8.3 Withholding tax exemptions

No Additional Amounts are payable under clause 8.2(b) in respect of any Tatts Bond:

- (a) to, or to a third party on behalf of, a Holder who is liable to such Taxes in respect of such Tatts Bond by reason of the person having some connection with a Relevant Tax Jurisdiction other than the mere holding of such Tatts Bond or receipt of payment in respect of the Tatts Bond provided that a Holder shall not be regarded as having a connection with Australia for the reason that the Holder is a resident of Australia within the meaning of the Australian Tax Act where, and to the extent that, such Taxes are payable by reason of section 128B(2A) of the Australian Tax Act;
- (b) to, or to a third party on behalf of, a Holder who could lawfully avoid (but has not so avoided) such Taxes by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or similar case for exemption to any tax authority;
- (c) to, or to a third party on behalf of, a Holder who is an Offshore Associate and not acting in the capacity of a clearing house, paying agent, custodian, funds manager or responsible entity of a registered scheme within the meaning of the Corporations Act; or
- (d) to, or to a third party on behalf of an Australian resident Holder or a non-resident Holder carrying on business in Australia at or through a permanent establishment of the non-resident in Australia, if the Holder has not supplied an appropriate Tax File Number, an Australian business number or other exemption details.

9. General provisions and governing law

9.1 Time limit for claims

A claim against the Issuer for a payment under a Tatts Bond is void unless made within five years after the date on which payment first became due.

9.2 Amendments without consent

At any time, but subject to compliance with the Corporations Act and all other applicable laws, the Issuer may without the consent of the Holders or the Trustee, amend these Terms if the Issuer forms the opinion that such alteration is:

- (a) of a formal or technical or minor nature;
- (b) made to cure any ambiguity or correct any manifest error;
- (c) necessary or expedient for the purpose of enabling the Tatts Bonds to be:
 - (i) listed for quotation, or to retain quotation, on any securities exchange; or
 - (ii) offered for subscription or for sale under the laws for the time being in force in any place, and otherwise not materially prejudicial to the interests of Holders as a whole; or
- (d) necessary to comply with:
 - (i) the provisions of any statute or the requirements of any statutory authority; or
 - (ii) the ASX Listing Rules or the listing or quotation requirements of any securities exchange on which the Issuer may propose to seek a listing or quotation of the Tatts Bonds,and otherwise not materially prejudicial to the interests of Holders as a whole.

9.3 Amendments with consent

At any time and from time to time, but subject to compliance with the Corporations Act and all other applicable laws, the Issuer may with the approval of the Trustee amend these Terms:

- (a) except as otherwise provided in paragraphs (b), (c) and (d) below, if such alteration is authorised by a Holder Resolution;
- (b) in the case of an alteration to this clause 9.3 or any clause of the Trust Deed providing for Holders to give a direction to the Trustee by a Special Resolution, if a Special Resolution is passed in favour of such alteration;
- (c) in the case of alteration to the Meeting Provisions and to which clause 9.2 does not apply, if a Special Resolution is passed in favour of such alteration; and
- (d) otherwise in accordance with the Trust Deed.

9.4 Further issues

The Issuer may from time to time, without the consent of the Trustee or the Holders:

- (a) create and issue new Tatts Bonds having the same Terms (except in relation to the Issue Date, the first Interest Period, the first Interest Payment Date and the amount to be paid in respect of the first payment of interest) as, and so that they shall be consolidated and form a single series and rank *pari passu* with, the Tatts Bonds then outstanding; or
- (b) issue any other bonds, notes, shares or any other form or type of securities, or (subject to clause 4.2) incur or guarantee any indebtedness, upon such terms as it may think fit in its sole discretion.

9.5 Governing law

The Tatts Bonds are governed by the law in force in Victoria.

9.6 Jurisdiction

- (a) The Issuer, the Trustee, each Guarantor and each Holder irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Victoria and courts of appeal from them.
- (b) The Issuer, the Trustee, each Guarantor and each Holder waives any right it has to object to an action being brought in those courts, to claim that such action has been brought in an inconvenient forum, or to claim those courts do not have jurisdiction.

10. Definitions and interpretation

10.1 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.

- (a) The singular includes the plural and the converse.
- (b) A gender includes all genders.
- (c) Where a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (d) A reference to a clause or paragraph is to a clause or paragraph of these Terms, provided that a reference to a clause or schedule of the Trust Deed in these Terms is to the corresponding clause or schedule of the Trust Deed.
- (e) A reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them.
- (f) A reference to a person includes a reference to the person's executors, administrators, successors and permitted assigns and substitutes.
- (g) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.
- (h) A reference to **writing** includes a facsimile transmission and any means of reproducing words in a tangible and permanently visible form.
- (i) A reference to **conduct** includes an omission, statement or undertaking, whether or not in writing.
- (j) The meaning of terms is not limited by specific examples introduced by **including**, or **for example**, or similar expressions.
- (k) An Event of Default **subsists** until it has been remedied or waived in writing by the Trustee.
- (l) All references to time are to Melbourne time.
- (m) Nothing in these Terms is to be interpreted against a party on the ground that the party put it forward.
- (n) A reference to **Australian dollars**, **dollar**, **\$** or **cent** is a reference to the lawful currency of Australia. If a payment is required to be made under these Terms, unless the contrary intention is expressed, the payment will be made in Australian dollars.
- (o) Any agreement, representation, warranty or indemnity by two or more parties (including where two or more persons are included in the same defined term) binds them jointly and severally.
- (p) If an event under these Terms must occur on a stipulated day which is not a Business Day, then the event will be done on the next Business Day.

10.2 Document or agreement

A reference to:

- (a) an **agreement** includes a Security, guarantee, undertaking, deed, agreement or legally enforceable arrangement whether or not in writing; and
- (b) a **document** includes an agreement (as so defined) in writing or a certificate, notice, instrument or document.

A reference to a specific agreement or document includes it as amended, novated, supplemented or replaced from time to time, except to the extent prohibited by these Terms.

10.3 Definitions

The following definitions apply unless the context requires otherwise.

Additional Amount means an additional amount payable by the Issuer under clause 8.2.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited ABN 98 008 624 691 or the securities market operated by it, as the context requires.

ASX Listing Rules means the listing rules of ASX.

ASX Settlement means ASX Settlement Pty Ltd ABN 49 008 504 532, the body which administers the CHESS system in Australia and, where the case requires includes an agent appointed by ASX Settlement Pty Ltd.

ASX Settlement Operating Rules means the operating rules of ASX Settlement and any other rules of ASX which apply while the Tatts Bonds are CHESS Approved Securities, each as amended from time to time.

Australian Tax Act means the *Income Tax Assessment Act 1936* (Cth) and, where applicable, the *Income Tax Assessment Act 1997* (Cth).

Bank Bill Rate means, for the relevant Interest Period, the average mid rate for Bills having a tenor of three months as displayed on the 'BBSW' page of the Reuters Monitor System on the first Business Day of the Interest Period. However, if the average mid rate is not displayed by 10:30 am on that day, or if it is displayed but the Issuer determines that there is an obvious error in that rate, **Bank Bill Rate** means the rate determined by the Issuer in good faith at approximately 10:30 am on that day having regard, to the extent possible, to the rates otherwise bid and offered for bank accepted Bills of that tenor at or around that time (including any displayed on the 'BBSY' or 'BBSW' page of the Reuters Monitor System).

Bill has the meaning given to that term in the *Bills of Exchange Act 1909* (Cth), and a reference to the acceptance of a Bill is to be interpreted in accordance with that Act.

Bookbuild means the process conducted by, or on behalf of, the Issuer prior to the opening of the offer for the Tatts Bonds whereby certain institutional investors and brokers who wish to obtain a firm allocation of the Tatts Bonds (whether for themselves or their clients) lodge bids for the Tatts Bonds and, on the basis of those bids, the Issuer determines the Margin and announces its determination prior to the opening of such offer.

Appendix (continued)

Terms of Tatts Bonds

Business Day has the meaning given to that term in the ASX Listing Rules.

Change of Control Event means a person and its associates have a relevant interest (other than a relevant interest pursuant to a conditional arrangement or agreement) in more than 50% of the voting shares of the Issuer, having had a relevant interest in less than 50% of the voting shares of the Issuer. **Relevant interest**, **voting shares** and **associate** have the same meaning as in chapter 6 of the Corporations Act.

Change of Control Event Notification has the meaning given in clause 3.4(c).

Change of Control Event Redemption Date will be the 20th Business Day after the expiry of the Change of Control Event Redemption Period.

Change of Control Event Redemption Exercise Notice has the meaning given in clause 3.4(c)(iii).

Change of Control Event Redemption Period means the period beginning on the date the Issuer provides the notification described in clause 3.4(c) and ending 20 Business Days from that date.

CHESS means the Clearing House Electronic Subregister System.

CHESS Approved Securities means securities in respect of which approval has been given by the ASX Settlement in accordance with the ASX Settlement Operating Rules.

Clean Up Event means that at any time, the aggregate Face Value of the Tatts Bonds that have not been Redeemed is less than 10% of the aggregate Face Value of the Tatts Bonds originally issued.

Clearing System means CHESS or any other applicable securities trading and/or clearance system.

Control has the meaning given to that term in the Corporations Act.

Controller has the meaning given to that term in the Corporations Act.

Corporations Act means the *Corporations Act 2001* (Cth).

Delisting Event will occur if:

- (a) the Tatts Bonds cease to be quoted or admitted to trading on the ASX; or
- (b) trading of the Tatts Bonds on the ASX is suspended for a period of more than 15 consecutive Business Days.

Delisting Notification has the meaning given in clause 3.3(c).

Delisting Redemption Date will be the 20th Business Day after the expiry of the Delisting Redemption Period.

Delisting Redemption Exercise Notice has the meaning given in clause 3.3(c)(iii).

Delisting Redemption Period means the period beginning on the date the Issuer provides the notification described in clause 3.3(c) and ending 20 Business Days from that date.

Event of Default means the happening of any event set out in clause 5.1.

Face Value means the nominal principal amount of each Tatts Bond, being \$100.00.

Finance Lease means any lease or hire-purchase agreement the obligations under which are required under GAAP to be classified and accounted for as capitalised finance lease obligations, but excluding any lease or hire-purchase agreement to the extent that the obligations under the lease or hire-purchase agreement (other than contingent obligations) are legally defeased.

Financial Indebtedness means, without double counting, any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised under any acceptance credit, bill acceptance or bill endorsement facility;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as a Finance Lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (i) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (h) above,

other than any such obligation in respect of:

- (j) any indebtedness (including any indebtedness of the kind referred to in paragraphs (a) to (i) above) of one member of the Group to another member of the Group, to the extent of the proportion that such indebtedness bears to the percentage equity share held by the Issuer in such Group member; or
- (k) any indebtedness (including any indebtedness of the kind referred to in paragraphs (a) to (i) above), where the indebtedness does not represent more than 10% of the Total Assets of a member of the Group (at all times), on terms where that liability to pay or repay such indebtedness is limited in recourse to the realisation of an asset or assets of that member of the Group and such asset or assets did not form part of the Total Assets as at the date of the Trust Deed and there is no recourse against the Issuer, a Guarantor or any other member of the Group.

Financial Statements means:

- (a) an income statement;
- (b) a balance sheet; and
- (c) a statement of cash flows,

together with any notes to those documents and any accompanying reports, statements, declarations and other documents or information.

GAAP means generally accepted accounting principles, standards and practices in Australia.

Government Agency means any government or any governmental, semi-governmental or judicial entity or authority. It also includes any self-regulatory organisation established under statute or any securities exchange.

Group means the Issuer and its Subsidiaries.

Guarantor means:

- (a) each Guarantor listed in schedule 2 of the Trust Deed (comprising the Initial Guarantors); and
- (b) each other member of the Group which becomes a Guarantor by executing a New Guarantor Accession Deed Poll, unless and until it ceases to be a Guarantor in accordance with clause 4.2(c) or 22 of the Trust Deed.

Holder means, in respect of a Tatts Bond, the person whose name is entered on the Register as the holder of that Tatts Bond.

Holder Resolution means:

- (a) a resolution passed at a meeting of Holders duly called and held under the Meeting Provisions:
 - (i) by more than 50% of the persons voting on a show of hands (unless paragraph (ii) below applies); or
 - (ii) if a poll is duly demanded, then by a majority consisting of more than 50% of the votes cast; or
- (b) if the meeting is by postal ballot or written resolution, then by Holders representing (in aggregate) more than 50% of the Face Value of all of the outstanding Tatts Bonds.

Appendix (continued)

Terms of Tatts Bonds

Insolvency Event occurs in relation to a body corporate if:

- (a) it is (or states that it is) insolvent (as defined in the Corporations Act);
- (b) it is in liquidation, in provisional liquidation, under administration or wound up (each as defined in the Corporations Act);
- (c) it enters into or makes any arrangements with its creditors as contemplated in Part 5.1 of the Corporations Act (other than for the purpose of a solvent reconstruction or amalgamation or compromise); or
- (d) it has had a controller (as defined in the Corporations Act) appointed to all or substantially all of its assets under a Security securing an amount more than \$15,000,000 (or its equivalent in any other currencies).

Interest Payment Date means, in respect of a Tatts Bond, each 5 July, 5 October, 5 January and 5 April in each year from its Issue Date to (and including) the Maturity Date or any Redemption Date (excluding 5 July 2012) (adjusted, if necessary, in accordance with the Modified Following Business Day Convention).

Interest Period means each period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date. However:

- (a) the first Interest Period commences on (and includes) the Settlement Date; and
- (b) the final Interest Period ends on (but excludes) the Maturity Date or the Redemption Date.

Interest Rate means, for a Tatts Bond, the interest rate payable in respect of that Tatts Bond calculated or determined in accordance with clause 2.2.

Issue Date means, in respect of a Tatts Bond, the date on which that Tatts Bond is issued.

Issuer means Tatts Group Limited (ACN 108 686 040).

Margin has the meaning given in clause 2.2.

Market Rate has the meaning given in clause 2.2.

Maturity Date means 5 July 2019.

Meeting Provisions means the provisions for meetings of the Holders set out in schedule 3 of the Trust Deed.

Modified Following Business Day Convention means that the date is postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day.

Month means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month.

New Guarantor Accession Deed Poll means a deed poll substantially in the form set out in schedule 5 of the Trust Deed.

Offshore Associate means an associate (as defined in section 128F of the Australian Tax Act) of the Issuer that is either:

- (a) a non-resident of Australia which does not acquire the Tatts Bonds in carrying on a business at or through a permanent establishment in Australia; or
- (b) a resident of Australia that acquires the Tatts Bonds in carrying on a business at or through a permanent establishment outside Australia.

Permitted Security Interest means:

- (a) any Security over or affecting any asset acquired by the Issuer or a Guarantor after the date of the Trust Deed if:
 - (i) the Security was not created in contemplation of the acquisition of that asset by the Issuer or Guarantor;
 - (ii) the principal amount secured has not been increased in contemplation of, or since, the acquisition of that asset by the Issuer or Guarantor; and
 - (iii) the Security is removed or discharged within six Months of the date of acquisition of such asset;
- (b) any Security in the form of a cross charge on the interest of the Issuer or a Guarantor in a joint venture that only secures the performance of an obligation (other than an obligation to pay or repay money) of the Issuer or Guarantor as a joint venturer in favour of one or more other parties to the joint venture under or in respect of such joint venture, provided, however, that the Security does not extend to any other assets owned by the Issuer or Guarantor and that the recourse of the holder of the Security is limited solely to the property the subject of the Security and any proceeds from the enforcement of the Security;
- (c) any Security over an asset created to secure the repayment of Financial Indebtedness of the kind described in paragraph (k) of the definition of Financial Indebtedness for the purpose of acquiring or developing that asset where the rights of the holder of the Security are limited to the asset the subject of the Security, it being the intention and the legal result that the holder of the Security shall not have recourse to the Issuer or Guarantor personally or to any other property of that Issuer or Guarantor;
- (d) any Security arising by virtue of the Guarantors being a party to a deed of cross guarantee for the purposes of a class order issued by ASIC pursuant to the Corporations Act;
- (e) any netting or set-off arrangement entered into by the Issuer or a Guarantor in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances;
- (f) any lien arising by operation of law and in the ordinary course of trading so long as the debt it secures is paid when due or contested in good faith and appropriately provisioned;
- (g) any title retention arrangement entered into by any member of the Group in the ordinary course of trading on the supplier's usual terms of sale (or on terms more favourable to the members of the Group) so long as the debt it secures is paid when due or contested in good faith and sufficient reserves of liquid assets have been set aside to pay the debt if the contest is unsuccessful;
- (h) any Security over goods (and related insurance contracts) under, and relating to, documentary credit transactions arising or created in the ordinary course of business;
- (i) deposits or pledges to secure contracts in the ordinary course of business, other than by way of Security for Financial Indebtedness;
- (j) any Security which secures indebtedness of a wholly owned Subsidiary of the Issuer to another wholly owned Subsidiary of the Issuer, or by a Subsidiary of the Issuer in favour of a wholly owned Subsidiary of the Issuer;
- (k) any Security over or affecting any asset of any entity which becomes the Issuer or a Guarantor after the date of the Trust Deed, where the Security is created prior to the date on which that entity becomes the Issuer or Guarantor, if:
 - (i) the Security was not created in contemplation of the acquisition of the asset or that entity;
 - (ii) the principal amount secured has not increased in contemplation of, or since, the acquisition of the asset or that entity; and
 - (iii) the Security is removed or discharged within six Months of that entity becoming the Issuer or a Guarantor;
- (l) any Security securing indebtedness, the principal amount of which (when aggregated with the principal amount of any other indebtedness which has the benefit of Security) does not exceed 10% of Total Assets including:
 - (i) those amounts under paragraphs (a) – (c) and (k); and
 - (ii) those amounts contemplated under paragraphs (e) – (i) if the relevant Security has been in existence for a period in excess of six Months from the date of its creation; and
- (m) any Security provided for by one of the following transactions if the transaction does not, in substance, secure payment or performance of an obligation:
 - (i) a transfer of an account or chattel paper;
 - (ii) a commercial consignment; or
 - (iii) a PPS lease.

Appendix (continued)

Terms of Tatts Bonds

PPS Act means the Personal Property Securities Act 2009 (Cth).

Prospectus means the prospectus for the offer of the Tatts Bonds dated on or about 29 May 2012 (and including any supplementary or replacement prospectus lodged with ASIC under section 719 of the Corporations Act).

Redemption means the redemption of a Tatts Bond in accordance with clause 3 and the words **Redeem** and **Redeemed** bear their corresponding meanings.

Redemption Date means, in respect of a Tatts Bond, the date, other than the Maturity Date, on which the Tatts Bond is Redeemed in whole.

Register means the register of Holders (established and maintained under clause 16 of the Trust Deed) and, where appropriate, the term **Register** includes:

- (a) a sub-register maintained by or for the Issuer under the Corporations Act, the ASX Listing Rules or ASX Settlement Operating Rules; and
- (b) any branch register.

Registry means Computershare Investor Services Pty Limited ABN 48 078 279 277 or any other person appointed by the Issuer to maintain the Register and perform any payment and other duties in relation to the Tatts Bonds.

Related Bodies Corporate has the meaning given in the Corporations Act.

Relevant Indebtedness means indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be, quoted, listed, ordinarily dealt in or traded on any stock exchange, over-the-counter or other established securities market.

Relevant Tax Jurisdiction means any country, or political sub-division of one or more countries, or any federation or association of countries:

- (a) in which the Issuer is either incorporated or is resident or domiciled for any tax purpose; or
- (b) from which, or through which, any payment in relation to a Tatts Bond is made.

Security means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement, notice or arrangement having a similar effect and includes any security interest under the PPS Act.

Settlement Date means, in respect of a Tatts Bond, the Business Day immediately preceding the Issue Date.

Special Resolution means:

- (a) a resolution passed at a meeting of the Holders duly called and held under the Meeting Provisions:
 - (i) by at least 75% of the persons voting on a show of hands (unless paragraph (ii) below applies); or
 - (ii) if a poll is duly demanded, then by a majority consisting of at least 75% of the votes cast; or
- (b) a resolution passed by postal ballot or written resolution by Holders representing (in aggregate) at least 75% of the Face Value of all of the outstanding Tatts Bonds.

Subsidiary has the meaning given to that term in Part 1.2 of Division 6 of the Corporations Act.

Tatts Bond means a debt obligation issued, or to be issued, by the Issuer which is constituted by, and owing under, the Trust Deed, the details of which are recorded in, and evidenced by, entry in the Register.

Tatts Bond Guarantee means the guarantee and indemnity given by each Guarantor on the terms contained in schedule 4 of the Trust Deed.

Tax means any tax, levy, impost, charge or duty (including stamp and transaction duties) imposed by any Government Agency and any related interest, penalty, fine or expense in connection with it, except if imposed on, or calculated having regard to, the net income of the Holder.

Tax Event means:

- (a) that the Issuer is or may be required to pay an Additional Amount; or
- (b) if as a result of any change in, or amendment to, applicable laws, or any change in their application or official or judicial interpretation, which change becomes effective after the Issue Date, payment of interest on a Tatts Bond is not, or may not, be allowed as a deduction for the purposes of the Issuer's Australian income tax liability calculation.

Terms means, in relation to a Tatts Bond, the terms of issue of that Tatts Bond as set out in schedule 1 of the Trust Deed.

Total Assets means, at each 30 June and 31 December, the value of the total assets of the consolidated Group as reported in the annual or semi-annual Financial Statements of the Group prepared as at that date.

Trust Deed means the trust deed to which these Terms are attached as schedule 1.

Trustee means Australian Executor Trustees Limited ABN 84 007 869 794 or any replacement Trustee appointed in accordance with the Trust Deed.



Corporate directory

Corporate directory

Issuer

Tatts Group Limited
615 St Kilda Road
Melbourne VIC 3004

Legal and Tax Adviser

Clayton Utz
Level 18
333 Collins Street
Melbourne VIC 3000

Auditor

PricewaterhouseCoopers
Freshwater Place Level 19
2 Southbank Boulevard
Southbank VIC 3006

Investigating Accountant

PricewaterhouseCoopers Securities Limited
Freshwater Place Level 19
2 Southbank Boulevard
Southbank VIC 3006

Trustee

Australian Executor Trustees Limited
Level 22
207 Kent Street
Sydney NSW 2000

Registry

Computershare Investor Services Pty Limited
452 Johnston Street
Abbotsford VIC 3067

Joint Lead Managers

ANZ Securities Ltd
Level 9, 833 Collins Street
Docklands VIC 3008

Evans and Partners Pty Ltd
32 Jolimont Terrace
East Melbourne VIC 3002

Co-Managers

Bell Potter Securities Limited
Level 38 Aurora Place
88 Phillip Street
Sydney NSW 2000

RBS Morgans Limited
Level 29 Riverside Centre
123 Eagle Street
Brisbane QLD 4000

Tatts Bonds Information Line

1300 367 346 (within Australia)
or +61 3 9415 4199 (international)
(Monday to Friday – 9.00am to 5.00pm, Melbourne time)

Website

www.tattsbondsoffer.com

