



Tatts Group Limited
ABN 19 108 686 040

ASX Half-year information – 31 December 2011

23 February 2012

RESULTS FOR ANNOUNCEMENT TO THE MARKET

TATTS GROUP LIMITED HALF-YEAR REPORT

FOR HALF-YEAR ENDED 31 December 2011

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

1. Half-year Report for the half-year ended 31 December 2011 (Appendix 4D)
2. Directors' Report and Interim Financial Report for the half-year ended 31 December 2011

DIVIDEND

The Directors have declared a fully franked interim dividend of 11.0 cents per share, to be paid on 4 April 2012. The record date for the purpose of determining entitlements is 6 March 2012.

The Company's Dividend Reinvestment Plan (**DRP**) will operate for the interim dividend. To participate in the **DRP** for this interim dividend, those shareholders who have not already done so will need to lodge a **DRP** Notice of Election with Computershare Investor Services Pty Ltd by the end of the record date, 6 March 2012. The price at which shares are issued under the **DRP** is the daily volume weighted average market price of the Company's shares sold in the ordinary course of trading on the ASX during the ten trading days commencing on the second trading day after the dividend record date. Shares issued under the **DRP** will rank equally with existing ordinary shares from the date of issue. A 1.5% discount is applicable to shares acquired under the **DRP** for this dividend. Shares acquired by a participant under the **DRP** will be provided via a share issue. There is no foreign conduit income attributed to the dividend. Information about the **DRP** can be found on the Company's website at www.tattsgroup.com/investors.

The information contained in this release should be read in conjunction with the Company's most recent annual financial report.

Penny Grau
General Counsel and Company Secretary



Tatts Group Limited
ABN 19 108 686 040

Half-Year Report and Accounts
31 December 2011

Tatts Group Limited
ABN 19 108 686 040
Half-year ended 31 December 2011
(Previous corresponding period:
Half-year ended 31 December 2010)

Results for Announcement to the Market

	Period to 31 December 2010 \$'000		Period to 31 December 2011 \$'000	% change
Revenue from ordinary activities	1,896,554	To	1,973,587	4.1%
Profit from ordinary activities after tax attributable to members	149,907	To	166,879	11.3%
Net profit for the period attributable to members	149,907	To	166,879	11.3%

Dividend/distributions	Amount per security	Franked amount per security	Amount \$'000	Date Paid/ Payable
Current year to 31 December 2011				
Interim dividend	11.0 cents	11.0 cents	147,483	4 Apr 2012
Prior year to 30 June 2011				
Final dividend	11.0 cents	11.0 cents	145,056	5 Oct 2011
Interim dividend	10.5 cents	10.5 cents	136,615	6 Apr 2011

Record date for determining entitlement to the interim dividend is 6 March 2012.

Explanation of revenue

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

Explanation of profit from ordinary activities after tax

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

Explanation of dividends

The interim dividend of 11.0 cents per share (2011: 10.5 cents per share) represents a payout ratio of 88.4% and a 4.8% increase over the previous corresponding period.

NTA Backing

	31 December 2011	31 December 2010
Net tangible asset backing ⁽¹⁾	(\$1.03) per share	(\$1.15) per share

⁽¹⁾ The negative NTA backing reflects the composition of the companies that comprise Tatts Group Limited and its controlled entities (Group), being licensed networked gambling businesses which are typically characterised by significant levels of intangible assets.

Tatts Group Limited
Appendix 4D information

Controlled entities acquired or disposed of

There were no acquisitions or discontinued operations accounted for in the period ended 31 December 2011. On 1 December 2011, Tatts Group Limited announced that it had agreed to purchase the Tasmania TAB (Tote Tasmania) for \$103 million subject to regulatory approvals, with the expected completion of the transaction to occur in March 2012. Refer to Tatts Group Limited Directors' Report and Interim Financial Report for further details of this acquisition.

Additional dividend/distributions information

The Directors have announced an interim dividend of 11.0 cents per share to be paid on 4 April 2012.

Dividend Reinvestment Plan (DRP)

The Company's DRP will operate for the interim dividend. To participate in the DRP for this interim dividend, those shareholders who have not already done so will need to lodge a DRP Notice of Election with Computershare Investor Services Pty Ltd by the end of the record date, 6 March 2012. Information about the DRP can be found on the Company's website at www.tattsgroup.com/investors.

Associates and Joint ventures entities

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



Penny Grau
Company Secretary

23 February 2012

Tatts Group Limited
ABN 19 108 686 040
Directors' Report and Interim Financial Report
31 December 2011

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by Tatts Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Your Directors present their report on the consolidated entity (**Group**) consisting of Tatts Group Limited (**Company**) and the entities it controlled at the end of, or during, the half-year ended 31 December 2011.

Directors

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

Harry Boon
Dick McIlwain
Robert Bentley
Lyndsey Cattermole AM
Brian Jamieson
Julien Playoust
Kevin Seymour AM

Review of operations

The six months to 31 December 2011 saw Group revenue increase 4.1% to \$1,973.6 million. Group net profit after tax of \$166.9 million was up 11.3% on the previous corresponding period. Basic earnings per share from continuing operations were 12.6 cents, up 8.6% on the previous corresponding period.

The Directors have again maintained a high dividend payout ratio of 88.4%, declaring an interim dividend of 11.0 cents per share payable on 4 April 2012.

Further operational results and commentary are provided below.

Tatts Pokies

Tatts Pokies revenue and other income of \$645.0 million was up 1.6% on the previous corresponding period. Earnings before Interest and Tax (**EBIT**) was up 11.7% to \$115.8 million, benefitting from significantly reduced depreciation as a result of the forward sale of gaming machines to venues, the continued focus on optimising profits and cash flows to the end of the licence in August 2012, and venues transferring to Tatts Pokies to secure a seamless transition at the end of the licence.

TattsBet

The six months to 31 December 2011 saw TattsBet revenue increase 2.2% to \$321.1 million. This growth in revenue combined with ongoing cost control contributed to the EBIT outcome of \$71.5 million, up 3.9% over the previous corresponding period. TattsBet's fixed price betting business continued to grow at a more sustainable level, with revenue up 20.3% to \$63.2 million. Improved win rates in the fixed price book largely offset any revenue dilution from the slowing migration from totalisator betting to the fixed price betting service.

On 1 December 2011, Tatts Group Limited announced that it had agreed to purchase the Tasmania TAB (Tote Tasmania) for \$103 million subject to regulatory approvals, with the expected completion of the transaction to occur in March 2012. Tote Tasmania will begin to contribute to the financial results of TattsBet from the last quarter of the 2012 financial year, albeit initially incurring one-off restructuring costs predominantly in this financial year.

Tatts Lotteries

Tatts Lotteries achieved revenue of \$878.0 million for the six months to 31 December 2011, up 6.8% on the previous corresponding period. EBIT was up 7.3% to \$98.7 million. The result was largely attributable to strong growth in Saturday lotto sales following game changes implemented in January 2011, and the unprecedented jackpot roll achieved by the NSW Lotteries' draw lottery. Both Powerball and Oz Lotto continued to experience a relatively subdued run of jackpot sequences during this period. The acceleration of depreciation for the Queensland lottery terminals to be replaced next year negatively impacted the EBIT result.

Maxgaming

Revenue in Maxgaming was down 2.8% to \$58.2 million for the six months to 31 December 2011. Despite this, the ability to maintain margins through strong cost control saw Maxgaming increase EBIT by 3.3% to \$20.9 million. Maxgaming continued to experience difficult trading conditions, flowing from the reticence of venues to invest in value adding services as the ongoing regulatory debate concerning pre-commitment continued to publicly unfold. Nonetheless, Maxgaming is well positioned to engage with venues to again protect and grow its revenue into the future as this situation resolves itself.

Bytecraft

Bytecraft achieved revenue of \$49.5 million for the six months to 31 December 2011, up 12.0% over the previous corresponding period. EBIT however was down 24.9% to \$2.4 million, significantly impacted by a provision for bad debts of \$0.53 million and increased costs incurred in investing for recently won contracts that will provide future growth.

Talarius

Revenue for Talarius for the six months to 31 December 2011 was down 7.7% to \$37.4 million predominantly caused by an unfavourable foreign exchange translation. Excluding foreign exchange movement, revenue was down 1.2% for the half. It should be noted that turnover in UK pounds did in fact grow by 1%, however the VAT increase in early 2011 and venue closures more than offset this at the revenue line. EBIT has moved from a positive \$0.1 million contribution in the previous corresponding period to a loss of \$0.9 million for this half, impacted by the increased VAT and the ongoing depressed economic conditions in the United Kingdom.

Balance Sheet

Net debt (excluding prize reserves) in the Group's balance sheet was \$1,154.6 million at 31 December 2011, down from \$1,236.2 million at 31 December 2010. Financing costs for the six months to 31 December 2011 increased to \$52.8 million from \$50.2 million in the previous corresponding period, reflecting the increase in the average interest rate to 7.1% for the Group for the six month period.

Cash flow generated by the Group continues to be strong, enabling Directors to maintain a high dividend payout ratio. Capital expenditure for the period of \$37.2 million is below depreciation and amortisation of \$52.8 million for the half-year. Operational cash flow is supplemented by the cash retained through the take up of the DRP.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7 for the half-year ended 31 December 2011.

Rounding of amounts to nearest thousand dollars

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

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



Harry Boon
Chairman

Melbourne
23 February 2012



Dick McIlwain
Managing Director/Chief Executive



Auditor's Independence Declaration

As lead auditor for the review of Tatts Group Limited for the half-year ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

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

Anton Linschoten
Partner
PricewaterhouseCoopers

Melbourne
23 February 2012

PricewaterhouseCoopers, ABN 52 780 433 757

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Consolidated income statement

Tatts Group Limited
Half-year report
Period ended 31 December 2011

	Half-year FY2012 \$'000	Half-year FY2011 \$'000
Revenue from continuing operations	1,973,587	1,896,554
Statutory outgoings		
Government share	(954,801)	(909,990)
Venue share/commission	(361,242)	(351,054)
Product and program fees	(102,508)	(99,618)
Other income	3	80
Other expenses from ordinary activities		
Employee expenses	(95,250)	(90,077)
Operating fees and direct costs	(34,364)	(34,612)
Telecommunications and technology	(19,550)	(19,524)
Marketing and promotions	(20,324)	(17,497)
Information services	(7,171)	(6,985)
Property expenses	(22,740)	(24,066)
Restructuring costs	(2,599)	(2,350)
Other expenses	(17,461)	(16,715)
Share of net profit of associates and joint ventures accounted for using the equity method	92	57
Profit before interest, income tax, depreciation and amortisation	335,672	324,203
Depreciation and amortisation	(52,794)	(61,303)
Interest income	2,946	2,762
Finance costs	(52,764)	(50,179)
Profit before income tax	233,060	215,483
Income tax expense	(66,181)	(65,576)
Profit attributable to owners of Tatts Group Limited	166,879	149,907
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:	Cents	Cents
Basic earnings per share	12.6	11.6
Diluted earnings per share	12.5	11.6
Earnings per share for profit attributable to the ordinary equity holders of the Company:	Cents	Cents
Basic earnings per share	12.6	11.6
Diluted earnings per share	12.5	11.6

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

	Half-year FY2012 \$'000	Half-year FY2011 \$'000
Profit for the half-year	166,879	149,907
Other comprehensive income		
Changes in the fair value of available-for-sale financial assets, net of tax	(1,067)	(182)
Changes in the value of net investment hedges	(1,145)	9,399
Changes in the value of cross currency interest rate swaps, net of tax	860	(4,435)
Changes in the value of interest rate swaps, net of tax	(8,377)	11,050
Changes in the value of forward foreign exchange contracts, net of tax	623	(749)
Exchange differences on translation of foreign operations	510	(6,360)
Other comprehensive income for the half-year, net of tax	(8,596)	8,723
Total comprehensive income for the half-year	158,283	158,630
Total comprehensive income attributable to the owners of Tatts Group Limited	158,283	158,630

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

	Notes	31 December 2011 \$'000	30 June 2011 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		276,494	262,148
Trade and other receivables		176,963	130,168
Inventories		14,794	7,859
Property, plant and equipment	4	48,631	-
Total current assets		516,882	400,175
Non-current assets			
Trade and other receivables		62	96
Investments accounted for using the equity method		2,403	2,312
Available-for-sale financial assets		33,878	33,824
Property, plant and equipment		176,716	236,683
Investment properties		45,176	47,134
Intangible assets		3,997,209	4,013,121
Deferred tax assets		39,537	33,746
Other non-current assets		1,189	1,403
Total non-current assets		4,296,170	4,368,319
Total assets		4,813,052	4,768,494
LIABILITIES			
Current liabilities			
Trade and other payables		556,901	549,915
Derivative financial instruments		227	1,117
Tax liabilities		16,762	19,331
Provisions		19,449	19,229
Total current liabilities		593,339	589,592
Non-current liabilities			
Trade and other payables		70,132	70,293
Interest bearing liabilities	5	1,275,584	1,271,087
Derivative financial instruments		30,988	50,962
Deferred tax liabilities		215,733	219,392
Provisions		4,521	5,068
Retirement benefit obligations		8,070	7,961
Total non-current liabilities		1,605,028	1,624,763
Total liabilities		2,198,367	2,214,355
Net assets		2,614,685	2,554,139
EQUITY			
Contributed equity	6	2,491,237	2,444,886
Reserves		(15,005)	(7,377)
Retained profits		138,453	116,630
Total equity		2,614,685	2,554,139

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

Attributable to Owners of Tatts Group Limited

	Contributed equity	Reserves	Retained earnings	Total equity
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2010	2,362,593	(12,616)	117,827	2,467,804
Profit for the half-year	-	-	149,907	149,907
Other comprehensive income	-	8,723	-	8,723
Total comprehensive income for the half-year	-	8,723	149,907	158,630
Transactions with owners in their capacity as owners:				
Dividend Reinvestment Plan issues	43,181	-	-	43,181
Dividends provided or paid	-	-	(141,024)	(141,024)
Performance rights issues	243	(243)	-	-
Share based payments	-	1,008	-	1,008
	43,424	765	(141,024)	(96,835)
Balance at 31 December 2010	2,406,017	(3,128)	126,710	2,529,599
Balance at 1 July 2011	2,444,886	(7,377)	116,630	2,554,139
Profit for the half-year	-	-	166,879	166,879
Other comprehensive income	-	(8,596)	-	(8,596)
Total comprehensive income for the half-year	-	(8,596)	166,879	158,283
Transactions with owners in their capacity as owners:				
Dividend Reinvestment Plan issues	46,346	-	-	46,346
Dividends provided or paid	-	-	(145,056)	(145,056)
Performance rights issues	5	366	-	371
Share based payments	-	602	-	602
	46,351	968	(145,056)	(97,737)
Balance at 31 December 2011	2,491,237	(15,005)	138,453	2,614,685

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

	Half-year FY2012 \$'000	Half-year FY2011 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST) net of prizes paid/cash returns to customers	1,929,923	1,898,422
Payments to suppliers and employees (inclusive of GST)	(245,869)	(247,948)
Payments to Government	(922,368)	(906,493)
Payments to venues/commission	(361,242)	(351,054)
Payments for product and program fees	(99,565)	(91,880)
	300,879	301,047
Other revenue	435	432
Interest received	5,372	5,422
Interest paid	(49,886)	(53,639)
Income taxes paid	(74,733)	(80,491)
Net cash inflow from operating activities	182,067	172,771
Cash flows from investing activities		
Deposit on Tote Tasmania acquisition	(10,300)	-
Payments for interests in and loans (to) / repaid from joint venture entities	(1,265)	250
Payments for property, plant and equipment	(21,437)	(29,930)
Payments for investment properties	(434)	(12,661)
Payments for intangibles	(3,169)	(1,738)
Proceeds from sale of property, plant and equipment	204	410
Proceeds from disposal of subsidiary, net of cash disposed	-	18,076
Net cash outflow from investing activities	(36,401)	(25,593)
Cash flows from financing activities		
Dividends paid	(98,712)	(97,854)
Proceeds from borrowings	53,065	332,020
Repayment of borrowings	(85,000)	(524,421)
Net cash outflow from financing activities	(130,647)	(290,255)
Net increase/(decrease) in cash and cash equivalents	15,019	(143,077)
Cash and cash equivalents at beginning of half-year	262,148	392,664
Effect of exchange rate changes on cash and cash equivalents	(673)	(2,273)
Cash and cash equivalents at end of the half-year	276,494	247,314
Reconciliation of Cash		
The above figures are reconciled to cash and cash equivalents in the balance sheet at the half-year as follows:		
Cash balances as per balance sheet	276,494	247,314
Cash balances per statement of cash flows	276,494	247,314

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

Note 1 Basis of preparation of interim half-year report

This general purpose interim financial report for the half-year reporting period ended 31 December 2011 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

Note 2 Segment Information

The Group has adopted AASB 8 *Operating Segments* from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Chief Executive.

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

	Tatts Pokies \$'000	Tatts Lotteries \$'000	TattsBet \$'000	Maxgaming \$'000	Bytecraft Systems \$'000	Talarius \$'000	Unallocated \$'000	Inter-segment eliminations⁽¹⁾ \$'000	Total Continuing Operations \$'000
Half-year FY2012									
Total segment revenue and other income	644,976	877,990	321,097	58,162	49,478	37,425	4,388	(19,926)	1,973,590
EBITDA	121,129	109,822	81,265	33,197	3,092	3,982	(16,815)	-	335,672
Depreciation & Amortisation	(5,371)	(11,157)	(9,791)	(12,301)	(729)	(4,909)	(8,536)	-	(52,794)
EBIT	115,758	98,665	71,474	20,896	2,363	(927)	(25,351)	-	282,878
Half-year FY2011									
Total segment revenue and other income	634,683	822,206	314,241	59,820	44,172	40,545	1,414	(20,447)	1,896,634
EBITDA	120,356	101,329	78,707	33,165	3,703	4,997	(18,054)	-	324,203
Depreciation & Amortisation	(16,767)	(9,345)	(9,906)	(12,945)	(558)	(4,946)	(6,836)	-	(61,303)
EBIT	103,589	91,984	68,801	20,220	3,145	51	(24,890)	-	262,900

⁽¹⁾ Inter-segment eliminations against revenue in half-year FY2012 comprise of Bytecraft Systems revenue of \$19,414,000 and other segment revenue of \$512,000. In half-year FY2011 Inter-segment eliminations comprise of Bytecraft Systems revenue of \$20,105,000 and other segment revenue of \$342,000.

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

	Half-year FY2012 \$'000	Half-year FY2011 \$'000
EBIT from continuing operations	282,878	262,900
Interest income	2,946	2,762
Finance costs	(52,764)	(50,179)
Profit before income tax from continuing operations	233,060	215,483

Note 3 Dividends

	Half-year FY2012 \$'000	Half-year FY2011 \$'000
Ordinary shares		
Final dividend for year ended 30 June 2011 of 11.0 cents (2010 – nil cents) per fully paid share paid 5 October 2011	145,056	-
Special dividend for year ended 30 June 2010 of 11.0 cents (2009 – nil cents) per fully paid share paid 1 October 2010	-	141,024
	<u>145,056</u>	<u>141,024</u>

Dividends not recognised at the end of the half-year

In addition to the above dividends, since the end of the half-year the Directors have determined an interim dividend of 11.0 cents per fully paid ordinary share (2011 – 10.5 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 4 April 2012 out of the retained profits at 31 December 2011, but not recognised as a liability at the end of the half-year, is \$147,483,457.

Note 4 Property, plant and equipment (current)

	31 December 2011 \$'000	30 June 2011 \$'000
Current		
Plant and equipment	<u>48,631</u>	-

The Group has entered into agreements with third parties to sell, for approximately \$60 million, its gaming machines classified as plant and equipment with the effective date of sale of these machines being the date when the Gaming Operator Licence expires on 15 August 2012 (unless extended). As a result of the sale agreements, the Group changed the depreciation estimate of the gaming machines to a zero depreciation rate from 31 March 2011 as the sale value of the gaming machines exceeds their written down book value. The remainder of the gaming assets classified under plant and equipment relating to the Gaming Operator Licence will continue to be depreciated at existing rates up to the expiry on 15 August 2012 (unless extended).

The change in accounting estimate for depreciation on gaming machines to zero from 31 March 2011 has reduced the depreciation charge on this group of assets by \$13.0 million for the 6 months ended 31 December 2011. A reduction in the depreciation charge of \$13.1 million is expected for the 6 months ended 30 June 2012 with a final reduction of \$3.3 million expected in the 2013 financial year before the Gaming Operator Licence expires on 15 August 2012 (unless extended).

The net gain and cash proceeds on the sale of the gaming machines will be recognised and be receivable on 16 August 2012 when all conditions placed on the sale of the gaming machines have been met.

These assets have not been recognised as held for sale as they are not immediately available for sale. However, a transfer of \$48.6 million has occurred from non-current to current plant and equipment in the six months ended 31 December 2011 relating to these gaming assets in Tatts Pokies, due to the short-term nature of their value contribution to the Group.

Note 5 Interest bearing liabilities

	31 December 2011 \$'000	30 June 2011 \$'000
Non-current Unsecured		
Bank loans	1,042,107	1,068,702
Loan notes (US Private Placement)	233,477	202,385
Total non-current interest bearing liabilities	<u>1,275,584</u>	<u>1,271,087</u>

Note 6 Contributed equity issued

	FY2012 Shares	FY2011 Shares	FY2012 \$'000	FY2011 \$'000
Issue of ordinary shares during the half-year				
Performance rights issues	2,078	94,806	5	243
Dividend Reinvestment Plan issues	<u>22,069,599</u>	<u>18,856,180</u>	<u>46,346</u>	<u>43,181</u>
	<u>22,071,677</u>	<u>18,950,986</u>	<u>46,351</u>	<u>43,424</u>

Note 7 Contingent liabilities

The Group had contingent liabilities at 31 December 2011 in respect of:

Bank Guarantees

Guarantees in respect of bank facilities drawn down but not included in the accounts of the Group are \$2,007,275 (June 2011: \$2,058,000).

Note 8 Events occurring after reporting date

In the opinion of the Directors, there have been no material matters or circumstances which have arisen between 31 December 2011 and the date of this report that have significantly affected or may significantly affect the operations of the Group, the results of those operations and the state of affairs of the Group in subsequent financial periods.

Note 9 Commitments

On 1 December 2011, Tatts Group Limited announced that it had agreed to purchase the Tasmania TAB (Tote Tasmania) for \$103 million subject to regulatory approvals, with the expected completion of the transaction to occur in March 2012. The new Tasmanian Wagering Licence is for a term of 50 years, with an option for an additional 49 years at no additional cost. A deposit of \$10.3 million was paid to the Tasmanian Government on 1 December 2011 with a commitment to settle the remaining \$92.7 million on the completion date. The full \$103 million acquisition price will be funded out of existing loan facilities and cash.

Directors' declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 8 to 16 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Tatts Group Limited will be able to pay its debts as and when they become due and payable.

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



Harry Boon
Chairman



Dick McIlwain
Managing Director/Chief Executive

Melbourne
23 February 2012



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Tatts Group Limited, which comprises the balance sheet as at 31 December 2011 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Tatts Group Limited (the consolidated entity). The consolidated entity comprises both Tatts Group Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Tatts Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive, flowing script.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Anton Linschoten' in a cursive, flowing script.

Anton Linschoten
Partner

Melbourne
23 February 2012