



**Tatts Group Limited**  
**ASX Half-year information – 31 December 2008**

26 February 2009

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

TATTS GROUP LIMITED HALF YEAR REPORT

FOR HALF-YEAR ENDED 31 DECEMBER 2008

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 2008 (Appendix 4D)
2. Directors' Report and Interim Financial Report for the half year ended 31 December 2008
3. Media Release

**DIVIDEND**

The Directors have declared a fully franked interim dividend of 10.0 cents per share, to be paid on 3 April, 2009. The record date for the purpose of determining entitlements is 12 March 2009.

The Company has implemented a Dividend Reinvestment Plan (**DRP**) which operates for the interim dividend. To participate in the DRP for this interim dividend, a DRP Notice of Election must be received by Computershare Investor Services Pty Ltd by the end of the record date. Information about the DRP can be found on the Company's website at [www.tattsgroup.com/investors](http://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 Yearly Report and Accounts**  
**31 December 2008**

**Tatts Group Limited**  
**ABN 19 108 686 040**  
**Half-year ended 31 December 2008**  
**(Previous corresponding period:**  
**Half-year ended 31 December 2007)**

**Results for Announcement to the Market**

	Period to 31 December 2007 \$'000		Period to 31 December 2008 \$'000	% change
<b>Revenue</b> from ordinary activities	1,531,798	To	1,614,664	5.4%
<b>Profit</b> from ordinary activities after tax attributable to members	133,018	To	144,733	8.8%
<b>Net profit</b> for the period attributable to members	133,018	To	144,733	8.8%

<b>Dividend/distributions</b>	Amount per security	Franked amount per security	Amount \$'000	Date Paid/ Payable
<b>Current year to 30 June 2009</b>				
Interim dividend	10.0 cents	10.0 cents	126,536	3/4/09
<b>Prior year to 30 June 2008</b>				
Interim dividend	9.5 cents	9.5 cents	120,209	4/4/08
Special Dividend <sup>1</sup>	10.5 cents	10.5 cents	132,862	3/10/08

1. The special dividend of 10.5 cents per share as determined by the Directors on 28 August, 2008 is a substitute for the final dividend for the year to 30 June 2008.

**Record date** for determining entitlement to the interim dividend is 12 March 2009.

**Explanation of revenue**

Refer to Tatts Group Limited Directors' Report.

**Explanation of profit from ordinary activities after tax**

Refer to Tatts Group Limited Directors' Report.

**Explanation of dividends**

The interim dividend of 10.0 cents per share (2007: 9.5 cents per share) represents a payout ratio of 87.4% and a 5.3% increase over the previous corresponding period.

**NTA Backing**

	31 December 2008	31 December 2007
Net tangible asset backing*	(57) cents per share	(31) cents per share

\*The reduction in NTA backing arises as a direct result of the intangible assets, and the corresponding increase in net debt, arising on the 100% acquisition of the European Gaming Group on 3 January 2008 (refer to Note 5 of the Interim Financial Report). 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 such intangible assets.

**Tatts Group Limited**  
**Appendix 4D information****Controlled entities acquired or disposed of**

Refer to Note 4 and Note 5 of the Interim Financial Report.

**Additional dividend/distributions information**

The Directors have announced an interim dividend of 10.0 cents per share to be paid 3 April 2009.

**Dividend Reinvestment Plan (DRP)**

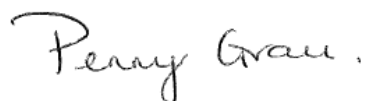
Tatts Group Limited (Company) has a DRP in operation, effective for the first time with the upcoming dividend payment. The last date for receipt of a DRP Notice of Election to enable participation for the interim dividend is 12 March 2009. No discount is applicable to shares acquired under the DRP. Shares acquired by a participant under the DRP will be provided via a share issue.

**Associates and Joint ventures entities**

Name	Ownership interest		Aggregate share of profits/(losses), where material		Contribution to net profit/(losses), where material	
	Half-year 2008 %	Half-year 2007 %	Half-year 2008 \$'000	Half-year 2007 \$'000	Half-year 2008 \$'000	Half-year 2007 \$'000
LH Developments Pty Ltd	50	50	-	-	-	-
George Adams Pty Ltd and Prizac Pty Ltd	50	50	-	-	-	-
European Gaming Group <sup>1</sup>	100	50	-	(4,133)	-	(4,133)

<sup>1</sup> The Group established a joint venture group of companies with Macquarie Investments Pty Ltd that on 1 February 2007, pursuant to a shareholder and court approved Scheme of Arrangement, acquired 100% of the shares of Talarius Plc, a UK based gaming company. Around that date the Group contributed GBP 46.85 million in equity for its interest in the European Gaming Group of companies, which with other equity and non-recourse debt in the European Gaming Group, was used to fund the acquisition of Talarius Plc. This investment was equity accounted in the accounts of the Group for the six month period to 31 December 2007.

On 3 January 2008 the Group completed the acquisition of Macquarie Investments Pty Ltd's 50% share of the European Gaming Group, resulting in the Group now owning 100% of the European Gaming Group (refer Note 5 of the Interim Financial Report). The results of European Gaming Group have been consolidated into the Group accounts since that date.



Penny Grau  
Company Secretary

26 February 2009

Tatts Group Limited  
ABN 19 108 686 040  
Directors' Report and Interim Financial Report  
31 December 2008

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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 2008 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 2008.

**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  
Richard McIlwain  
Robert Bentley  
Lyndsey Cattermole AM  
Brian Jamieson  
Julien Playoust  
Kevin Seymour AM

George Chapman AO retired from the Board on 31 August 2008.

**Review of operations**

The Group achieved profit after tax for the half-year of \$144.7 million, which was 8.8% up on the previous corresponding period. During the half-year, the Group's total revenue from continuing operations increased by 5.4% to \$1,614.7 million. Basic earnings per share for profit from continuing operations were 11.4 cents, up 9.6% on the previous corresponding period.

The Directors have declared an interim dividend of 10.0 cents per share payable on 3 April 2009.

During the period the Group also announced the introduction of a Dividend Reinvestment Plan.

Comments on the operations and the results of those operations are set out below.

**Tatts Pokies**

The Tatts Pokies segment achieved revenue and other income of \$669.9 million for the six months ended 31 December 2008, up 1.7% on the previous corresponding period. The segment result was an Earnings Before Interest and Tax (**EBIT**) of \$116.9 million, up \$17.5 million due to a reshaped cost structure and some revenue growth. Depreciation and amortisation has reduced as a result of the change in the level of capital expenditure and most assets now being depreciated until the end of the licence period.

**UNiTAB Wagering**

Revenue in UNiTAB Wagering for the six month period to 31 December 2008 was \$309.6 million, up 15.2% on the previous corresponding period. The segment EBIT result was \$71.3 million, up 28.6% on the previous corresponding period. This result was achieved primarily due to the recovery from the interruption in Queensland and New South Wales racing caused by Equine Influenza in the previous corresponding period. Fixed odds betting sales grew by 26.4%.

**Tatts Lotteries**

The Lotteries segment (which includes the operation of lottery licences within Victoria, Tasmania, ACT and the Northern Territory and also the operation of a Lottery Operator Agreement in Queensland) produced revenue of \$484.5 million, down 5.8% on the previous corresponding period. This flowed from the loss of 15% of revenue previously available from Instants and other State-only games under the previous licensing arrangements in Victoria and scheduling of the Megadraw into the second half of the financial year.

The cost structure for this segment has been realigned with normal Tatts Group accounting practices resulting in the allocation of certain overhead costs out of this segment and into Shared Services.

These matters resulted in an EBIT outcome for Tatts Lotteries of \$46.5 million up 1.1% on the previous corresponding period.

**Maxgaming**

Maxgaming achieved revenue of \$58.8 million for the six month period to 31 December 2008, up 2.2% on the previous corresponding period. The segment EBIT result of \$20.3 million was up 0.4% on the previous corresponding period reflecting the maintenance of strong margins. Maxgaming continues to protect its revenue stream through innovative machine supply arrangements.

**Bytecraft**

Bytecraft Systems revenue reduced to \$34.6 million, down 6.4% on the previous corresponding period, largely due to no longer charging intercompany margins. The EBIT reduction from \$2.6 million to \$2.0 million is due to changes to intercompany charges.

**International**

The International segment principally comprises South African Gaming operations and the European Gaming Group for the six month period to 31 December 2008. The EBIT result in this six month period for the segment, which has been primarily driven by the performance of the European Gaming Group, reflects an improvement on the previous corresponding period.

The South African Gaming business has benefited from the continuing roll-out of gaming machines in Kwazulu Natal (**KZN**). Machine numbers in the two operating provinces (KZN and Western Cape) increased from 1,050 to 1,429 in the period. Earnings Before Interest, Tax, Depreciation and Amortisation (**EBITDA**) increased to \$2.6 million from \$1.6 million in the previous corresponding period, with EBIT impacted by the write off of \$0.4 million in bid costs.

The European Gaming Group has enjoyed an improved half-year as it deals with smoking bans and changes to machine play limits imposed by the British Government in September 2007 and the poor economic conditions in the United Kingdom. The improved performance is due to an overhaul in the cost base and good responses to tactical investments in gaming floors and venue presentation. In the current period European Gaming Group contributed revenues of \$53.6 million and EBITDA was \$8.8 million.

**Balance Sheet**

The level of net debt (excluding prize reserves) in the Group's balance sheet was \$734.0 million at 31 December 2008.

The Group has successfully negotiated an extension of Facility A of the syndicated bank loan by two years to 5 June 2011. The cash flow from the Group remains strong supporting an improved dividend. Capital expenditure of \$46.7 million remains well controlled and well below the depreciation and amortisation charges for the half-year, with a reduction in Tatts Pokies depreciation offset by an increase in the European Gaming Group which is now wholly owned.

**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 2008.

**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



Richard McIlwain  
Chief Executive & Managing Director

Melbourne  
26 February 2009



**PricewaterhouseCoopers**  
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## Auditors' Independence Declaration

As lead auditor for the review of Tatts Group Limited for the half-year ended 31 December 2008, 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.



Con Grapsas  
Partner  
PricewaterhouseCoopers

Melbourne  
26 February 2009

	<b>Half-year 2008 \$'000</b>	<b>Half-year 2007 \$'000</b>
<b>Revenue from continuing operations</b>	1,614,664	1,531,798
Statutory outgoings		
Government share	(716,556)	(724,336)
Venue share/commission	(317,611)	(305,027)
<b>Other income from continuing operations</b>	330	7,033
<b>Other expenses from continuing operations</b>		
Product and program fees	(95,945)	(85,424)
Employee costs	(79,344)	(60,733)
Operating fees and costs	(34,672)	(33,679)
Telecommunications and technology	(16,823)	(16,139)
Marketing and promotions	(15,888)	(15,881)
Information services	(6,725)	(6,106)
Property expenses	(24,668)	(11,655)
Restructuring costs	(1,246)	(1,354)
Other expenses	(14,890)	(14,275)
Share of net loss of associates and joint ventures accounted for using the equity method	-	(4,133)
<b>Profit before Interest, Income Tax, Depreciation and Amortisation</b>	290,626	260,089
Depreciation and Amortisation	(52,527)	(51,241)
Interest income	5,094	4,969
Finance costs	(34,576)	(22,059)
<b>Profit before income tax</b>	208,617	191,758
Income tax expense	(63,461)	(59,770)
<b>Profit from continuing operations</b>	145,156	131,988
Profit from discontinued operations	-	1,198
<b>Profit for the half-year</b>	145,156	133,186
Profit attributable to minority interest	(423)	(168)
<b>Profit attributable to members of the Company</b>	144,733	133,018
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity shareholders of the Company:</b>	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	11.4	10.4
Diluted earnings per share	11.4	10.4
<b>Earnings per share for profit attributable to the ordinary equity holders of the Company:</b>	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	11.4	10.5
Diluted earnings per share	11.4	10.5

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

	31 December 2008 \$'000	30 June 2008 \$'000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	264,319	251,939
Trade and other receivables	103,504	68,369
Inventories	8,469	7,976
Total current assets	376,292	328,284
<b>Non-current assets</b>		
Receivables	-	38
Investments accounted for using the equity method	7,971	7,917
Financial assets	30,468	30,116
Derivative financial assets	-	2,066
Property, plant and equipment	341,347	344,802
Investment properties	8,701	8,745
Deferred tax assets	30,233	38,335
Intangible assets	3,278,689	3,274,079
Other non-current assets	880	1,229
Total non-current assets	3,698,289	3,707,327
<b>Total assets</b>	4,074,581	4,035,611
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	337,002	313,218
Interest bearing liabilities	6,187	230,127
Tax liabilities	25,707	24,808
Provisions	10,998	9,552
Total current liabilities	379,894	577,705
<b>Non-current liabilities</b>		
Trade and other payables	49,054	48,466
Interest bearing liabilities	886,206	649,657
Deferred tax liabilities	170,259	171,329
Provisions	8,199	10,595
Derivative financial liabilities	19,143	-
Total non-current liabilities	1,132,861	880,047
<b>Total liabilities</b>	1,512,755	1,457,752
<b>Net assets</b>	2,561,826	2,577,859
<b>EQUITY</b>		
Contributed equity	2,321,082	2,321,082
Reserves	(24,860)	2,745
Retained profits	266,425	254,553
Parent entity interest	2,562,647	2,578,380
Minority interest	(821)	(521)
<b>Total equity</b>	2,561,826	2,577,859

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

	<b>Half-year 2008 \$'000</b>	<b>Half-year 2007 \$'000</b>
Changes in the fair value of available-for-sale financial assets, net of tax	(580)	(1,231)
Changes in the value of net investment hedges, net of tax	(782)	3,375
Changes in the fair value of cash flow hedges, net of tax	(26,339)	-
Gain on realisation of cash flow hedges, net of tax	(2,365)	-
Changes in the fair value of forward contracts, net of tax	(457)	-
Exchange differences on translation of foreign operations	2,210	(4,661)
<b>Net income recognised directly in equity</b>	<b>(28,313)</b>	<b>(2,517)</b>
<b>Profit for the half-year</b>	<b>145,156</b>	<b>133,186</b>
<b>Total recognised income and expense for the half-year</b>	<b>116,843</b>	<b>130,669</b>
Total recognised income and expense for the half-year is attributable to:		
Members of the Company	116,420	130,501
Minority interest	423	168
	<b>116,843</b>	<b>130,669</b>

*The above consolidated statement of recognised income and expense should be read in conjunction with the accompanying notes.*

	Half-year 2008 \$'000	Half-year 2007 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax) net of prizes paid/cash returns to customers	1,621,248	1,603,565
Payments to suppliers and employees (inclusive of goods and services tax)	(244,491)	(195,284)
Payments to Government	(694,562)	(707,398)
Payments to venues	(317,611)	(305,027)
Payments for product and program fees	(95,945)	(85,424)
	268,639	310,432
Interest received	9,062	9,495
Interest paid	(33,844)	(6,884)
Income taxes paid	(57,765)	(70,357)
<b>Net cash inflow from operating activities</b>	186,092	242,686
<b>Cash flows from investing activities</b>		
Payments for purchase of subsidiary, net of cash acquired	(13,329)	(13,824)
Payments for interests in and loans to joint venture entities	(4,000)	(1,075)
Payments for property, plant and equipment	(27,496)	(40,267)
Payments for investment properties	(40)	-
Payments for intangibles	(4,060)	(15,139)
Payments for deferred expenditure	(147)	(78)
Proceeds from sale of property, plant and equipment	884	12,282
Proceeds from available-for-sale financial assets	341	674
<b>Net cash outflow from investing activities</b>	(47,847)	(57,427)
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	18,981	2,202
Repayment of borrowings	(10,124)	(13,043)
Dividends paid to Company's shareholders	(132,863)	(177,150)
Dividends paid to minority interests in subsidiary	(690)	-
<b>Net cash outflow from financing activities</b>	(124,696)	(187,991)
Net increase / (decrease) in cash and cash equivalents	13,549	(2,732)
Cash and cash equivalents at beginning of half-year	250,770	272,906
<b>Cash and cash equivalents at end of the half-year</b>	264,319	270,174

*The above consolidated cash flow statement should be read in conjunction with the accompanying notes.*

**Note 1 Basis of preparation of interim half-year report**

This general purpose financial report for the interim half-year reporting period ended 31 December 2008 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 2008 and any public announcements made by the Group 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. Where appropriate, comparative amounts have been reclassified to ensure consistency with the current reporting period.

**Note 2 Segment Information****(a) Primary reporting format – business segments**

Half-year 2008	Tatts Pokies \$'000	Tatts Lotteries (Note i) \$'000	UNiTAB Wagering \$'000	Maxgaming \$'000	Bytecraft Systems \$'000	International/ Business Development \$'000	Unallocated \$'000	Inter-segment eliminations \$'000	Total Continuing Operations \$'000	Discontinued Operations (Note ii) \$'000	Consolidated \$'000
Total segment revenue and other income	669,915	484,495	309,636	58,842	34,582	73,336	1,038	(16,850)	1,614,994	-	1,614,994
Total revenue/income									1,614,994	-	1,614,994
Segment result	116,889	46,514	71,335	20,321	1,990	746	(19,556)	(140)	238,099	-	238,099
Interest Income									5,094	-	5,094
Borrowing costs									(34,576)	-	(34,576)
Profit before income tax									208,617	-	208,617
<b>Half-year 2007</b>											
Total segment revenue and other income	658,740	514,245	268,799	57,578	36,937	15,869	6,091	(19,428)	1,538,831	6,383	1,545,214
Share of net profits/(losses) of associates and joint venture partnerships	-	-	-	-	-	(4,133)	-	-	(4,133)	-	(4,133)
Total revenue/income									1,534,698	6,383	1,541,081
Segment result	99,363	45,998	55,458	20,247	2,620	(4,532)	(10,024)	(282)	208,848	1,738	210,586
Interest Income									4,969	-	4,969
Borrowing costs									(22,059)	-	(22,059)
Profit before income tax									191,758	1,738	193,496

**(b) Notes to and forming part of the segment information**

- (i) The Lotteries segment includes the operation of lottery licences within Victoria, Tasmania, ACT and the Northern Territory and also the operation of a Lottery Operator Agreement in Queensland. The prior year comparative includes overheads that have been reclassified to Unallocated in the current period.
- (ii) Discontinued operations relate to Bounty Limited for the six month period to 31 December 2007 (refer Note 4).

**Note 3 Dividends**

	<b>Half-year 2008 \$'000</b>	<b>Half-year 2007 \$'000</b>
<b>Ordinary shares</b>		
Final dividend for year ended 30 June 2008 of nil cents (2007 – 10.0 cents)	-	126,536
Special dividend for the year ended 30 June 2008 of 10.5 cents (2007 – 4.0 cents) per fully paid share paid on 3 October 2008	132,862	50,614
	<u>132,862</u>	<u>177,150</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 10.0 cents per fully paid ordinary share (2007 – 9.5 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 3 April 2009 out of the retained profits at 31 December 2008, but not recognised as a liability at the end of the half-year, is \$126,535,506.

**Note 4 Discontinued operations****Previous corresponding period – Bounty Limited**

As a wholly owned subsidiary of Golden Casket Lottery Corporation Limited, Bounty Limited was acquired by the Company on 29 June 2007. Bounty Limited designed and supplied a range of management and monitoring software for use in the club and hotel industry. The Australian Competition and Consumer Commission (ACCC) determined that the acquisition of Bounty Limited would be likely to raise competition concerns in the market for monitoring and maintenance of electronic gaming machines in Queensland. The Company therefore gave an undertaking to the ACCC, dated 20 July 2007, to divest itself of Bounty Limited and its controlled entities.

On 8 January 2008 Bounty Limited was sold to eBet Limited for consideration of \$3,250,000. The resulting profit of \$1,240,000 was recorded as a fair value adjustment to the assets/liabilities acquired on the acquisition of Golden Casket Lottery Corporation Limited and its controlled entities and did not therefore impact the Group's income statement and was recognised as an adjustment to goodwill.

**Note 5 Business combinations****Current period acquisitions****(a) Winners Amusements Limited**

On 2 October 2008, Talarius Limited, a wholly owned subsidiary of the Group, acquired 100% of Winners Amusements Limited and its controlled entity, Palma Leisure Limited for total consideration of \$10,158,000. Preliminary goodwill of \$11,148,000 has been recognised on acquisition.

The acquired business contributed revenues of \$1,008,000 and a net profit of \$40,000 to the Group for the period from 2 October to 31 December 2008. If the acquisition had occurred on 1 July 2008, consolidated revenue and consolidated profit for the half-year ended 31 December 2008 would have been \$1,615,673,000 and \$144,773,000 respectively.



**(b) CentreRacing**

On 1 December 2008, NT TAB Pty Ltd, a wholly owned subsidiary of the Group, acquired the business of CentreRacing and the software of Wagering and Gaming Software Pty Ltd for total consideration of \$3,121,000. Preliminary goodwill of \$3,749,000 has been recognised on acquisition.

The acquired business contributed revenues of \$141,000 and a net loss of \$19,000 to the Group for the period from 1 to 31 December 2008. If the acquisition had occurred on 1 July 2008, consolidated revenue and consolidated profit for the half-year ended 31 December 2008 would have been \$1,615,103,000 and \$144,471,000 respectively.

**Previous financial year**

The Group established a joint venture group of companies with Macquarie Investments Pty Ltd that on 1 February 2007, pursuant to a shareholder and court approved Scheme of Arrangement, acquired 100% of the shares of Talarius Plc, a UK based gaming company. Around that date the Group contributed GBP 46,850,000 in equity for its interest in the European Gaming Group of companies, which with other equity and non-recourse debt in the European Gaming Group, was used to fund the acquisition of Talarius Plc.

On 3 January 2008, the Group completed the acquisition of Macquarie Investments Pty Ltd's 50% share of the European Gaming Group for GBP 28,000,000, resulting in the Company now owning 100% of the European Gaming Group.

For the period from 1 February 2007 to 3 January 2008 the Group's 50% share of the European Gaming Group has been equity accounted. The acquired business contributed a loss of \$4,133,000 to the Group for the period from 1 July 2007 to 31 December 2007. The operating results and assets and liabilities of the European Gaming Group are consolidated from 4 January 2008.

If the 100% acquisition of European Gaming Group had occurred on 1 July 2007, consolidated revenue and consolidated profit for the half-year ended 31 December 2007 would have been \$1,593,198,000 and \$128,886,000 respectively.

Details of the fair values of the assets and liabilities acquired and the goodwill arising are disclosed in the 30 June 2008 Group financial statements. There have been no further fair value adjustments to these amounts in the current period.

**Note 6 Contingent liabilities**

The Group had contingent liabilities at 31 December 2008 in respect of:

**(a) Bank Guarantees**

Guarantees in respect of bank facilities drawn down but not included in the accounts of the Group are \$1,874,670 (June 2008: \$1,809,000).

**(b) Unclaimed Prizes – Golden Casket Lottery Corporation Limited**

Under the terms of the Lotteries Act 1997, prizes which remain unclaimed for a period exceeding 12 months after draw date for lotto products, or 12 months after game closure for Instant Scratch-Its, are eligible for use as certain promotional support for Golden Casket products/brands and donations to specified hospital foundations. Any such expenditures reduce total prize liabilities.

The lotto entries and Instant Scratch-Its tickets relating to the prize liabilities exceeding 12 months are still eligible to be claimed for a period up to seven years after draw date or game closure. Therefore, while it is considered to be extremely improbable, winners could present these winning entries and tickets making a valid claim for the payment of a prize after the underlying liability has already been drawn down for the payment of additional promotional prizes. While no liability remains in the books for these potential claims, they would still be honoured.

Consequently, there is a contingent liability of \$25,867,081 (June 2008: \$24,150,000) in respect of all amounts of additional promotional support and donations which have been offset against total prize liabilities.

## **Note 7    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 2008 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.

**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 2008 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

Melbourne  
26 February 2009



Richard McIlwain  
Chief Executive & Managing Director

## 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 2008, the income statement, statement of recognised income and expense and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Tatts Group Limited Group (the consolidated entity). The consolidated entity comprises both Tatts Group Limited (the company) and the entities it controlled during that half-year.

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *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 an Interim 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 2008 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. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. 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.

For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

**(Continued)**

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

*Independence*

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

*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 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



PricewaterhouseCoopers



Con Grapsas  
Partner

Melbourne  
26 February 2009