

Information Memorandum

Echo Entertainment Group Limited

ABN 85 149 629 023

In relation to the application for admission of Echo Entertainment Group Limited to the official list of ASX

**No securities will be issued or sold under this
Information Memorandum**

Information Memorandum

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Information Memorandum

1. Purpose of Information Memorandum

This Information Memorandum constitutes the information memorandum of Echo for the purposes of ASX Listing Rule 1.1 condition 3 in connection with Echo's application for:

- (a) admission to the Official List of ASX; and
- (b) official quotation of Echo Shares on the financial market conducted by ASX.

This document is not a prospectus or other disclosure document lodged with ASIC under the Corporations Act.

This Information Memorandum does not constitute or contain any offer for sale or issue of any securities or any invitation to subscribe for or purchase any securities.

This Information Memorandum is dated 19 April 2011.

2. Incorporation of Parts of Scheme Booklet

The following parts of the scheme booklet dated 15 April 2011 prepared by Tabcorp Holdings Limited (ABN 66 063 780 709) (***Scheme Booklet***), a copy of which is included in the Appendix to this Information Memorandum, are taken to be included in this Information Memorandum:

- Important Notices, to the extent it relates to Echo and the Responsibility statements in it;
- Letter from the Chairman of Tabcorp, to the extent it relates to Echo;
- Highlights, to the extent it relates to Echo;
- Key Dates, to the extent it relates to Echo;
- Section 1 (Frequently asked questions), to the extent it relates to Echo;
- Section 2 (Overview of the Demerger), to the extent it relates to Echo;
- Section 3 (Potential advantages, disadvantages and risks);
- Section 4 (Details of the Demerger), to the extent it relates to Echo;
- Section 5 (Information on Echo Entertainment Group);
- Section 7 (Australian and US taxation implications for shareholders), to the extent it relates to Echo;
- Section 8 (Investigating Accountant's Report), to the extent it relates to Echo;
- Section 9 (Concise Independent Expert's Report), to the extent it relates to Echo;
- Section 10 (Additional information), to the extent it relates to Echo;
- Section 11 (Regulatory framework and key agreements relevant to the Echo Group);
- Section 13 (Glossary); and

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- Annexure B (Echo Deed Poll).

Terms defined in the Scheme Booklet have the same meanings when used in this Information Memorandum, unless the context requires otherwise.

3. ASX Listing

Application will be made to ASX on or about the date of this Information Memorandum for Echo to be admitted to the Official List of ASX and for Echo Shares to be granted official quotation on the financial market conducted by ASX.

The fact that ASX may admit Echo to the Official List of ASX is not to be taken, in any way, as an indication of the merits of Echo. Neither ASX nor any of its officers takes any responsibility for the contents of this Information Memorandum.

The persons who have signed this Information Memorandum (or on whose behalf this Information Memorandum has been signed) believe that this Information Memorandum contains all the information which would have been required under section 710 of the Corporations Act if this Information Memorandum were a prospectus offering for subscription the same number of Echo Shares for which quotation is sought.

4. Capital Raisings

Echo has not raised any capital for the three months before the date of this Information Memorandum, and will not need to raise any capital for three months after the date of this Information Memorandum.

5. Disclosure of Interests

5.1 Directors

Other than as set out in Section 10.6 of the Scheme Booklet, no director or proposed director of Echo, or any entity in which the director or proposed director is a member or partner, has at the date of this Information Memorandum, or has had within two years before the date of this Information Memorandum, any interest in the promotion of Echo or in any property acquired or proposed to be acquired by Echo and no amounts, whether in cash or securities or otherwise, have been paid or agreed to be paid by any person to any director or proposed director of Echo, or to any entity in which the director or proposed director is a member or partner, either to induce them to become, or to qualify them as, a director, or otherwise for services rendered by them or by the entity in connection with the promotion or formation of Echo.

5.2 Experts

Other than as set out in Section 10.9 of the Scheme Booklet, no expert named in this Information Memorandum or any entity in which any such expert is a partner or member has any interest in the promotion of Echo or in any property acquired or proposed to be acquired by Echo and no amounts, whether in cash or securities or otherwise, have been

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paid or agreed to be paid by any person to any such expert or to any entity in which any such expert is a partner or member for services rendered by him or her or the entity in connection with the promotion or formation of Echo.

6. Consents and Disclaimers

6.1 Consent to be named

The following persons have given and have not, before the date of this Information Memorandum, withdrawn their written consent to be named in this Information Memorandum in the form and context in which they are named:

- (a) Ernst & Young Transaction Advisory Services Limited (AFSL 240585) as the Investigating Accountant;
- (b) Ernst & Young as auditor to Tabcorp;
- (c) Grant Samuel & Associates Pty Ltd as the Independent Expert;
- (d) Allens Arthur Robinson as legal adviser to Tabcorp in respect of Australian law;
- (e) UBS AG, Australia Branch as financial adviser to Tabcorp;
- (f) Lazard Pty Ltd as financial adviser to Tabcorp; and
- (g) Link Market Services Limited as the Tabcorp Share Registry.

6.2 Consent to the inclusion of information

The following persons have given and have not, before the date of this Information Memorandum, withdrawn their written consent to the inclusion of the following statements and reports in this Information Memorandum in the form and context in which they are included, and to all references in this Information Memorandum to such statements and reports in the form and context in which they appear:

- (a) Ernst & Young Transaction Advisory Services Limited (AFSL 240585) in respect of its role as Investigating Accountant and in respect of the Investigating Accountant's Report in Section 8 of the Scheme Booklet;
- (b) Ernst & Young in respect of any references in this Information Memorandum, expressly or impliedly, to the Tabcorp historical income statement, historical net operating cash flow and historical balance sheet, and figures included in those statements, as being audited or reviewed, as appropriate, by Ernst & Young; and
- (c) Grant Samuel & Associates Pty Ltd in respect of its role as Independent Expert and in respect of the Independent Expert's Report and the concise version of the Independent Expert's Report in Section 9 of the Scheme Booklet.

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6.3 Disclaimers of responsibility

Each person named in sections 6.1 and 6.2:

- (a) has not authorised or caused the issue of this Information Memorandum;
- (b) does not make, or purport to make, any statement in this Information Memorandum or any statement on which a statement in this Information Memorandum is based, other than a statement or report (if any) as specified in section 6.2; and
- (c) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Information Memorandum other than a reference to its name and the statement or report (if any) that has been included in this Information Memorandum with the consent of that person as specified in section 6.2.


7. Supplementary Information

Echo will issue a supplementary document to this Information Memorandum if it becomes aware of any of the following between the date of this Information Memorandum and the date Echo Shares are quoted on ASX:


- (a) a material statement in this Information Memorandum being misleading or deceptive;
- (b) a material omission from this Information Memorandum;
- (c) a significant change affecting a matter included in this Information Memorandum; or
- (d) a significant new circumstance arising which would have been required to be included in this Information Memorandum if it had arisen before the date of this Information Memorandum.

8. Authorisation


Signed by each director of Echo or a person authorised by them in writing to sign this Information Memorandum on their behalf:




John Douglas Story



Lawrence Joseph Mullin

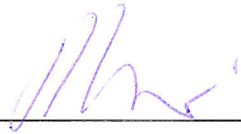


Matthias Michael Bekier



John Anthony O'Neill AO

Information Memorandum



Brett William Fisher Paton

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Appendix

Scheme Booklet

Tabcorp Holdings Limited

(ABN 66 063 780 709)

Scheme Booklet

For the Demerger of Echo Entertainment Group Limited by
Tabcorp Holdings Limited

**YOUR DIRECTORS UNANIMOUSLY RECOMMEND
THAT YOU VOTE IN FAVOUR
OF THE RESOLUTIONS TO APPROVE THE DEMERGER**



ECHO ENTERTAINMENT GROUP

The Demerger will be effected through a scheme of arrangement and a capital reduction by Tabcorp Holdings Limited.

This is an important document and requires your immediate attention. You should read this Scheme Booklet in its entirety, taking particular notice of the advantages, disadvantages and risks of the Demerger (see Section 3) and the risks of an investment in Echo Shares (see Section 5.11) and in Tabcorp Shares (see Section 6.11), prior to deciding whether or not to vote in favour of the resolutions to approve the Demerger.

This document is neither an offer to sell, nor a solicitation of an offer to buy, securities, as those terms are defined under the US Securities Act of 1933, as amended.

If you are in any doubt as to what action you should take, please consult your financial, legal, taxation or other professional adviser immediately.

Important Notices

Purpose of this Scheme Booklet

The purpose of this Scheme Booklet is to explain the terms of the Demerger and the manner in which the Demerger will be considered and implemented (if approved), to set out certain information required by law and to provide all other information which is known to Tabcorp which is material to the decision of Tabcorp Shareholders whether or not to vote in favour of the resolutions to be considered at the Meetings (other than information previously disclosed to Tabcorp Shareholders).

This Scheme Booklet includes:

- the explanatory statement required by section 412(1) of the Corporations Act in relation to the Scheme; and
- a statement of all the information known to Tabcorp that is material to Tabcorp Shareholders in deciding how to vote on the Capital Reduction Resolution, as required by section 256C(4) of the Corporations Act.

Tabcorp Shareholders should read this Scheme Booklet in its entirety before making a decision as to how to vote on the resolutions to be considered at the Scheme Meeting and the General Meeting.

The Tabcorp Board commissioned Grant Samuel to prepare a report (being the Independent Expert's Report) stating whether, in its opinion, the Demerger is in the best interests of Tabcorp Shareholders and whether the Capital Reduction associated with the Demerger will materially prejudice Tabcorp's ability to pay its creditors.

A copy of the full version of the Independent Expert's Report may be obtained by calling the Tabcorp Shareholder Information Line on 1300 880 923 (within Australia) or +61 2 8280 7504 (from outside Australia) from 8.30am to 5.30pm (AEST) Monday to Friday, or from Tabcorp's website at www.tabcorp.com.au. A concise version of the Independent Expert's Report is included in Section 9 of this Scheme Booklet.

Responsibility statements

This Scheme Booklet (other than Sections 8 and 9) has been prepared by Tabcorp and its Directors as at the date of this Scheme Booklet and is the responsibility of Tabcorp.

Ernst & Young Transaction Advisory Services Limited (AFSL 240585) has prepared the Investigating Accountant's Report set out in Section 8 of this Scheme Booklet in relation to the pro forma historical financial information included in Section 5.10 and the financial information included in Section 6.8 and takes responsibility for that report.

Grant Samuel & Associates Pty Ltd has prepared the Independent Expert's Report and the concise version of the Independent Expert's Report set out in Section 9 of this Scheme Booklet, and takes responsibility for that report (including the concise version).

Court

IMPORTANT NOTICE ASSOCIATED WITH COURT ORDER UNDER SECTION 411(1) OF THE *CORPORATIONS ACT 2001*

The fact that under section 411(1) of the *Corporations Act 2001* the Court has ordered that a meeting be convened and has approved the explanatory statement required to accompany the notice of the meeting does not mean that the Court:

- (a) has formed any view as to the merits of the proposed scheme or as to how members should vote (on this matter members must reach their own decision); or
- (b) has prepared, or is responsible for, the content of the explanatory statement.

ASIC

A copy of this Scheme Booklet has been lodged with ASIC in accordance with section 256C(5) of the Corporations Act and registered by ASIC under section 412(6) of the Corporations Act.

Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

Status of this Scheme Booklet

This Scheme Booklet is not a prospectus lodged under Chapter 6D of the Corporations Act. Section 708(17) of the Corporations Act provides that Chapter 6D of the Corporations Act does not have effect in relation to any offer of securities if it is made under a compromise or arrangement under Part 5.1 of the Corporations Act, approved at a meeting held as a result of an order made by the Court under section 411(1) or (1A) of the Corporations Act.

Foreign jurisdictions and shareholders

Tabcorp Shareholders who are Ineligible Overseas Shareholders will not receive Echo Shares under the Scheme. Echo Shares that would otherwise be transferred to these shareholders under the Scheme will be transferred to the Sale Agent to be sold on ASX, with the net proceeds of such sale to be paid to Ineligible Overseas Shareholders. Refer to Sections 4.7.3 and 4.10 for further information.

Tabcorp Shareholders resident outside Australia and the United States for tax purposes should seek specific tax advice in relation to the Australian and overseas tax implications of the Demerger. For a discussion of the tax

implications of the Scheme for resident Australian and United States Tabcorp Shareholders please refer to Section 7 for further information.

This Scheme Booklet does not in any way constitute an offer of securities in any place in which, or to any person to whom, it would be unlawful to make such an offer.

This Scheme Booklet is neither an offer to sell nor a solicitation of an offer to buy securities as those terms are defined under the US Securities Act of 1933, as amended (the *US Securities Act*). The Echo Shares to be transferred under the Scheme have not been and will not be registered under the US Securities Act and may not be offered, sold or resold in, or to persons in, the United States except in accordance with an available exemption from registration under the US Securities Act.

None of the US Securities and Exchange Commission (**SEC**), any US state securities commission or any other US regulatory authority has passed comment upon or endorsed the merits of the Scheme or the accuracy, adequacy or completeness of this Scheme Booklet. Any representation to the contrary may be a criminal offence.

Refer to Section 10.14.3 for information about selling restrictions in other foreign jurisdictions.

ASX listing

Echo will apply for admission to the Official List of ASX, and for official quotation of all Echo Shares on ASX, within 7 days after the date of this Scheme Booklet. A copy of this Scheme Booklet has been lodged with ASX. Neither ASX nor any of its officers takes any responsibility for the contents of this Scheme Booklet. The fact that ASX may admit Echo to the Official List does not make any statement regarding, and should not be taken in any way as an indication of, the merits of an investment in Echo.

Financial information

Tabcorp Shareholders should be aware that the financial information contained in this Scheme Booklet has been prepared and presented in accordance with Tabcorp's accounting policies as disclosed in the 30 June 2010 financial statements and 31 December 2010 interim report. The 30 June 2010 financial statements have been prepared in accordance with Australian Accounting Standards as issued by the Australian Accounting Standards Board (**AASBs**) and International Financial Reporting Standards as issued by the International Accounting Standards Board. The 31 December 2010 interim financial report has been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and International Accounting Standard 34 'Interim Financial Reporting'.

There are differences between AASBs and generally accepted accounting principles in the US (*US GAAP*) that may be material to the financial information in this Scheme Booklet. Neither Tabcorp nor Echo has provided a quantitative reconciliation or narrative discussion of these differences in this Scheme Booklet. Tabcorp Shareholders should therefore consult their own professional advisers for an understanding of the differences between AASBs and US GAAP and how those differences might affect the financial information included in this Scheme Booklet and, more generally, the financial results of Tabcorp and Echo going forward.

Tabcorp Shareholders should also note that this Scheme Booklet contains pro forma historical financial information. In preparing the pro forma historical financial information, certain adjustments were made to the historical financial information of Tabcorp that Tabcorp considered appropriate to reflect the indicative effect of the Demerger, as described in this Scheme Booklet. The pro forma historical financial information does not comply, and does not purport to be in compliance, with article 11 of regulation S-X of the SEC.

Tabcorp Shareholders should also be aware that certain financial data included in this Scheme Booklet are "non-GAAP financial measures" under regulation G under the US Securities Exchange Act of 1934, as amended. The disclosure of certain of such non-GAAP financial measures in the manner included in this Scheme Booklet would not be permissible under article 11 of regulation S-X of the SEC. The financial information contained in this Scheme Booklet is historical only. Tabcorp Shareholders should note that past financial performance is not necessarily a guide to future financial performance.

Investment decisions

This Scheme Booklet does not take into account the investment objectives, financial situation or particular needs of any shareholder or any other person. This Scheme Booklet should not be relied upon as the sole basis for any investment decisions in relation to Tabcorp Shares, Echo Shares or any other securities, and you should consult your financial, legal, taxation or other professional adviser before making any such investment decision.

Forward looking statements

Certain statements in this Scheme Booklet relate to the future. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of Tabcorp or Echo to be materially different from future results, performance or

achievements expressed or implied by such statements. Such forward looking statements are based on numerous assumptions regarding present and future business strategies and the environment in which Tabcorp or Echo will operate in the future. Certain important factors that could cause actual results, performance or achievements to differ materially from those in the forward looking statements include, among others, the risk factors described in this Scheme Booklet, and other unknown risks and uncertainties. Forward looking statements should, therefore, be construed in light of such risk factors and reliance should not be placed on forward looking statements.

Other than as required by law, neither Tabcorp nor Echo, nor any other person, gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Scheme Booklet will actually occur.

The forward looking statements in this Scheme Booklet reflect views held only at the date of this Scheme Booklet. Subject to any continuing obligations under law or the Listing Rules or as contemplated by Section 10.18 of this Scheme Booklet, Tabcorp and Echo and their respective directors disclaim any obligation or undertaking to disseminate after the date of this Scheme Booklet any updates or revisions to any forward looking statements to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any such statement is based.

Estimates

Unless otherwise indicated, all references to estimates and derivations of the same in this Scheme Booklet are references to estimates by Tabcorp management. Management estimates are based on views at the date of this Scheme Booklet and actual facts or outcomes may be materially different from those estimates.

Effect of rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Scheme Booklet.

Defined terms

Capitalised terms and certain abbreviations used in this Scheme Booklet have the defined meanings set out in Section 13 of this Scheme Booklet.

All references to \$, A\$, dollars and cents, are to Australian currency, unless specified otherwise.

Privacy and personal information

Tabcorp and Echo and their respective share registries may collect personal information in the process of implementing the Scheme and the Demerger. The personal information may include the names, addresses, other contact details and details of the shareholdings of Tabcorp Shareholders, and the names of individuals appointed by Tabcorp Shareholders as proxies, corporate representatives or attorneys at the Scheme Meeting and the General Meeting.

Tabcorp Shareholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. Such individuals should contact Link Market Services Limited on 1300 880 923 (within Australia) or +61 2 8280 7504 (from outside Australia) from 8.30am to 5.30pm (AEST) Monday to Friday in the first instance if they wish to request access to that personal information.

The personal information is collected for the primary purpose of implementing the Scheme and the Demerger. The personal information may be disclosed to Tabcorp's and Echo's share registries, to securities brokers and to print and mail service providers.

The main consequence of not collecting the personal information outlined above would be that Tabcorp and Echo may be hindered in, or prevented from, conducting the Scheme Meeting and the General Meeting and implementing the Scheme and the Demerger.

Tabcorp Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Scheme Meeting and the General Meeting should inform such individual of the matters outlined above.

Supplementary information

Refer to Section 10.18 for information about the steps Tabcorp will take if information about the Scheme needs to be updated.

References to time

All references in this Scheme Booklet to time relate to Australian Eastern Standard Time.

Date of this Scheme Booklet

This Scheme Booklet is dated 15 April 2011.

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Overview of this Scheme Booklet

What is this Scheme Booklet for?

This Scheme Booklet relates to the proposed Demerger of Echo by Tabcorp by way of a scheme of arrangement between Tabcorp and its shareholders and a capital reduction by Tabcorp. The purpose of this Scheme Booklet is to provide Tabcorp Shareholders with information to consider before voting on the resolutions to be considered at the Scheme Meeting scheduled for 10am (AEST) on Wednesday, 1 June 2011 and the General Meeting scheduled for 10.30am (AEST) on Wednesday, 1 June 2011 (or as soon after that time as the Scheme Meeting has concluded or been adjourned).

What should you do next?

Step 1: Read this Scheme Booklet

You should read and carefully consider the information included in this Scheme Booklet to help you make an informed decision as to how to vote in relation to the Demerger. If you have any doubt as to what action you should take, please contact your financial, legal, taxation or other professional adviser immediately.

Step 2: Vote on the Demerger Resolutions

As a Tabcorp Shareholder, you are entitled to vote on the Demerger Resolutions and, therefore, whether the Demerger should proceed. You can vote in person or by proxy, by attorney or, in the case of a corporation, by corporate representative. Details of how to vote are set out on pages 9 and 10 of this Scheme Booklet.

Why should you vote?

As a Tabcorp Shareholder, you have a say in whether the Demerger is implemented or not. This is your opportunity to participate in deciding the future of the company in which you have a stake.

For further information

If you have any questions after reading this Scheme Booklet, please call the Tabcorp Shareholder Information Line on 1300 880 923 (within Australia) or +61 2 8280 7504 (from outside Australia) from 8.30am to 5.30pm (AEST) Monday to Friday.

Letter from the Chairman of Tabcorp



15 April 2011

Dear Tabcorp Shareholder,

On behalf of the Tabcorp Board, I invite you to support the demerger of Tabcorp's Casinos Business. The Demerger provides you with the opportunity to own shares in Echo Entertainment Group Limited, a new ASX listed company which will own Tabcorp's Casinos Business.

If the Demerger is implemented, your investment in Tabcorp will be split into separate investments in two companies, both listed on the ASX:

- Echo: which will operate Star City Casino in Sydney, Jupiters Hotel & Casino on the Gold Coast, Treasury Casino & Hotel in Brisbane and Jupiters Townsville Casino; and
- Tabcorp: which will continue to operate Tabcorp's wagering, gaming and keno businesses.

The Demerger is expected to enhance the capacity of these businesses to grow and will allow each company to have an appropriate capital structure and dividend policy. Other advantages, as well as disadvantages and risks, of the Demerger are set out in this Scheme Booklet. Both companies will be led by experienced management appointed from within the current businesses.

The Tabcorp Board believes the Demerger will deliver greater value to Tabcorp Shareholders than the status quo or other potential options. The Tabcorp Board has reached this view after considering a range of potential options with the assistance of its financial advisers (see Section 4.12).

The Demerger must be approved by Tabcorp Shareholders. Tabcorp Shareholders are asked to vote on the Demerger at the Meetings to be held on Wednesday, 1 June 2011 at Plenary 3, Melbourne Convention Centre, 1 Convention Centre Place, South Wharf, Victoria. The Tabcorp Directors unanimously recommend that you vote in favour of the resolutions to approve the Demerger. Each Tabcorp Director intends to vote any Tabcorp Shares held by or on behalf of that Tabcorp Director in favour of the resolutions to approve the Demerger.

Grant Samuel, the Independent Expert appointed by Tabcorp to review the proposed Demerger, has concluded that the Demerger is in the best interests of Tabcorp Shareholders.

If the Demerger is implemented, and you are an Eligible Shareholder, you will receive one Echo Share for every Tabcorp Share you own. You will also keep all of your existing Tabcorp Shares. You are not required to make any payments to Tabcorp or Echo to participate in the Demerger.

On the basis of its discussions with the Australian Taxation Office (**ATO**) and after consultation with its advisors, Tabcorp expects that demerger tax relief will be available for Australian resident Tabcorp Shareholders, although obtaining demerger tax relief will ultimately depend on the terms of a ruling sought from the ATO. Where demerger tax relief is available, Australian resident Tabcorp Shareholders who hold their Tabcorp Shares on capital account, who choose demerger tax relief will not pay income tax or capital gains tax on the Demerger. Further, the cost base for tax purposes of their Tabcorp Shares will be apportioned across their Tabcorp Shares and Echo Shares based on the relative market values of the two companies just after the Demerger. Tabcorp will provide Tabcorp Shareholders with information to assist in determining the cost base of their Tabcorp Shares and Echo Shares. Tabcorp will also make an announcement to ASX upon the ruling being finalised with the ATO.

Letter from the Chairman of Tabcorp

Tabcorp has lodged an application with the Victorian Government for a new Victorian Wagering and Betting Licence. An announcement by the Victorian Government in relation to the outcome of that licensing process is expected in the coming months. Should the outcome be announced prior to the Scheme Meeting, we will notify you. The Demerger is not conditional on the outcome of the Victorian wagering licensing process.

This Scheme Booklet sets out important information about the Demerger, including advantages, disadvantages and risks of the Demerger (see Section 3) and the risks of an investment in Echo Shares (see Section 5.11) and in Tabcorp Shares (see Section 6.11). I encourage you to read this Scheme Booklet carefully.

If you have any questions about the Scheme Booklet or the Demerger, please call the Tabcorp Shareholder Information Line on 1300 880 923 (within Australia) or +61 2 8280 7504 (from outside Australia) from 8.30am to 5.30pm (AEST) Monday to Friday, visit the Tabcorp website at www.tabcorp.com.au or consult your financial, legal, taxation or other professional adviser.

Yours faithfully,



John Story
Chairman
Tabcorp Holdings Limited

Highlights

The Demerger of Echo from Tabcorp...

- Will create two attractive ASX-listed companies
 - Recognises the different investment profiles of the two companies
 - Enables each company to adopt an appropriate capital structure and dividend policy
 - Provides shareholders with a choice of investments
 - Creates two focused companies potentially able to participate in any consolidation or corporate activity in their respective industries
-

Each Tabcorp Director recommends that you vote in favour of the resolutions to approve the Demerger

Highlights

Echo^{*}

(ASX:EGP)

- **Operates casinos in NSW and Queensland**
 - Unique portfolio of properties
 - Long dated licences
 - Significant operating cash flows
- **Significant growth in operations expected from new investments and proposed expansion programs**
 - \$960 million investment at Star City in NSW
 - Proposed \$625 million expansion of Queensland casinos[†]

ECHO ENTERTAINMENT GROUP



FY 2010 Revenues ¹	FY 2010 EBITDA ^{1,2}	FY 2010 EBIT ^{1,2}
\$1,372 million	\$360 million	\$271 million



Notes:

- ¹ Given that the win rates in the VIP rebate business can fluctuate from period to period, these figures are normalised for theoretical win rate in the VIP business to provide a better representation of underlying business performance. See Sections 5.10.4 and 5.11.13.
- ² These figures do not take into account \$4 million per annum additional corporate costs which are anticipated to arise post Demerger. See Section 5.10.3.

^{*} In this Scheme Booklet references to Echo include, where the context requires, references to the Casinos Business during the relevant period or at the relevant time, in particular the casinos business conducted by the Jupiters Group and the Star City Holdings Group, which entities (other than those operating the Queensland and New South Wales keno businesses) will form part of the Echo Group which is proposed to be demerged to Tabcorp Shareholders.

[†] Subject to the satisfactory conclusion of negotiations with the Queensland Government and the other matters referred to in Section 5.7.

Highlights

New Tabcorp (ASX:TAH)

■ Operates wagering, gaming and keno businesses

- Wagering businesses in Victoria and NSW
- Gaming in Victoria
- Keno businesses in NSW and Queensland
- Keno business in Victoria from April 2012
- Sky Racing media business
- Significant operating cash flows



FY 2010 Revenues ¹	FY 2010 EBITDA ^{1,2}	FY 2010 EBIT ^{1,2}
\$2,866 million	\$649 million	\$534 million

Notes:

- ¹ The Victorian Wagering Licence and the Victorian Gaming Licence contributed \$1,645 million of revenue, \$390 million of EBITDA and \$328 million of EBIT in FY2010. The Victorian Wagering Licence and the Victorian Gaming Licence expire in August 2012 and the authorisation to conduct Victorian Club Keno pursuant to the Victorian Gaming Licence expires in April 2012. Consequently, the earnings generated from these licences will cease at those times. On 25 March 2011, the Victorian Government issued the Victorian Keno Licence (to operate from April 2012) to Tabcorp. Tabcorp has submitted an application for the new Victorian Wagering and Betting Licence. The terms of the new Victorian Wagering and Betting Licence will differ from the current Victorian Wagering Licence. Tabcorp expects that, if it were to be awarded the new Victorian Wagering and Betting Licence, earnings generated from that licence would be lower than earnings generated from the current Victorian Wagering Licence.
- ² These figures do not take into account \$4 million per annum additional corporate costs which are anticipated to arise post Demerger. See Section 6.8.3(i).

Key Dates

EVENT	INDICATIVE DATE
Date of the First Court Hearing at which the Court ordered the convening of the Scheme Meeting	Friday, 15 April 2011
Last time and date by which the Scheme Proxy Form can be lodged	10am (AEST) Monday, 30 May 2011
Last time and date by which the General Meeting Proxy Form can be lodged	10.30am (AEST) Monday, 30 May 2011
Time and date for determining eligibility to vote at Scheme Meeting and General Meeting	7pm (AEST) Monday, 30 May 2011
Scheme Meeting to be held at Plenary 3, Melbourne Convention Centre, 1 Convention Centre Place, South Wharf, Victoria	10am Wednesday, 1 June 2011
General Meeting to be held at Plenary 3, Melbourne Convention Centre, 1 Convention Centre Place, South Wharf, Victoria	10.30am Wednesday, 1 June 2011 or as soon after that time as the Scheme Meeting has concluded or been adjourned
<i>Following Tabcorp Shareholder approval of the Scheme</i>	
Date of the Second Court Hearing at which the Court orders the approval of the Scheme	Friday, 3 June 2011
Effective Date and last day of trading in Tabcorp Shares cum-Demerger Entitlement on ASX	Friday, 3 June 2011
ASX listing of Echo; Echo Shares commence trading on ASX on a deferred settlement basis	Monday, 6 June 2011
Tabcorp Shares commence trading on ASX on an ex-Demerger Entitlements basis	Monday, 6 June 2011
Scheme Record Date for determining entitlements to Demerger Entitlements and Echo Shares	7pm (AEST) Friday, 10 June 2011
Demerger Date and transfer of Echo Shares to Eligible Shareholders	Wednesday, 15 June 2011
Despatch of holding statements for Echo Shares to Eligible Shareholders	Monday, 20 June 2011
Last day of deferred settlement trading for Echo Shares	
Echo Shares commence trading on a normal settlement basis on ASX	Tuesday, 21 June 2011
Echo Shares sold by the Sale Agent	By 6 July 2011
Dispatch of payments to Ineligible Overseas Shareholders	By 13 July 2011

Other than in relation to the date of the First Court Hearing, this timetable is indicative only and, amongst other things, is subject to the time at which the conditions precedent to the Scheme are satisfied or (if applicable) waived, and to all necessary Court and regulatory approvals. Tabcorp has the right to vary any or all of these dates and times, subject to the approval of such variation by ASX and the Court, where required. Any variation to the timetable set out above will be announced to ASX and notified on Tabcorp's website (www.tabcorp.com.au).

Details of Meetings and how to vote

Scheme Meeting and General Meeting details

Scheme Meeting

The Scheme Meeting is scheduled to be held at Plenary 3, Melbourne Convention Centre, 1 Convention Centre Place, South Wharf, Victoria on Wednesday, 1 June 2011 at 10am (AEST).

For the Scheme to proceed, the Scheme Resolution must be approved by a majority in number of Tabcorp Shareholders present and voting at the Scheme Meeting (whether in person or by proxy, by attorney or, in the case of a corporation, by corporate representative), being a majority whose votes in favour of the Scheme Resolution are in aggregate at least 75% of the total of all votes cast on the Scheme Resolution.

Voting at the Scheme Meeting will be conducted by way of a poll. Tabcorp Shareholders will have one vote for every Tabcorp Share held (subject to the restrictions on voting rights referred to below).

General Meeting

The General Meeting is scheduled to be held at Plenary 3, Melbourne Convention Centre, 1 Convention Centre Place, South Wharf, Victoria on Wednesday, 1 June 2011 at 10.30am (AEST) or as soon after that time as the Scheme Meeting has concluded or been adjourned.

The Capital Reduction Resolution must be approved by a simple majority of votes cast by Tabcorp Shareholders on the resolution in order to be passed.

The Constitution Amendment Resolution must be approved by at least 75% of votes cast by Tabcorp Shareholders on the resolution in order to be passed.

Voting at the General Meeting will be conducted by way of a poll. Tabcorp Shareholders will have one vote for every Tabcorp Share held (subject to the restrictions on voting rights referred to below).

Entitlement to vote

Scheme Meeting

Tabcorp Shareholders who are registered on the Tabcorp Share Register at 7pm (AEST) on Monday, 30 May 2011 may vote at the Scheme Meeting in person, by proxy, by attorney or, in the case of a corporation, by corporate representative (subject to the restrictions on voting rights referred to below).

General Meeting

Tabcorp Shareholders who are registered on the Tabcorp Share Register at 7pm (AEST) on Monday, 30 May 2011 may vote at the General Meeting in person, by proxy, by attorney or, in the case of a corporation, by corporate representative (subject to the restrictions on voting rights referred to below).

How to vote in person

Tabcorp Shareholders who are entitled to vote and wish to do so in person should attend the Scheme Meeting and the General Meeting.

Those Tabcorp Shareholders voting in person should bring their meeting registration forms with them to facilitate admission to the Scheme Meeting and the General Meeting. The meeting registration form for the Scheme Meeting is the Scheme Proxy Form and the meeting registration form for the General Meeting is the General Meeting Proxy Form, both of which are included with this Scheme Booklet. Persons who are attending as an attorney should bring the original or a certified copy of the power of attorney, unless the Tabcorp Share Registry has already noted it. Persons who are attending as a corporate representative should bring evidence of their authority, which must be in accordance with section 250D of the Corporations Act.

How to vote by proxy

A Scheme Proxy Form and a General Meeting Proxy Form are included with this Scheme Booklet. Tabcorp Shareholders who wish to appoint a proxy to attend and vote at:

- the Scheme Meeting, must complete the Scheme Proxy Form; and
- the General Meeting, must complete the General Meeting Proxy Form.

To be effective, proxy forms must be received by Tabcorp at Tabcorp's registered office, 5 Bowen Crescent, Melbourne, Victoria 3004 or at the facsimile number +61 2 9287 0309, or alternatively proxy forms must be received by the Tabcorp Share Registry at an address or facsimile number below or a proxy appointment must be made online via the website below, by no later than 10am (AEST) on Monday, 30 May 2011 (in the case of the Scheme Proxy Form) and no later than 10.30am (AEST) on Monday, 30 May 2011 (in the case of the General Meeting Proxy Form):

By Mail

Tabcorp Holdings Limited
c/- Link Market Services Limited
Locked Bag A14
Sydney South, NSW 1235

By Hand

Link Market Services Limited
Level 12
680 George Street
Sydney, NSW 2000

By Facsimile

+61 2 9287 0309

On-line

at www.investorcentre.linkmarketservices.com.au

(Choose Tabcorp Holdings Limited from the drop down menu, enter the holding details as shown on the proxy form, select voting and otherwise follow the instructions provided to appoint a proxy. Tabcorp Shareholders will be taken to have signed their proxy form if they make their proxy appointment in accordance with the instructions on the website.)

Details of Meetings and how to vote

A proxy may be either an individual or a corporation. Should a Tabcorp Shareholder appoint a corporation as its proxy, that corporation will need to ensure that it follows the procedures set out below to appoint an individual as its corporate representative to exercise its powers at the Scheme Meeting or the General Meeting (as applicable).

If the Tabcorp Shareholder is a corporation, then the proxy form may be executed under its common seal, or by two directors, or a director and a company secretary, of the corporation. If there is a sole director who is also the sole secretary, then the proxy form may be signed by that person. If there is a sole director and no company secretary, then the sole director may sign alone.

If a proxy form is signed on behalf of an individual or a corporation under power of attorney, the power of attorney under which the proxy form is signed, or a certified copy of that power of attorney, must accompany the proxy form unless the power of attorney has previously been noted by the Tabcorp Share Registry.

Tabcorp Shareholders who complete and return a proxy form may still attend the relevant Meeting in person, revoke the proxy and vote at the Meeting.

How to vote by corporate representative

A Tabcorp Shareholder, or proxy, that is a corporation and entitled to attend and vote at the Scheme Meeting or the General Meeting may appoint an individual to act as its corporate representative.

Evidence of the appointment of a corporate representative must be in accordance with section 250D of the Corporations Act and be lodged with Tabcorp before the Scheme Meeting or the General Meeting (as applicable) or at the registration desk on the day of the Scheme Meeting or the General Meeting (as applicable).

If the appointment of a corporate representative is signed under power of attorney, the power of attorney under which the appointment is signed, or a certified copy of that power of attorney, must accompany the appointment unless the power of attorney has previously been noted by the Tabcorp Share Registry.

How to vote by attorney

A Tabcorp Shareholder entitled to attend and vote at the Scheme Meeting or the General Meeting is entitled to appoint an attorney to attend and vote at the Scheme Meeting or the General Meeting (as applicable) on the shareholder's behalf.

An attorney need not be a Tabcorp Shareholder.


The power of attorney appointing the attorney must be duly signed and specify the name of each of the shareholder, Tabcorp and the attorney, and also specify the meetings at which the appointment may be used. The appointment may be a standing one.

To be effective, the power of attorney must also be returned in the same manner, and by the same time, as outlined above for proxy forms.

Restrictions on voting

Gambling legislation in Victoria, New South Wales and Queensland and Part 2 (Rules 131 to 139) of the Tabcorp Constitution contain provisions regulating the exercise of voting rights by persons with prohibited shareholding interests in Tabcorp or who otherwise have prohibited relationships with Tabcorp or its subsidiaries. In certain circumstances in connection with such matters, the voting rights of shares held by such persons in Tabcorp may be suspended.

1. Frequently asked questions



1. Frequently asked questions

This Section answers some frequently asked questions about the Demerger. It is not intended to address all relevant issues for Tabcorp Shareholders. This Section should be read together with all other parts of this Scheme Booklet.

No.	Question	Answer	More details
Demerger proposal			
1.	Why has the Tabcorp Board proposed the Demerger?	<p>The priorities of Tabcorp's Casinos Business are diverging from the priorities of Tabcorp's wagering, gaming and keno businesses. The Tabcorp Directors consider that the Demerger will enhance the capacity of these businesses to grow and will allow each company to have an appropriate capital structure and dividend policy.</p> <p>The Tabcorp Directors are of the view that the advantages of the Demerger outweigh the disadvantages and risks.</p>	For more details see the 'Highlights' on page 5 and Sections 3.2, 3.3 and 3.4.
2.	What are the main advantages associated with the Demerger?	<p>The main advantages of the Demerger include:</p> <ol style="list-style-type: none"> 1. the creation of two focused companies which will be able to better pursue their own strategic objectives and which will potentially be able to participate in any consolidation or corporate activity in their respective industries; 2. greater investment choice for investors; 3. Tabcorp Shareholders and other investors will be able to evaluate separately the financial performance, strategies and business characteristics of New Tabcorp and Echo. Over time this is expected to facilitate better recognition of the value of New Tabcorp and Echo; 4. New Tabcorp and Echo will be able to adopt a capital structure and dividend policy more tailored to their specific needs and business profiles; and 5. New Tabcorp and Echo will have an improved capacity to pursue growth opportunities and will not have to compete with each other for capital. 	For more details see Section 3.2.
3.	What are the main disadvantages associated with the Demerger?	<p>The main disadvantages associated with the Demerger include:</p> <ol style="list-style-type: none"> 1. Echo and New Tabcorp will be smaller and less diversified than Tabcorp (prior to the Demerger); 2. Echo and New Tabcorp are likely to have a lower market capitalisation than Tabcorp prior to the Demerger and each is likely to have a lower S&P/ASX 200 index ranking; 3. Echo and New Tabcorp will not have the same credit profile as Tabcorp (prior to the Demerger) and may have higher gearing and a higher cost of borrowing than Tabcorp (prior to the Demerger); 4. cash transaction and implementation costs in relation to the Demerger of approximately \$135 million (on a pre-tax basis) will be incurred; and 5. Echo and New Tabcorp will have additional corporate operating and financing costs. 	<p>For more details see Section 3.3.</p> <p>You should read that Section carefully before deciding whether or not to vote in favour of the Demerger Resolutions.</p>

No.	Question	Answer	More details
4.	What are the main risks associated with the Demerger?	<p>The main risks associated with the Demerger include:</p> <ol style="list-style-type: none"> 1. uncertainty regarding the market values of Tabcorp Shares and Echo Shares; 2. potential delays and unexpected costs associated with the Demerger and the establishment of Echo as a separate entity; 3. the Court not approving the Demerger or any delay associated with the Court's approval; 4. Tabcorp not obtaining, or there are delays in Tabcorp obtaining, the regulatory approvals it requires for the Demerger to proceed; and 5. the difficulty and costs involved in: (i) obtaining releases from guarantees; and (ii) assigning or novating contracts or licences from the Tabcorp Group to the Echo Group (or vice versa). <p>The main risks associated with an investment in Echo Shares or Tabcorp Shares are set out in Sections 5.11 and 6.11 respectively.</p>	<p>For more details see Sections 3.4, 5.11 and 6.11.</p> <p>You should read these Sections carefully before deciding whether or not to vote in favour of the Demerger Resolutions.</p>
5.	What is the recommendation of the Tabcorp Directors?	<p>The Tabcorp Directors unanimously recommend that you vote in favour of the Demerger Resolutions at the Scheme Meeting and General Meeting.</p> <p>Each Tabcorp Director intends to vote all Tabcorp Shares held by or on behalf of that director in favour of the Demerger Resolutions.</p>	<p>For more details see Section 4.5.</p>
6.	What is the Independent Expert's opinion of the Demerger?	<p>The Independent Expert has concluded that the Demerger is in the best interests of Tabcorp Shareholders.</p> <p>The Independent Expert has also concluded that the Capital Reduction will not materially prejudice Tabcorp's ability to pay its creditors.</p> <p>A concise version of the Independent Expert's Report is contained in Section 9. A copy of the full version can be obtained by calling the Tabcorp Shareholder Information Line on 1300 880 923 (within Australia) or +61 2 8280 7504 (from outside Australia) from 8.30am to 5.30pm (AEST) Monday to Friday, or from Tabcorp's website at www.tabcorp.com.au.</p>	<p>For more details see Section 9.</p>

1. Frequently asked questions

No.	Question	Answer	More details
7.	What are the key steps involved in the Demerger?	<p>The Demerger will occur by way of the Capital Reduction and a Court approved Scheme. The proceeds of the Capital Reduction will be applied by Tabcorp as consideration for the transfer of Echo Shares to Eligible Shareholders (and to the Sale Agent in the case of Ineligible Overseas Shareholders).</p> <p>The steps associated with the Demerger include:</p> <ul style="list-style-type: none"> • Tabcorp implementing the Restructure; • Tabcorp restructuring its current financing arrangements; • Tabcorp Shareholders voting on the Scheme Resolution at the Scheme Meeting, and the Capital Reduction Resolution and the Constitution Amendment Resolution at the General Meeting; • (subject to the Demerger Resolutions being passed by the requisite majorities of Tabcorp Shareholders) the Court approving the Scheme, all other conditions precedent to the Scheme being satisfied or waived and the Scheme becoming Effective; and • Echo Shares being transferred to Eligible Shareholders and the Sale Agent (in the case of Ineligible Overseas Shareholders). <p>For details regarding the voting thresholds applicable to the Demerger Resolutions and the Constitution Amendment Resolution see the 'Details of Meetings and how to vote' on pages 9 and 10 and the Notice of Scheme Meeting and Notice of General Meeting.</p> <p>If the Demerger is implemented, Tabcorp Shareholders on the Tabcorp Share Register as at the Scheme Record Date will be credited with their Demerger Entitlements and Tabcorp will transfer one Echo Share for each Tabcorp Share held by the relevant Tabcorp Shareholder at the Scheme Record Date to each Eligible Shareholder or to the Sale Agent (in respect of Ineligible Overseas Shareholders).</p>	For more details see Sections 4.1, 4.2 and 4.8.
8.	Is the Demerger subject to any conditions?	Yes. The Demerger is subject to various conditions including regulatory approval, Court approval and Tabcorp Shareholder approval.	For more details see Section 4.1.2.
9.	Can I choose to receive cash instead of Echo Shares?	No. There is no option to elect to receive cash instead of Echo Shares. However, once Echo Shares have commenced trading on ASX, you may sell some or all of your Echo Shares on ASX.	

No.	Question	Answer	More details
10.	Which Tabcorp Shareholders are eligible to participate in the Demerger?	<p>All Eligible Shareholders (as at the Scheme Record Date) will be entitled to receive Echo Shares pursuant to the Scheme.</p> <p>You are an Eligible Shareholder if you are a Scheme Shareholder whose address as shown in the Tabcorp Share Register (as at the Scheme Record Date) is in Australia or any of its external territories, or New Zealand, or the United Kingdom, or the United States of America, or one of the other places referred to in Section 4.7.2, or in any other place where Tabcorp is satisfied, acting reasonably, that the laws of that place permit the transfer of Echo Shares to you pursuant to the Scheme, either unconditionally or after compliance with conditions that Tabcorp in its sole discretion regards as acceptable and not unduly onerous or impracticable.</p>	For more details see Section 4.7.
Demerger process			
11.	Will I need to make any payments to participate in the Demerger?	No payments are required to be made by you to Tabcorp or Echo to participate in the Demerger.	
12.	What will Tabcorp Shareholders receive if the Demerger proceeds?	<p>Eligible Shareholders will receive one Echo Share for every Tabcorp Share they hold at the Scheme Record Date, which is expected to be at 7pm (AEST) on Friday, 10 June 2011.</p> <p>Ineligible Overseas Shareholders will not receive Echo Shares and should refer to Section 4.10 for further information.</p>	For more details see Sections 2.1, 4.3.1, 4.8 and 4.10.
13.	What is the impact of the Demerger on the number of Tabcorp Shares I hold?	The number of shares you hold in Tabcorp will not change as a result of the Demerger.	For more details see Section 4.3.1.
14.	What happens if the Demerger does not proceed?	<p>If the Demerger does not proceed:</p> <ul style="list-style-type: none"> • you will not receive Echo Shares; • Tabcorp will continue to own and manage the Casinos Business; • Tabcorp Shares will trade on the basis that there will not be a Demerger. The price of Tabcorp Shares in such circumstances is uncertain; • the advantages, disadvantages and risks of the Demerger will not arise; and • Tabcorp will have incurred cash transaction and implementation costs of approximately \$40 million. 	For more details see Section 4.13.

1. Frequently asked questions

No.	Question	Answer	More details
Echo after the Demerger			
15.	What will the new casinos holding company be called?	The new casinos holding company will be called Echo Entertainment Group Limited. Echo Shares will trade on ASX under the code: EGP.	For more details see the Chairman's Letter and Section 2.1.
16.	When will Echo Shares trade separately on ASX?	Echo Shares are expected to commence trading on ASX on Monday, 6 June 2011, initially on a deferred settlement basis. It is each Eligible Shareholder's responsibility to confirm their holding before trading in Echo Shares. Trading on a normal T+3 settlement basis is expected to commence on Tuesday, 21 June 2011.	For more details see Section 4.9.
17.	What will be Echo's share price?	There is no certainty as to the price of Echo Shares after the Demerger is implemented.	For more details see Section 3.4.1.
18.	What will be Echo's strategy after the Demerger?	Key strategic priorities of Echo include: <ul style="list-style-type: none"> • delivering key growth projects including the Star City Casino expansion and the proposed expansion of the Queensland casinos;¹ • improving the customer experience through an improved product and service offering; • expanding the international VIP business through providing world class private gaming facilities; and • enhancing loyalty systems. 	For more details see Section 5.4.
19.	What will be Echo's capital structure?	At the time the Demerger is implemented, it is expected that Echo will have drawn external debt of approximately \$1,090 million and cash of approximately \$90 million. These amounts are subject to variances in cash flows in Tabcorp between the release of this Scheme Booklet and the Demerger Date. As a result of these variances, the opening Echo debt and cash balances may differ from the numbers stated in this Scheme Booklet.	For more details see Section 5.10.7.
20.	Who will be Echo's directors after the Demerger?	If the Demerger proceeds, the Echo Board will initially comprise: <ul style="list-style-type: none"> • John Story – Chairman and Non-Executive Director • John O'Neill AO – Non-Executive Director • Brett Paton – Non-Executive Director • Larry Mullin – Managing Director and Chief Executive Officer • Matt Bekier – Chief Financial Officer and Executive Director <p>In conjunction with the Demerger, Echo will seek to identify appropriate candidates to join the Echo Board as additional Non-Executive Directors.</p>	For more details see Sections 5.8.1 and 5.8.2.

¹ Subject to the satisfactory conclusion of negotiations with the Queensland Government and the other matters referred to in Section 5.7.

No.	Question	Answer	More details
21.	What will be the Echo dividend policy?	Echo's dividend policy will be determined by the Echo Board at its discretion and may change over time. The Echo Board initially intends to target a dividend payout ratio of 50% of normalised net profit after tax, commencing from FY2012. This dividend policy is consistent with Echo's investment in growth projects. Dividends are expected to be fully franked and a dividend reinvestment plan will also be established.	For more details see Section 5.10.14.
22.	What additional corporate costs will Echo have as a standalone listed company?	Following the Demerger, Echo will be a separately listed company and will incur additional corporate costs. These costs will include company secretariat costs, ASX listing fees, share registry costs, audit fees, insurance and the cost of maintaining a separate board of directors. It is estimated that these costs will be approximately \$4 million per year in addition to the corporate and business services costs currently allocated to the Casinos Business by Tabcorp.	For more details see Section 5.10.3.
23.	When will Echo release its first results as a standalone company?	Echo is expected to release its results for the period to 30 June 2011 by the end of August 2011.	
New Tabcorp			
24.	What will be New Tabcorp's share price after the Demerger?	There is no certainty as to the price of shares in New Tabcorp after the Demerger. The price of shares in New Tabcorp is likely to decrease on the date on which Tabcorp Shares commence trading on an ex-Demerger Entitlements basis (which is expected to be Monday, 6 June 2011).	
25.	What will be New Tabcorp's strategy after the Demerger?	<p>The key strategic priorities of New Tabcorp include:</p> <ul style="list-style-type: none"> maintaining and expanding its wagering business, including by expanding its product range, investing in retail and online distribution, marketing and international co-mingling; continuing to optimise the earnings from the Victorian gaming business until the expiry of the Victorian Gaming Licence in August 2012, and developing Tabcorp Gaming Solutions (see Section 6.6) as a new business that can operate in the Victorian gambling industry structure post August 2012; continuing to enhance its Keno product and expand distribution including investment in self service technology; and pursuing new licences including the Victorian Wagering and Betting Licence. 	For more details see Sections 6.4, 6.5, 6.6 and 6.7.

1. Frequently asked questions

No.	Question	Answer	More details
26.	Who will be on the New Tabcorp Board after the Demerger?	<p>If the Demerger proceeds, the New Tabcorp Board will comprise:</p> <ul style="list-style-type: none"> • Paula Dwyer – Chairman and Non-Executive Director • Jane Hemstritch – Non-Executive Director • Zygmunt Switkowski – Non-Executive Director • David Attenborough – Managing Director and Chief Executive Officer <p>It is expected that Elmer Funke Kupper, currently Tabcorp's Managing Director and Chief Executive Officer, will join the New Tabcorp Board as a Non-Executive Director six months after ceasing his executive role.</p> <p>Justin Milne will also join the New Tabcorp Board as a Non-Executive Director, subject to the receipt of all regulatory approvals.</p>	For more details see Section 6.9.1 and Section 6.9.2.
27.	What will be the New Tabcorp dividend policy?	<p>It is intended that New Tabcorp will pay a final dividend in respect of FY2011 based on Tabcorp's FY2011 earnings (including earnings of the Casinos Business).</p> <p>New Tabcorp's dividend policy will be determined by the New Tabcorp Board at its discretion and may change over time.</p> <p>The New Tabcorp Board intends to target a dividend payout ratio of 50% of net profit after tax in FY2012 and 80% of net profit after tax in FY2013. Earnings in FY2013 are expected to be adversely impacted by the expiration of Tabcorp's Victorian Gaming Licence and Victorian Wagering Licence (see Section 6 for a discussion of Tabcorp's Victorian gaming and wagering businesses).</p> <p>Dividends are expected to be fully franked and a dividend reinvestment plan will remain in place.</p>	For more details see Section 6.8.12.
28.	How will Performance Rights granted under Tabcorp's Long Term Performance Plan be dealt with?	<p>A portion of each holder's Performance Rights (other than those held by Tabcorp's Managing Director and Chief Executive Officer, Mr Elmer Funke Kupper) will be tested at the Effective Date and will vest to the extent that relevant performance conditions (which will not be adjusted) are satisfied. Performance Rights that are not tested will be cancelled for consideration equal to 50% of their fair value as at the date of grant.</p> <p>A portion of the Performance Rights held by Mr Funke Kupper will effectively be tested in the same manner as above, although the number of Performance Rights that will be allowed to vest will be capped. Those Performance Rights that are not tested will lapse automatically on the cessation of Mr Funke Kupper's employment, and no consideration will be received by Mr Funke Kupper in relation to their cancellation.</p>	For more details see Section 4.11.

No.	Question	Answer	More details
29.	What impact will the Demerger have on the Tabcorp Bonds?	The Tabcorp Bonds will remain on issue and there will be no change to the terms of the Tabcorp Bonds as a result of the Demerger.	
30.	Will New Tabcorp maintain the Tabcorp Shareholder Benefits Scheme?	<p>New Tabcorp will maintain the current Tabcorp Shareholder Benefits Scheme until it expires on 31 March 2012.</p> <p>It is anticipated that, following the Demerger, New Tabcorp and Echo will separately review the future of such arrangements which may apply after 31 March 2012.</p>	
Voting on the Demerger			
31.	What are the voting thresholds?	For information regarding voting thresholds see the 'Details of Meetings and how to vote' on pages 9 and 10 and the Notice of Scheme Meeting and Notice of General Meeting.	
32.	Who can vote at the Meetings?	<p>Scheme Meeting</p> <p>Tabcorp Shareholders who are registered on the Tabcorp Share Register as at 7pm (AEST) on Monday, 30 May 2011 may vote on the Scheme Resolution at the Scheme Meeting.</p> <p>General Meeting</p> <p>Tabcorp Shareholders who are registered on the Tabcorp Share Register as at 7pm (AEST) on Monday, 30 May 2011 may vote on the Capital Reduction Resolution and the Constitution Amendment Resolution at the General Meeting.</p>	For more details see the 'Details of Meetings and how to vote' on pages 9 and 10 and the Notice of Scheme Meeting and Notice of General Meeting.
33.	When are the Meetings?	<p>The Scheme Meeting will be held at 10am (AEST) at Plenary 3, Melbourne Convention Centre, 1 Convention Centre Place, South Wharf, Victoria on Wednesday, 1 June 2011.</p> <p>The General Meeting will be held at 10.30am (AEST) (or as soon after that time as the Scheme Meeting has concluded or been adjourned) at Plenary 3, Melbourne Convention Centre, 1 Convention Centre Place, South Wharf, Victoria on Wednesday, 1 June 2011.</p>	For more details see the 'Details of Meetings and how to vote' on pages 9 and 10 and the Notice of Scheme Meeting and Notice of General Meeting.
34.	How do I vote?	For information regarding how to vote at the Meetings see the 'Details of Meetings and how to vote' on pages 9 and 10 and the Notice of Scheme Meeting and Notice of General Meeting.	
35.	What if I do not vote at the Meetings or do not vote in favour of the Demerger Resolutions?	If the Demerger Resolutions are approved, the other conditions of the Demerger are satisfied or waived and the Court approves the Scheme, the Demerger will be implemented and binding on all Tabcorp Shareholders, including those who did not vote at the Meetings and those who did not vote in favour of the Demerger Resolutions.	For more details see Section 4.2.

1. Frequently asked questions

No.	Question	Answer	More details
Taxation			
36.	What are the taxation implications of the Demerger?	<p>Tabcorp is seeking tax rulings from the ATO confirming that demerger tax relief is available for both Tabcorp itself and separately for Australian resident Tabcorp Shareholders who hold their Tabcorp Shares on capital account.</p> <p>On the basis of its discussions with the ATO and after consultation with its advisors, Tabcorp expects that demerger tax relief will be available although obtaining demerger tax relief will ultimately depend on the terms of the rulings sought from the ATO.</p> <p>If Australian resident Tabcorp Shareholders can and do choose for demerger tax relief to apply and the ruling for Tabcorp Shareholders is issued in accordance with the application made by Tabcorp then, in summary:</p> <ul style="list-style-type: none"> • any capital gain made from a CGT event happening to their Tabcorp Shares as a result of the Capital Reduction will be disregarded; • the cost base of their Tabcorp Shares will be allocated between the Tabcorp Shares and the Echo Shares in proportion to their respective market values just after the Demerger; • they will be deemed to have acquired the relevant Echo Shares at the same time as they acquired their Tabcorp Shares for the purposes of determining eligibility for the CGT discount; and • the amount that is taken to be a demerger dividend for tax purposes will not be assessable to them. <p>Tabcorp will make an announcement to ASX upon the ruling being finalised with the ATO.</p> <p>Further information on the general Australian taxation implications of the Capital Reduction and the Scheme, including information on the implications if demerger tax relief is not available and/or the tax rulings are not issued in accordance with the applications made by Tabcorp, is set out in Sections 3.4.7 and 7.</p> <p>This guide is expressed in general terms and does not constitute taxation advice in respect of the particular circumstances of any Tabcorp Shareholder. You should seek your own specific taxation advice for your individual circumstances.</p>	For more details see Sections 7 and 3.4.7.

No.	Question	Answer	More details
Other information			
37.	Will binding instructions or notifications in respect of my Tabcorp Shares also apply to Echo Shares?	Except for your tax file number, any binding instruction or notification to Tabcorp in respect of your Tabcorp Shares as at the Scheme Record Date will be deemed under the Scheme to be a similarly binding instruction or notification to Echo in respect of your Echo Shares (except to the extent Echo determines otherwise in its sole discretion).	For more details see Section 4.8.
38.	What if I have further questions?	<p>If you have further questions you can:</p> <ul style="list-style-type: none"> • call the Tabcorp Shareholder Information Line on 1300 880 923 (within Australia) or +61 2 8280 7504 (from outside Australia) from 8.30am to 5.30pm (AEST) Monday to Friday; or • consult your financial, legal, taxation or other professional adviser. 	

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2. Overview of the Demerger

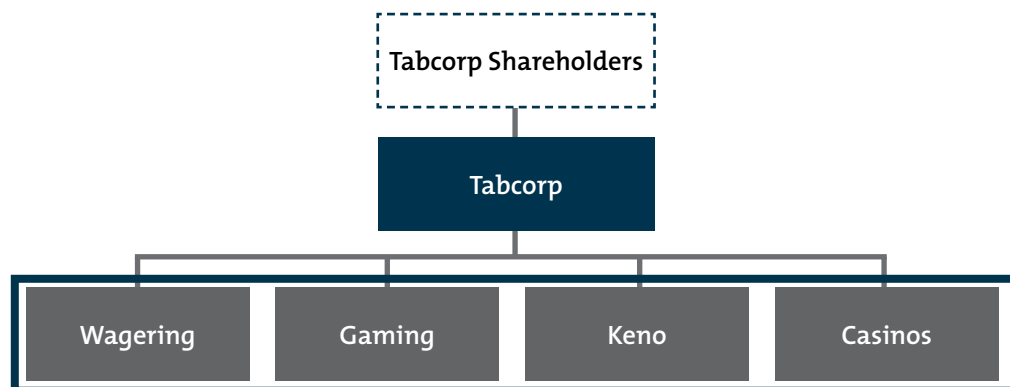
2. Overview of the Demerger

2.1 Overview

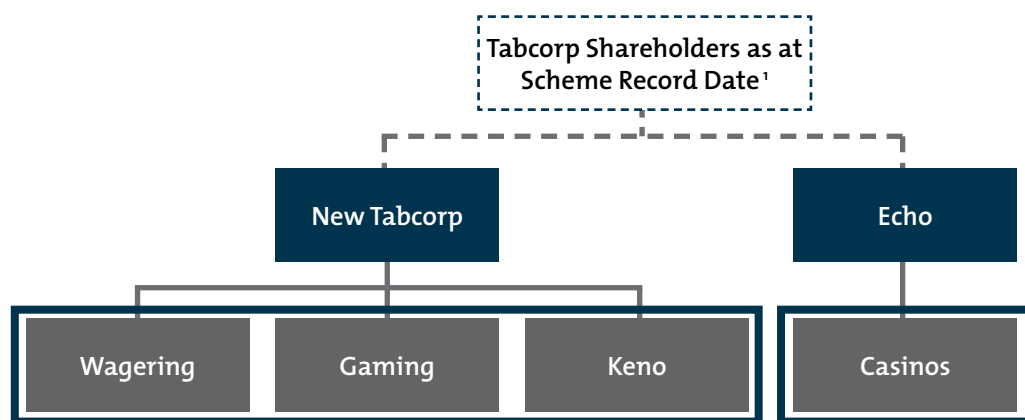
The Echo Group is currently owned by Tabcorp. As a result of the Demerger, Echo Entertainment Group Limited will become a standalone company listed on the ASX (ASX:EGP) and the Echo Group will own Tabcorp's Casinos Business. The Echo Group will operate independently of New Tabcorp (other than in respect of certain transitional arrangements).

Post Demerger, New Tabcorp will continue to operate the wagering, gaming and keno businesses. Each of Echo and New Tabcorp will be of a substantial size and listed on ASX.

A simplified structure of Tabcorp and its businesses (prior to the Demerger) is set out below:



Following the Demerger, Tabcorp's businesses will be held by two separately listed companies. A simplified structure of New Tabcorp and Echo after the Demerger is set out below:
















If the Demerger is implemented, Eligible Shareholders will receive one Echo Share for each Tabcorp Share that they hold as at the Scheme Record Date. Ineligible Overseas Shareholders will receive cash instead of Echo Shares. The treatment of Ineligible Overseas Shareholders is outlined in Section 4.10.

The number of Tabcorp Shares held by Tabcorp Shareholders will not be affected by the Demerger.

Note:

¹ Ineligible Overseas Shareholders will receive cash instead of Echo Shares. See Section 4.10.

2.2 Overview of the demerged entities

	Echo	New Tabcorp
	One of Australia's premier operators of casinos	Australia's leading wagering, gaming and keno operator
ASX code	EGP	TAH
Key brands	   	        
Profile (as at 31 December 2010)	<ul style="list-style-type: none"> – 415 tables – 349 MTGMs – 4,494 EGMs – 20 restaurants and 36 bars – 1,408 hotel rooms – 2 theatres – conference and banquet facilities – more than 50,000 visitors per day¹ – more than 7,800 employees 	<ul style="list-style-type: none"> – 2,570 wagering outlets in NSW and Victoria – 13,371 EGMs in 264 Tabarets in Victoria – 2,865 keno outlets in Queensland, NSW and Victoria – Sky available in approximately 5,400 outlets and 2.26 million homes around Australia – approximately 1,213,000 regular wagering customers – approximately 176,000 EGM loyalty members – 1,855 wagering employees – 260 gaming and keno employees

Note:

¹ Visitors per day – Figures represent the average number of visitors per day between 1 July 2010 and 31 December 2010.

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3. Potential advantages, disadvantages and risks

3. Potential advantages, disadvantages and risks

3.1 Introduction

The Tabcorp Directors are of the view that the advantages of the Demerger outweigh the disadvantages and risks. Each Tabcorp Director recommends that Tabcorp Shareholders vote in favour of the Demerger Resolutions at the Scheme Meeting and at the General Meeting.

Tabcorp Shareholders should carefully consider the following advantages, disadvantages and risks of the Demerger, as well as the other information contained in this Scheme Booklet (including the potential risks associated with an investment in Echo Shares set out in Section 5.11, the potential risks associated with an investment in Tabcorp Shares set out in Section 6.11 and the concise version of the Independent Expert's Report in Section 9), in deciding whether or not to vote in favour of the resolutions required to implement the Demerger.

3.2 Potential advantages of the Demerger

3.2.1 Two independent and focused companies

The profiles, strategies and investment priorities for New Tabcorp and Echo differ significantly.

New Tabcorp and Echo will be able to better pursue their own strategic opportunities as two independent and focused companies following the Demerger. New Tabcorp and Echo will also each potentially be able to participate in any consolidation or corporate activity in their respective industries post Demerger.

3.2.2 Greater investment choice

The operating characteristics and financial profiles of New Tabcorp and Echo differ significantly and may appeal to different types of investors. The combination of the wagering, gaming and keno businesses and the Casinos Business within a single group does not provide choice for investors who seek an investment in one of those businesses, but not the other.

The Demerger will provide Eligible Shareholders with separate investments in two leading companies. Once Echo and New Tabcorp are separately listed on ASX, existing and future investors will have greater investment choice and the opportunity to manage their exposure to the different businesses of Echo and New Tabcorp respectively, according to their own investment objectives.

3.2.3 Enhanced investor awareness

The Demerger will enable Eligible Shareholders and other investors to separately evaluate the differing financial performance, strategies and other business characteristics of New Tabcorp and Echo.

Over time, this transparency is expected to facilitate better recognition of the value of New Tabcorp and Echo.

3.2.4 Tailored capital structure

New Tabcorp and Echo will each be able to adopt a capital structure and dividend policy more tailored to its specific needs and business profile.

The capital structure and financial policies of New Tabcorp and Echo will be at the discretion of their respective boards and may change over time.

3.2.5 Improved capacity to pursue growth opportunities

As separate companies Echo and New Tabcorp will have an improved capacity to pursue growth opportunities. Post Demerger, Echo and New Tabcorp will no longer compete with each other for capital within the same corporate group and will be able to adopt separate capital structures and dividend policies to reflect their different investment profiles.

3.3 Potential disadvantages of the Demerger

3.3.1 Reduction in size and diversification

As separate ASX-listed entities, each of Echo and New Tabcorp will be smaller and less diversified than Tabcorp prior to the Demerger. As a result, the impact of an adverse event in either Echo or New Tabcorp will be greater than if the Demerger did not occur.

Further, equity markets can experience extreme volatility at times. Post Demerger, Echo and New Tabcorp will experience equity market conditions as smaller, standalone entities.

3.3.2 Changes in index weighting

Following the Demerger, each of New Tabcorp and Echo are likely to have a lower market capitalisation than Tabcorp prior to the Demerger. Although each of New Tabcorp and Echo are expected to be included in the S&P/ASX 200 index, each is likely to have a lower individual index ranking than Tabcorp's ranking prior to the Demerger.

3.3.3 Echo and New Tabcorp will not have the same credit profile as Tabcorp today

If the Demerger proceeds, neither Echo nor New Tabcorp will have the same credit profile as Tabcorp prior to the Demerger. Echo will not have access to the cash flows produced by Tabcorp's wagering and gaming operations and will have less business diversity than Tabcorp prior to the Demerger. New Tabcorp will not have access to the cash flows produced by Echo's operations and will have less business diversity than Tabcorp prior to the Demerger. Echo and New Tabcorp may have higher gearing and a higher cost of borrowing following the Demerger.

New Tabcorp intends to maintain an investment grade credit rating if the Demerger proceeds, although this credit rating is likely to be lower than Tabcorp's credit rating. Echo is not expected to have a publicly available credit rating from a ratings agency in the near term.

3.3.4 Transaction and implementation costs

Total cash transaction and implementation costs in relation to the Demerger are estimated to be approximately \$135 million (on a pre-tax basis).

Approximately \$40 million of these costs will have been paid prior to the Meetings when Tabcorp Shareholders will vote on

the Demerger. The remaining post Demerger costs are expected to be paid prior to 30 June 2012. Refer to Section 10.16 for further information.

Tabcorp will also incur non-cash costs in relation to the Demerger mainly as a result of writing-off some fixed assets (refer to Section 6.8.5).

3.3.5 Higher corporate costs and financing costs

Following the Demerger, Echo will be a standalone entity, listed on ASX, which will involve additional corporate costs, estimated at \$4 million per annum, relative to its position as a business of Tabcorp (pre Demerger). Further, New Tabcorp will bear additional corporate related costs estimated at \$4 million per annum as a result of cost dis-synergies. For further information regarding additional corporate costs, refer to Sections 5.10.3 and 6.8.3.

In addition, the refinancing of Tabcorp's existing US Notes will result in additional financing costs of approximately \$15 million per annum (before tax). This difference will reduce over time as Tabcorp's existing financing arrangements would have otherwise commenced to mature from December 2014.

3.4 Potential risks of the Demerger

3.4.1 Decrease in combined market value of Tabcorp Shares and Echo Shares and stock market ratings

It is not possible to predict the market value of Tabcorp Shares and Echo Shares post Demerger.

There can be no assurance that an active trading market will develop for Echo Shares after the Demerger, or as to the price at which Echo Shares will trade on ASX after Echo's listing on ASX.

Following the Demerger, some shareholders may adjust their holdings in New Tabcorp or Echo. There is a risk that the combined market value of New Tabcorp and Echo after the Demerger will be less than the market value of Tabcorp immediately prior to the Demerger.

Tabcorp Shareholders should note that, if the Demerger does not proceed, there is no assurance that Tabcorp Shares will continue to trade at prices in line with recent levels.

3.4.2 Delays or unexpected costs in establishing Echo as a standalone entity

Echo's businesses are currently supported by Tabcorp's corporate services infrastructure, including group finance and accounting, procurement, human resources, payroll and certain IT functions.

As part of the implementation of the Demerger, Echo will be eventually replacing these support services with internal capability or with third party contracts and arrangements appropriate for it as a standalone entity.

There is a risk that the performance of these functions will be negatively affected during Echo's period of transition to being a standalone entity as systems and processes are implemented. Echo may incur one-off costs to implement these processes and it may take some time to ensure that all processes are operating fully and efficiently. There is a risk that the establishment of these capabilities may take longer than expected or may involve greater costs than anticipated. In addition, certain Tabcorp employees who currently work in the Casino Business will need to accept employment with Echo Group entities. There is a risk that some employees may not accept their offer of employment and, accordingly, that Echo is required to re-allocate these roles or seek new employees.

Transaction costs in relation to the Demerger have been estimated on the basis that the Restructure takes place prior to 1 July 2011. To the extent that this does not occur, significant additional transaction costs in relation to taxes and duties may be payable.

3.4.3 Court approval and delay

There is a risk that the Court may not approve the Scheme or that the approval of the Court is delayed.

3.4.4 Regulatory approvals

In order for the Demerger to proceed, certain approvals and consents are required from the NSW CLGCA and the Relevant Queensland Decision Makers.

There is a risk that:

- the NSW CLGCA or the Relevant Queensland Decision Makers will not provide the approvals and consents that are required in order for the Restructure and the Demerger to be implemented;
- there will be delays in connection with the NSW CLGCA or the Relevant Queensland Decision Makers providing such approvals and consents; or
- the NSW CLGCA or the Relevant Queensland Decision Makers propose to provide the approvals and consents required in order for the Demerger to be implemented, but such approvals and consents are to be provided subject to certain conditions which may not be acceptable to Tabcorp.

3.4.5 Tabcorp and Echo may not be able to assign, novate or transfer certain contracts or licences

Entities which will remain within the Tabcorp Group after the Demerger have entered into certain contracts in respect of Echo's business or have provided a guarantee in respect of such contracts.

Similarly, entities which will form part of the Echo Group post Demerger have entered into certain contracts in respect of the businesses to be conducted by the New Tabcorp Group after the Demerger or have provided a guarantee in respect of such contracts.

3. Potential advantages, disadvantages and risks

As part of the separation of Echo from Tabcorp, such contracts need to be assigned or novated to companies within the relevant group or the guarantees released.

For the small number of contracts that have not yet been assigned or novated, in many cases, the consent of third parties will be required to assign or novate such contracts. Where this is the case, the third parties to such contracts may not be willing to assign or novate the contracts or release a member of the New Tabcorp Group or the Echo Group (as applicable) from its obligations under those contracts or guarantees following the Demerger. Further, the third parties to such contracts may seek to alter the terms of any such contract at the time of assignment or novation as a condition of their consent.

If Tabcorp and Echo are not able to procure that relevant contracts are assigned or novated to the relevant group, or the release of guarantees, New Tabcorp will continue to have obligations under certain contracts (even though the Echo Group will no longer be part of the Tabcorp Group post Demerger) or Echo will continue to have obligations under certain contracts (even though they relate to the businesses of New Tabcorp) (as applicable).

Under the Demerger Deed, Echo indemnifies Tabcorp and Tabcorp indemnifies Echo for any claims made or payments to be made under the relevant contracts or guarantees.

3.4.6 Star City Cross Guarantee

As set out in Section 4.3.3, Tabcorp Investments Pty Ltd and Showboat Australia Pty Ltd (each of which will remain a member of the Tabcorp Group post Demerger) and certain entities which will be members of the Echo Group following the Demerger, are parties to the Star City Cross Guarantee, pursuant to which each party guarantees the debts or claims of the other parties.

Revocation deeds will be lodged with ASIC to revoke the Star City Cross Guarantee. Those revocation deeds will only take effect 6 months after their date of lodgement, provided that no party to the Star City Cross Guarantee goes into certain forms of liquidation during that 6 month period. Accordingly, until that period expires, members of the New Tabcorp Group will have potential exposure to the financial position of members of the Echo Group and vice versa (but only where a member of the relevant group goes into certain forms of liquidation).

Under the Demerger Deed, Tabcorp has provided an indemnity to Echo in respect of any liabilities arising under the Star City Cross Guarantee relating to an entity which is a member of the New Tabcorp Group, and Echo has provided an indemnity to Tabcorp in respect of any liabilities arising under the Star City Cross Guarantee relating to an entity which is a member of the Echo Group, but those indemnities may be of limited value if one or more parties to the Star City Cross Guarantee goes into liquidation within the relevant 6 month period.

3.4.7 Demerger taxation relief

Tabcorp is seeking tax rulings from the ATO to confirm the availability of demerger tax relief for both Tabcorp itself and separately for Australian resident Tabcorp Shareholders who hold their Tabcorp Shares on capital account. The rulings also seek confirmation that no part of the Demerger Entitlements or the amount referred to in Section 7 as a demerger dividend for tax purposes will be assessable to Tabcorp Shareholders.

(i) Tabcorp Shareholders


On the basis of its discussions with the ATO and after consultation with its advisors, Tabcorp expects that demerger tax relief will be available for Australian resident Tabcorp Shareholders (for further details see Section 7) although obtaining demerger tax relief will ultimately depend on the terms of the rulings sought from the ATO. Where demerger relief is available, Australian resident Tabcorp Shareholders who choose demerger tax relief will not pay income tax or capital gains tax in relation to the Demerger. Further, the cost base for tax purposes of their Tabcorp Shares will be apportioned across their Tabcorp Shares and Echo Shares based on the relative market values of the two companies just after the Demerger. Tabcorp will provide Tabcorp Shareholders with information to assist in determining the cost base of their Tabcorp Shares and Echo Shares. Tabcorp will also make an announcement to ASX upon the ruling being finalised with the ATO.

However, if demerger tax relief is not available and/or the ruling is not issued in accordance with the application made by Tabcorp then, while tax consequences may vary between shareholders, Tabcorp Shareholders may have an assessable capital gain and be liable for income tax on an unfranked dividend as a result of the Demerger. See Section 7 for further details.

(ii) Tabcorp

On the basis of its discussions with the ATO and after consultation with its advisors, Tabcorp expects the ATO to issue a ruling confirming that Tabcorp will not realise any assessable capital gain on the transfer of Echo Shares to Tabcorp Shareholders and that no withholding tax will be required to be withheld by Tabcorp in respect of the distribution of Echo Shares under the Scheme. However, if such a ruling is not ultimately provided, Tabcorp may make an assessable capital gain on the transfer of the Echo Shares and there is a risk that the distribution, or part thereof, would be unfranked.

4. Details of the Demerger



4. Details of the Demerger

4.1 Steps associated with the implementation of the Demerger

4.1.1 Overview

The steps associated with the implementation of the Demerger include:

- (i) Tabcorp will, prior to implementation of the Demerger, undertake the Restructure (as described in Section 10.12.1) to ensure, among other things, that Tabcorp's Casinos Business is owned by the Echo Group and that the wagering, gaming and keno businesses remain part of the Tabcorp Group post Demerger, and that intercompany debts between the two groups are settled;
- (ii) Tabcorp will restructure its current financing arrangements;
- (iii) Tabcorp Shareholders will be asked to consider the Scheme Resolution at the Scheme Meeting;
- (iv) Tabcorp Shareholders will be asked to consider the Capital Reduction Resolution and the Constitution Amendment Resolution at the General Meeting;
- (v) if the Scheme Resolution and the Capital Reduction Resolution are passed by the requisite majorities of Tabcorp Shareholders, the Court approves the Scheme and all other conditions precedent to the Scheme are satisfied or waived:
 - the Scheme will take effect; and
 - Eligible Shareholders will receive one Echo Share for each Tabcorp Share which they hold as at the Scheme Record Date and Echo will be established as an ASX-listed company which is independent of Tabcorp.

4.1.2 Conditions precedent to implementation of the Demerger

The Scheme will become binding on Tabcorp and Tabcorp Shareholders, and the Demerger will proceed, if all of the conditions precedent to the Scheme are satisfied or waived. The key conditions precedent are, in summary:

- (i) all regulatory approvals which, in Tabcorp's opinion, are required to implement the Demerger (including the Restructure) are obtained and not revoked, and any conditions of such approvals are acceptable to Tabcorp;
- (ii) ASX approves the admission of Echo to the Official List of ASX and official quotation of the Echo Shares, subject to any conditions that ASX may reasonably require;
- (iii) the Scheme Resolution is approved by the requisite majorities of Tabcorp Shareholders;
- (iv) the Capital Reduction Resolution is approved by the requisite majority of Tabcorp Shareholders;
- (v) the Court approves the Scheme; and
- (vi) there is no legal restraint or prohibition preventing or restricting completion of any aspect of the Demerger (including the Restructure).

The conditions precedent referred to in paragraphs 4.1.2(i) and 4.1.2(vi) may be waived by Tabcorp at any time before 8am on the date of the Second Court Hearing. The other conditions precedent cannot be waived.

See Section 10.12.2 for full details of the conditions precedent to the Scheme becoming Effective and therefore the Demerger proceeding.

4.1.3 The Restructure

To facilitate the Demerger, Tabcorp incorporated Echo Entertainment Group Limited as a public company on 2 March 2011. Tabcorp intends, prior to the Demerger Date, to undertake the Restructure to ensure, among other things, that, post Demerger, the Casinos Business is owned by the Echo Group and the wagering, gaming and keno division operating entities remain part of the New Tabcorp Group, and that existing intercompany debts between the two groups are settled.

It is likely that some of the transactions underlying the Restructure will not be entered into or effected on the same terms as could have been obtained from third parties. In particular, it is likely that agreements for the transactions underlying the Restructure will not include terms such as certain warranties that may have been obtained from third parties. Further, the share transfer transactions that are to be implemented as part of the Restructure are to be undertaken at book value.

Further details regarding the Restructure are set out in Section 10.12.1.

4.1.4 Employees

Some of the intended employees of the Echo Group are currently employed by entities that will form part of the New Tabcorp Group. Such employees have been, or will be, offered continuing employment with the Echo Group. The terms and conditions of employment offered to such employees by the Echo Group are, or will be, overall no less favourable than those applying to them prior to acceptance of the offer of continuing employment with the Echo Group.

4.1.5 Restructure of financing arrangements

As at 31 December 2010, the Tabcorp Group's external debt funding arrangements comprised \$600 million of medium term notes, \$284 million of Tabcorp Bonds, \$939 million of notes raised in the US private placement market (**US Notes**) and existing bank facilities of \$765 million. These bank debt facilities are only partly drawn. If the Demerger is implemented New Tabcorp intends to:

- maintain the \$600 million of medium term notes on issue;
- maintain the \$284 million of Tabcorp Bonds on issue;
- repay the US Notes and cancel the associated cross-currency swaps; and
- replace its existing bank debt facilities with a new \$800 million syndicated facility, which Tabcorp has established with a syndicate of domestic banks (**Tabcorp Syndicated Facility**) – see Section 6.8.6.

Debt funding for Tabcorp's Casinos Business is currently provided by the Tabcorp Group. If the Demerger is implemented, these arrangements will be replaced by a new \$1,400 million syndicated bank facility for Echo, which has been established with a syndicate of domestic and international banks (the **Echo Syndicated Facility**).

Echo and Tabcorp intend to offer new US private placement notes in the Echo Group to investors in Tabcorp's existing US Notes and to new investors. To the extent investors subscribe to any new US private placement notes in the Echo Group, the proceeds will be used to reduce the size of the Echo Syndicated Facility.

Additional information on New Tabcorp's and Echo's financing arrangements post Demerger are outlined in Sections 6.8.6 and 5.10.7 respectively.

4.1.6 Regulatory approvals

Pursuant to applicable New South Wales and Queensland gambling legislation, the constitutions of certain Tabcorp and Echo Group entities and certain agreements between Tabcorp and Echo Group entities and the NSW CLGCA or the State of Queensland, Tabcorp requires various approvals and consents from the NSW CLGCA and the Relevant Queensland Decision Makers in connection with implementing certain parts of the Restructure and the Demerger.

In broad terms, the approvals Tabcorp requires are to enable:

- Tabcorp Investments Pty Ltd to transfer all of the shares in Star City Holdings to Echo;
- Tabcorp Investments No.2 Pty Ltd to transfer all of the shares in Jupiters to Echo;
- Jupiters to transfer all of the shares in Jupiters Gaming Pty Ltd to a subsidiary of Tabcorp; and
- the appointment of new directors to the boards of relevant Star City Holdings Group companies, Jupiters Group companies and the board of Jupiters Gaming Pty Ltd.

In connection with obtaining the approvals required to implement the Restructure and the Demerger, it is envisaged that:

- the NSW CLGCA, Tabcorp and certain subsidiaries of Tabcorp would enter into an agreement which sets out the terms and conditions upon which the NSW CLGCA gives its approval to the Demerger – among other things, it is envisaged that this agreement would provide that Echo must not cease to be a subsidiary of Tabcorp other than pursuant to the Demerger (or otherwise with the consent of the NSW CLGCA);
- Echo will enter into an agreement with the NSW CLGCA and an agreement with the State of Queensland which set out certain terms and conditions that will apply should the NSW CLGCA give its approval to (among other things) Echo acquiring all of the shares in Star City Holdings and certain terms and conditions that will apply should the State of Queensland give its approval to (among other things) Echo acquiring all of the shares in Jupiters. Further

information regarding these proposed agreements is set out in Sections 11.2.1 and 11.2.2;

- Tabcorp and certain subsidiaries of Tabcorp will enter into an agreement with the State of Queensland which sets out certain terms and conditions that will apply should the State of Queensland give its approval to (among other things) a subsidiary of Tabcorp acquiring all of the shares in Jupiters Gaming Pty Ltd. Further information regarding this proposed agreement is set out in Section 12.2.3; and
- as certain entities that will remain part of the Tabcorp Group post Demerger are parties to 'regulatory agreements' that relate to the casinos division, and certain entities that will form part of the Echo Group post Demerger are parties to 'regulatory agreements' that relate to the keno division, certain amendment, termination and release agreements would be entered into by certain Tabcorp and Echo Group entities and the NSW CLGCA or the State of Queensland.

4.2 The Demerger procedure

4.2.1 Scheme Meeting

On Friday, 15 April 2011 at the First Court Hearing, the Court ordered that a meeting of Tabcorp Shareholders be convened to consider and, if thought fit, approve the Scheme, with or without modification (the **Scheme Meeting**). The Scheme Meeting is scheduled to be held at Plenary 3, Melbourne Convention Centre, 1 Convention Centre Place, South Wharf, Victoria at 10am (AEST) on Wednesday, 1 June 2011.

The terms of the Scheme are contained in Annexure A and the Notice of Scheme Meeting is set out in Annexure C.

The fact that the Court has ordered that the Scheme Meeting be convened is no indication that the Court has a view as to the merits of the Scheme or as to how Tabcorp Shareholders should vote. On these matters, Tabcorp Shareholders must reach their own decision.

Each Tabcorp Shareholder who is registered on the Tabcorp Share Register as the holder of a Tabcorp Share at 7pm (AEST) on Monday, 30 May 2011 is entitled to attend and vote at the Scheme Meeting (subject to the restrictions on voting rights in the Tabcorp Constitution). Voting at the Scheme Meeting will be by poll.

For the Demerger to proceed, the Scheme Resolution must be approved by a majority in number of Tabcorp Shareholders present and voting at the Scheme Meeting (whether in person or by proxy, by attorney or, in the case of a corporation, by corporate representative), being a majority whose votes in favour of the Scheme Resolution are in aggregate at least 75% of the total number of all votes cast on the Scheme Resolution.

If these thresholds are met, the Capital Reduction Resolution is approved, all other conditions precedent to the Scheme are satisfied or waived and the Court approves the Scheme, all Tabcorp Shareholders will be bound by the Scheme, including those who voted against the Scheme and those who did not cast a vote.

4. Details of the Demerger

4.2.2 General Meeting

The Tabcorp Board has convened the General Meeting to consider and, if thought fit, approve the Capital Reduction Resolution and the Constitution Amendment Resolution. A summary of these resolutions is set out below. Details of the relevant resolutions, including explanatory notes, are set out in the Notice of General Meeting in Annexure D.

The General Meeting is scheduled to be held at Plenary 3, Melbourne Convention Centre, 1 Convention Centre Place, South Wharf, Victoria on Wednesday, 1 June 2011 at 10.30am (AEST), or as soon after that time as the Scheme Meeting has concluded or been adjourned.

(i) The Capital Reduction Resolution

Tabcorp has proposed the Capital Reduction Resolution to permit Tabcorp to reduce its share capital on the Demerger Date by approximately \$2,220 million. The proceeds of the Capital Reduction will not be paid in cash, rather they will be applied on behalf of the Scheme Shareholders as consideration for the transfer of Echo Shares under the Scheme.

The Capital Reduction is conditional on the Scheme Resolution being passed by Tabcorp Shareholders, all other conditions precedent to the Scheme being satisfied or waived and the Scheme being approved by the Court. Therefore, Tabcorp will not undertake the Capital Reduction unless the Scheme becomes Effective.

(ii) The Constitution Amendment Resolution

The Constitution Amendment Resolution relates to proposed amendments to certain rules in the Tabcorp Constitution. These amendments are intended to reflect recent changes to the dividend payment rules under the Corporations Act to permit dividends to be paid by a company other than out of profits.

(iii) Voting requirements and entitlements

The Capital Reduction Resolution must be approved by a simple majority of votes cast on the resolution in order to be passed.

The Constitution Amendment Resolution must be approved by at least 75% of votes cast by Tabcorp Shareholders on the resolution in order to be passed.

Each Tabcorp Shareholder who is registered on the Tabcorp Share Register at 7pm (AEST) on Monday, 30 May 2011 is entitled to attend the General Meeting and vote on the resolutions to be considered at that meeting. Voting at the General Meeting will be by poll.

4.2.3 Steps to implementation of the Demerger

If each of the Scheme Resolution and the Capital Reduction Resolution is passed by Tabcorp Shareholders, all other conditions precedent to the Scheme are satisfied or waived and the Scheme is approved by the Court, then Tabcorp will

lodge the Court order approving the Scheme with ASIC. As a consequence:

- the Scheme will become Effective on the Effective Date (expected to be Friday, 3 June 2011);
- at the close of trading on ASX on the Effective Date, Tabcorp Shares will cease trading cum-Demerger Entitlements;
- on the Business Day following the Effective Date (expected to be Monday, 6 June 2011):
 - Echo will be admitted to the Official List of ASX and Echo Shares will commence trading on ASX on a deferred settlement basis; and
 - Tabcorp Shares will commence trading on ASX ex-Demerger Entitlements;
- on the Demerger Date (expected to be Wednesday, 15 June 2011):
 - Tabcorp will undertake the Capital Reduction;
 - on behalf of each Tabcorp Shareholder at the Scheme Record Date, Tabcorp will apply their Demerger Entitlement as consideration for the transfer of Echo Shares under the Scheme;
 - in the case of each Eligible Shareholder, one Echo Share will be transferred to that Eligible Shareholder for every Tabcorp Share the Eligible Shareholder is registered as holding on the Scheme Record Date;
 - in the case of Ineligible Overseas Shareholders,² the Echo Shares to which those shareholders would otherwise have been entitled (had they been Eligible Shareholders) will be transferred to the Sale Agent to be sold on ASX as soon as reasonably practicable after the Demerger Date, with the proceeds of sale (after deducting any applicable brokerage, stamp duty and other selling costs, taxes and charges) being remitted to the Ineligible Overseas Shareholder in proportion to the number of Tabcorp Shares each Ineligible Overseas Shareholder held on the Scheme Record Date. Under the terms of the Scheme, each Ineligible Overseas Shareholder is taken to have agreed to this process; and
 - as a result of implementation of the Scheme, Echo will cease to be a member of the Tabcorp Group.

Sections 4.7.2 and 4.7.3 outline the criteria for identifying Eligible Shareholders and Ineligible Overseas Shareholders.

² As at the date of this Scheme Booklet, Ineligible Overseas Shareholders hold approximately 0.03% of the total number of Tabcorp Shares on issue.

4.3 Effect of the Demerger

4.3.1 General

Pursuant to the Demerger, Eligible Shareholders will receive one Echo Share for each Tabcorp Share that they hold as at the Scheme Record Date. Ineligible Overseas Shareholders will receive cash instead of Echo Shares. The treatment of Ineligible Overseas Shareholders is outlined in Section 4.10.

Following the Demerger, Tabcorp Shareholders will continue to hold the same number of Tabcorp Shares as they held prior to the Demerger.

4.3.2 Fundamental Demerger principle

Tabcorp and Echo entered into the Demerger Deed on 14 April 2011. Under the Demerger Deed, in order to give effect to the fundamental Demerger principle – namely that on and from the Demerger Date, subject to the matters discussed in Section 4.3.3 and certain other limited exceptions:

- the Echo Group will have the entire economic benefit and risk of the Casinos Business as if it had owned and operated that business at all times, and none of the economic benefit or risk of the New Tabcorp Businesses; and
- the New Tabcorp Group will have the entire economic benefit and risk of the New Tabcorp Businesses as if it had owned and operated those businesses at all times, and none of the economic benefit or risk of the Casinos Business,

Tabcorp must (subject to limited exceptions) indemnify Echo for any liabilities incurred by Echo relating to the New Tabcorp Businesses, and Echo must (subject to limited exceptions) indemnify Tabcorp for any liabilities incurred by Tabcorp relating to the Casinos Business.

Further details of the Demerger Deed (and other key agreements relating to the Demerger) are set out in Section 10.12.

4.3.3 Deed of cross guarantee

Tabcorp Investments Pty Ltd and Showboat Australia Pty Ltd (each of which will remain a member of the Tabcorp Group following the Demerger), and certain entities which will be members of the Echo Group following the Demerger, are parties to a deed of cross guarantee (**Star City Cross Guarantee**) in accordance with ASIC Class Order 98/1418.

Under the Star City Cross Guarantee, each party guarantees the debts or claims of the other parties. Revocation deeds will be lodged with ASIC to revoke the Star City Cross Guarantee. Those revocation deeds will take effect 6 months after their date of lodgment provided that no party to the Star City Cross Guarantee goes into certain forms of liquidation during that 6 month period. Accordingly, until that 6 month period expires, members of the New Tabcorp Group will have potential exposure to the financial position of members of the Echo Group and vice versa (but only where a member of the relevant group goes into certain forms of liquidation).

4.3.4 Creditors

In the opinion of the Tabcorp Directors, the Demerger will not, if implemented, materially prejudice Tabcorp's ability to pay its creditors. Further, in the opinion of the Tabcorp Directors, the Demerger will not, if implemented, materially prejudice the ability of Echo to pay the creditors which it assumes as part of the Demerger.

The Independent Expert has concluded that the Capital Reduction will not materially prejudice Tabcorp's ability to pay its creditors. Refer to Section 9 for a concise version of the Independent Expert's Report.

4.4 Independent Expert's opinion

The Tabcorp Board commissioned Grant Samuel to prepare a report stating whether, in its opinion, the Demerger is in the best interests of Tabcorp Shareholders and whether the Capital Reduction will materially prejudice Tabcorp's ability to pay its creditors.

After considering the Demerger, Grant Samuel concluded that the Demerger is in the best interests of Tabcorp Shareholders and that the Capital Reduction will not materially prejudice Tabcorp's ability to pay its creditors. A concise version of Grant Samuel's report is set out in Section 9. Grant Samuel's full report can be obtained, free of charge, by calling the Tabcorp Shareholder Information Line on 1300 880 923 (within Australia, toll free) or +61 2 8280 7504 (from outside Australia) from 8.30am to 5.30pm (AEST) Monday to Friday, or from Tabcorp's website at www.tabcorp.com.au.

4.5 Tabcorp Board's recommendation

The Tabcorp Directors believe that the Demerger, including the Scheme and the Capital Reduction, is in the best interests of Tabcorp Shareholders.

The Tabcorp Directors unanimously recommend that you vote in favour of the Demerger Resolutions at the Scheme Meeting and the General Meeting. Each Tabcorp Director intends to vote all Tabcorp Shares held by that Director, or held on behalf of that Director, in favour of the Demerger Resolutions.

4.6 Timetable for implementation of the Demerger

An indicative timetable for the Demerger appears on page 8. This timetable is indicative only and, among other things, is subject to the time at which the conditions precedent to the Scheme are satisfied or (if applicable) waived, and to all necessary Court and regulatory approvals. Tabcorp has the right to vary any or all of these dates and times, subject to the approval of such variation by ASX and the Court, where required.

Any variation to the timetable for the Demerger as set out on page 8 will be announced to ASX and notified on Tabcorp's website (www.tabcorp.com.au).

4. Details of the Demerger

4.7 Entitlement to participate in the Demerger

4.7.1 General

Tabcorp Shareholders as at the Scheme Record Date will be entitled to the Demerger Entitlements and will participate in the Scheme.

For the purposes of determining which Tabcorp Shareholders will be eligible to receive the Demerger Entitlements and participate in the Scheme, dealings in Tabcorp Shares will be recognised only if:

- in the case of dealings of the type to be effected using CHESS, the transferee is registered on the Tabcorp Share Register as the holder of the relevant Tabcorp Shares as at the Scheme Record Date; and
- in all other cases, registrable transfers or transmission applications in respect of those dealings are received by the Tabcorp Share Registry by 5pm (AEST) on the day which is the Scheme Record Date (in which case Tabcorp must register such transfers or transmission applications before 7pm (AEST) on that day).

For the purpose of determining entitlements under the Scheme and to the Demerger Entitlements, Tabcorp will not accept for registration or recognise any transfer or transmission application in respect of Tabcorp Shares received after the Scheme Record Date, or received prior to that time but not in registrable form.

The way in which an individual Tabcorp Shareholder participates in the Scheme will depend on whether that shareholder is an Eligible Shareholder or an Ineligible Overseas Shareholder.

4.7.2 Eligible Shareholders

An Eligible Shareholder is a Scheme Shareholder whose address as shown in the Tabcorp Share Register (as at the Scheme Record Date) is in Australia or any of its external territories; or in the Bahamas; or in any of the Canadian Provinces of Alberta, Ontario, Quebec, British Columbia, Saskatchewan or Newfoundland; or in Hong Kong (where Tabcorp is satisfied, acting reasonably, either that the Scheme Shareholder is a 'professional investor' within the meaning of the Securities and Futures Ordinance of Hong Kong, or that the total number of Scheme Shareholders whose addresses as shown in the Tabcorp Share Register (as at the Scheme Record Date) are in Hong Kong does not exceed 50); or in New Zealand; or in Singapore; or in Switzerland; or in the United Kingdom; or in the United States of America; or in any in other place where Tabcorp is satisfied, acting reasonably, that the laws of that place permit the transfer of Echo Shares to that Scheme Shareholder pursuant to the Scheme, either unconditionally or after compliance with conditions that Tabcorp in its sole discretion regards as acceptable and not unduly onerous or impracticable.

All Eligible Shareholders will be entitled to have Echo Shares transferred to them pursuant to the Scheme.

4.7.3 Ineligible Overseas Shareholders

An Ineligible Overseas Shareholder is a Scheme Shareholder other than an Eligible Shareholder.

Ineligible Overseas Shareholders will be entitled to the Demerger Entitlements on the same basis as all Eligible Shareholders. However, Echo Shares will not be transferred to Ineligible Overseas Shareholders. Instead, Echo Shares to which Ineligible Overseas Shareholders would otherwise have been entitled will be transferred to the Sale Agent and will be dealt with as described in Section 4.10.

4.7.4 Holders of Tabcorp Shares provided pursuant to Tabcorp employee incentive schemes

Holders of Tabcorp Shares provided pursuant to an employee incentive scheme operated by Tabcorp will participate in the Demerger in the same manner as all other Tabcorp Shareholders.

4.8 Implementation of the Demerger

If the Demerger is implemented, Tabcorp Shareholders on the Tabcorp Share Register as at the Scheme Record Date will be credited with their Demerger Entitlements.

Under the Scheme, Tabcorp Shareholders will not receive their Demerger Entitlements in cash. Tabcorp will, on the Demerger Date, apply these amounts on behalf of Tabcorp Shareholders as consideration for the transfer to those shareholders (or to the Sale Agent in the case of Ineligible Overseas Shareholders) of one Echo Share for each Tabcorp Share held by the relevant Tabcorp Shareholder at the Scheme Record Date.

The obligation to transfer Echo Shares to Eligible Shareholders and to the Sale Agent (in respect of Ineligible Overseas Shareholders) will be discharged by Tabcorp executing instruments of transfer for the relevant Echo Shares, both on its own behalf and (as applicable) on behalf of Eligible Shareholders pursuant to the Scheme, and procuring the Sale Agent to execute the instruments of transfer relating to the Echo Shares in respect of Ineligible Overseas Shareholders, and then delivering all of those instruments to Echo for registration. Echo will then be obliged pursuant to the Scheme and the Echo Deed Poll to register the transfers by entering the names of the Eligible Shareholders and the Sale Agent in Echo's Share Register in respect of the Echo Shares transferred to them.

It is expected that Eligible Shareholders will have their names entered on the Echo Share Register by Wednesday, 15 June 2011.

Except for Eligible Shareholders' tax file numbers, any binding instruction or notification between an Eligible Shareholder and Tabcorp relating to Scheme Shares as at the Scheme Record Date (including any instructions relating to payment of dividends or to communications from Tabcorp) will, unless otherwise determined by Echo, be deemed to be a similarly binding instruction or notification to Echo in respect of relevant Echo Shares. Echo Shareholders may subsequently revoke or amend such instructions or notifications by written notice to Echo at its registered address or at the Echo Share Registry.

4.9 ASX listing of Echo

Echo will apply to ASX for admission to the Official List of ASX, and for official quotation of all Echo Shares on ASX, within 7 days after the date of this Scheme Booklet.

If the Scheme becomes Effective, Echo Shares will trade under the code EGP, and are expected to commence trading on ASX on a deferred settlement basis on Monday, 6 June 2011 and on a normal T+3 settlement basis on or about Tuesday, 21 June 2011.

It is the responsibility of each Tabcorp Shareholder to determine their entitlement to Echo Shares before trading those shares to avoid the risk of selling Echo Shares they do not or will not own. If a Tabcorp Shareholder sells Echo Shares without receiving confirmation of their entitlement, they do so at their own risk.

Holding statements for Echo Shares are expected to be dispatched to Eligible Shareholders by Monday, 20 June 2011. A holding statement will be sent by pre-paid post to each Eligible Shareholder's address on the Tabcorp Share Register. In the case of joint shareholders, holding statements for Echo Shares will be sent to the address of the Eligible Shareholder whose name first appears on the Tabcorp Share Register.

Whether or not the Demerger proceeds, it is intended that Tabcorp will continue to be listed on ASX and Tabcorp Shares will continue to be quoted on ASX.

4.10 Treatment of Ineligible Overseas Shareholders and Sale Agent sale process

Following the Demerger, Ineligible Overseas Shareholders will continue to be entitled to hold their Tabcorp Shares. However, they will not be entitled to receive Echo Shares under the Scheme. The Echo Shares the Ineligible Overseas Shareholders would otherwise have been entitled to receive under the Scheme, but for their ineligible status, will be dealt with as described below.

Echo Shares that would otherwise have been transferred under the Scheme to Ineligible Overseas Shareholders (if they were Eligible Shareholders) will be transferred to the Sale Agent.

The Sale Agent will sell those Echo Shares on ASX as soon as practicable (and in any event, within 15 Business Days) after the Demerger Date, at such price and on such other terms as the Sale Agent determines in good faith, and at the risk of the Ineligible Overseas Shareholders.

As the market price of Echo Shares will be subject to change from time to time, the sale price of those Echo Shares and the proceeds of that sale cannot be guaranteed. Ineligible Overseas Shareholders will be able to obtain information on the market price of Echo Shares on ASX's website at www.asx.com.au.

The Sale Agent will remit the proceeds of sale (after deducting any applicable brokerage, stamp duty and other selling costs, taxes and charges) to Tabcorp, and Tabcorp will, as soon as practicable, distribute to each Ineligible Overseas Shareholder a proportion of those net proceeds by (at its discretion):

- making a deposit in Australian currency into an account with an Australian bank notified by the Ineligible Overseas

Shareholder to Tabcorp and recorded in or for the purposes of the Tabcorp Share Register as at the Scheme Record Date; or

- sending a cheque for the relevant share of the net proceeds of sale in Australian currency by pre-paid post to the Ineligible Overseas Shareholder's address as recorded in the Tabcorp Share Register as at the Scheme Record Date.

The amount of money received by each Ineligible Overseas Shareholder will be calculated on an averaged basis so that all Ineligible Overseas Shareholders will receive the same price for each Echo Share referable to their Tabcorp Shares, subject to rounding to the nearest whole cent.

Consequently, the amount received by Ineligible Overseas Shareholders for each Echo Share may be more or less than the actual price that is received by the Sale Agent for that particular Echo Share.

The payment of the net proceeds from the sale of Echo Shares will be in full satisfaction of the rights of Ineligible Overseas Shareholders under the Scheme. Full details of this process are contained in clause 4.5 of the Scheme (which is set out in Annexure A).

Under the Scheme, each Ineligible Overseas Shareholder appoints Tabcorp as its agent to receive on its behalf any financial services guide or other notices which may be issued by the Sale Agent.

4.11 Executive and other employee incentive schemes

Tabcorp currently operates a Deferred Share Plan, a Short Term Performance Plan and a Long Term Performance Plan (the **Incentive Plans**), pursuant to which executives and other employees may receive Tabcorp Shares, Performance Rights (each being a right to receive a Tabcorp Share for no consideration, subject to meeting market based performance hurdles and service conditions) and Performance Options (each being a right to receive a Tabcorp Share upon payment of a specified exercise price, subject to meeting market based performance hurdles and service conditions).

It is anticipated that, as at the expected Effective Date of the Scheme, securities granted under, and remaining subject to the terms of, the Incentive Plans will comprise the following:

Nature of Security	Number of Securities
Performance Rights	
- 17 November 2006 grant date	55
- 29 November 2007 grant date	278,483
- 15 September 2008 grant date	560,494
- 17 June 2009 grant date	773,672
- 14 September 2010 grant date	1,210,458
Performance Options (unvested)	417
Performance Options (vested)	52,232
Tabcorp Shares	910,598

4. Details of the Demerger

The Tabcorp Board has considered how the Demerger will affect the above securities and the objectives which the Incentive Plans are designed to achieve. The Tabcorp Board considers it important that any alterations to the securities produced by the Demerger are fair to securityholders and to Tabcorp, Echo and Tabcorp Shareholders, and at the same time preserve the incentives the securities provide to relevant executives and other employees.

The treatment of the relevant securities in the event that the Demerger proceeds is described below.

4.11.1 Unvested Performance Rights and Performance Options (other than those held by Mr Funke Kupper)

Performance Rights and Performance Options (together, **Performance Interests**) are issued pursuant to Tabcorp's Long Term Performance Plan. Under that plan, Performance Interests are tested against specified performance hurdles at the third anniversary of the date of grant and (in most cases) at two subsequent six monthly intervals.

At testing, a proportion of Performance Interests (determined by reference to the extent that the relevant performance hurdles are met) vest and are able to be exercised until the seventh anniversary of the date of grant. Any Performance Interests which have not vested by the end of the test period lapse.

The performance hurdles involve a comparison of the total shareholder return on a Tabcorp Share during the testing period, relative to the total shareholder return on shares in a number of comparative listed companies.

If the Demerger proceeds, the application of performance hurdles for unvested Performance Interests will be distorted, as the total shareholder return on Tabcorp Shares will exclude (at least in part) the value of Echo Shares and any distributions on such shares during the testing period. As a consequence, the financial performance of Tabcorp would not be fairly or accurately represented if the performance hurdles were applied in these circumstances. Further, the value of a Tabcorp Share received upon the exercise of a vested Performance Interest would be diminished by the value of an Echo Share.

Accordingly, the Tabcorp Board intends (with the consent of relevant holders) to deal with the Performance Interests (other than those held by Mr Funke Kupper, which will be dealt with as described in Section 4.11.3) as set out below.

Tabcorp will accelerate the date for testing of relevant performance conditions to the date on which the Scheme becomes Effective. That is, the performance conditions (namely, relative total shareholder return) will be assessed as to whether they have been met at the Effective Date of the Scheme. Accordingly, vesting of the relevant Performance Interests will be determined as if the testing date for measuring the performance hurdles applicable to them is the Effective Date of the Scheme, rather than the testing dates originally specified for those Performance Interests.

For holders of Performance Interests who are employees of the Tabcorp Group as at the Effective Date of the Scheme, the acceleration will apply only to the pro rata portion of unvested

Performance Interests that is equal to the proportion of the standard vesting period of three years that has elapsed as at the accelerated testing date.

In relation to participants who cease to be employed by the Tabcorp Group prior to the testing date, in some cases under the terms of the Long Term Performance Plan, they are entitled to retain a proportion of their unvested Performance Interests (with the remainder lapsing). The accelerated testing of performance conditions would apply to all Performance Interests retained by such former employees, without any further pro-rating.

In each case, the performance conditions to be tested will remain unchanged (ie they will be the same performance conditions applying since the grant of the relevant Performance Interests), except only to the extent that the testing date is brought forward.

Any Performance Interests that do not vest upon testing will lapse.

Any Performance Rights that do not qualify for testing will be cancelled. With respect to these Performance Rights, Tabcorp will pay the holder an amount equal to 50% of their fair value as at their date of grant.

The consideration to be paid in respect of the cancellation will be \$2.655 for each Performance Right granted in September 2008, \$2.30 for each Performance Right granted in June 2009 and \$1.815 for each Performance Right granted in September 2010.

All of the Performance Rights granted in November 2007 will be tested and so will not be subject to cancellation in the above manner, and hence no payment will be made in respect of such Performance Rights. Tabcorp expects that none of these Performance Rights would satisfy the applicable performance conditions as at the Effective Date of the Scheme, and they would therefore lapse without vesting.

Assuming that the Effective Date is 3 June 2011, the result of this would be that:

- approximately 914,524 of the 1,702,428 unvested Performance Rights, and all of the 417 unvested Performance Options, would be performance tested on the Effective Date; and
- Tabcorp would pay holders of unvested Performance Rights an aggregate amount of approximately \$1,527,711 in respect of the cancellation of approximately 787,904 Performance Rights.

Any Performance Rights that vest as a result of performance testing as set out above, or that are otherwise vested as at the Effective Date in the normal course under the Long Term Performance Plan, will be immediately exercised and Tabcorp Shares issued or transferred to the holders in respect of such exercise before the Scheme Record Date. Those Tabcorp Shares will participate in the Scheme in common with all other Tabcorp Shares on issue as at the Scheme Record Date.

4.11.2 Performance Options

As indicated above, the value of a Tabcorp Share received upon the exercise of a vested Performance Option would be diminished by the proportionate value of an Echo Share. The Tabcorp Board intends to reduce the exercise price of the Performance Options in a manner that reflects this diminution in value. Specifically, the exercise price of the Performance Options will be reduced by an amount equal to the VWAP of Echo Shares as traded on ASX (whether on an ordinary or deferred settlement basis) over the first five Trading Days after the Effective Date.

4.11.3 Treatment of Performance Rights held by Tabcorp's Managing Director and Chief Executive Officer

Tabcorp's current Managing Director and Chief Executive Officer, Mr Elmer Funke Kupper, will cease employment with Tabcorp shortly after the Effective Date of the Scheme. On cessation, Mr Funke Kupper will receive certain entitlements that flow from his employment contract entered into with Tabcorp in 2007. These are set out in Section 10.6.3.

The Tabcorp Board considers it important that Mr Funke Kupper receives equivalent treatment to other holders of Performance Rights to the extent practicable, whilst recognising:

- that Mr Funke Kupper will cease employment shortly after the Effective Date; and
- that entitlements are provided for, and will be due to him, under his 2007 employment contract and related arrangements on cessation of employment with Tabcorp.

Mr Funke Kupper was granted 1,120,734 Performance Rights between September 2007 and October 2010 in four tranches.

The 100,000 Performance Rights granted to Mr Funke Kupper in 2007 will automatically lapse upon him ceasing employment, in accordance with Mr Funke Kupper's contract.

In relation to the Performance Rights granted in 2008, 2009 and 2010, upon Mr Funke Kupper ceasing employment a pro-rata proportion will remain in existence, with the balance of those grants automatically lapsing, in accordance with Mr Funke Kupper's contract and the terms and conditions applicable to those Performance Rights. The pro-rata proportion of each of those grants that will remain in existence will be determined on the basis of the period of employment from the relevant grant date to the cessation date. The Performance Rights that remain in existence in this way are referred to collectively as the **Pro-rated Rights**. Assuming that the Effective Date is Friday, 3 June 2011, it is expected that there will be approximately 571,449 Pro-rated Rights.

No payment will be made to Mr Funke Kupper in respect of any of the Performance Rights that lapse.

The Tabcorp Board has determined that, in relation to the Pro-rated Rights, it will exercise its discretion under Mr Funke Kupper's contract and under the terms and conditions of the Performance Rights to allow potential vesting of those Performance Rights immediately following cessation of Mr Funke Kupper's employment. The number of the Pro-rated

Rights that will be allowed to vest in this way will be the lesser of:

- 340,245 (being one third of the total Performance Rights granted in 2008, 2009 and 2010); and
- the number determined according to the extent that the applicable performance conditions (namely, relative total shareholder return) have been met at the Effective Date of the Scheme. That is, subject to the maximum number referred to above, vesting will be determined as if the testing date for measuring the performance hurdles applicable to each grant is the Effective Date of the Scheme, rather than the testing dates originally specified for each grant. In effect, subject to the maximum number referred to above, early vesting of Mr Funke Kupper's Pro-rated Rights will be determined on an equivalent basis to early vesting of Performance Rights held by other Long Term Performance Plan participants, as described in Section 4.11.1.

The Tabcorp Board will determine the exact number of Performance Rights that will be allowed to vest in this way, if any, as soon as possible following the Effective Date. If any of the Pro-rated Rights do not vest in this way, they will not lapse at that time but will remain on foot and be tested on the testing dates originally provided for under their terms of grant. However, the performance hurdles applying in respect of those Performance Rights that remain on foot will not be adjusted to reflect the fact that, following the Demerger, the total shareholder return on Tabcorp Shares will exclude (at least in part) the value of Echo Shares and any distributions on such shares during the testing period. Accordingly, the Tabcorp Board expects that the performance conditions in respect of those Performance Rights retained after the Demerger is implemented will not be satisfied, and that the Performance Rights would ultimately lapse without vesting.

4.11.4 Tabcorp Shares provided pursuant to the Deferred Share Plan and the Short Term Performance Plan

Under the Tabcorp Short Term Performance Plan, participating employees receive short term incentives, a portion of which are satisfied by the issue or transfer of Tabcorp Shares pursuant to the Tabcorp Deferred Share Plan. In addition, some Tabcorp executives received Tabcorp Shares pursuant to the Tabcorp Deferred Share Plan as a sign-on bonus when they commenced employment with Tabcorp.

Such Tabcorp Shares are subject to disposal restrictions (which generally prohibit participants from disposing of the Tabcorp Shares for three years after their date of grant) and forfeiture provisions (which allow the Tabcorp Board to determine that some or all of the Tabcorp Shares are to be forfeited where a participant ceases to be employed within the Tabcorp Group within 3 years of the date of grant of the relevant Tabcorp Shares).

Some Tabcorp employees have also acquired Tabcorp Shares under the Tabcorp Deferred Share Plan by way of voluntary salary sacrifice or bonus sacrifice. Those Tabcorp Shares are subject only to disposal restrictions and not forfeiture provisions.

The Tabcorp Directors consider that it would be inappropriate to invoke the forfeiture provisions in respect of Tabcorp

4. Details of the Demerger

Shares held by current Tabcorp Group employees who are to become employees of the Echo Group following the Demerger. Further, following implementation of the Demerger, the continued application of the disposal restrictions to the relevant Tabcorp Shares would not achieve the intended purpose of aligning the interests of relevant employees with those of Echo as their employer.

For these reasons, the Tabcorp Board has determined to waive the disposal restrictions and forfeiture provisions in respect of the Tabcorp Shares issued pursuant to the Short Term Performance Plan and the Deferred Share Plan Rules to persons who will become employees of the Echo Group. To ensure equitable treatment between current Tabcorp Group employees that are to become employees of the Echo Group following the Demerger and continuing Tabcorp Group employees, the Tabcorp Board has also determined to waive the disposal restrictions and forfeiture provisions in respect of relevant Tabcorp Shares provided to the latter.

As at the date of this Scheme Booklet, 476,564 Tabcorp Shares remain subject to both the disposal restrictions and forfeiture provisions referred to above and a further 284,034 Tabcorp Shares remain subject only to the disposal restrictions. Absent the Demerger, in the ordinary course, the disposal restrictions and forfeiture provisions would cease to apply in respect of approximately 28% of the Tabcorp Shares by August 2011, in respect of a further 42% of the Tabcorp Shares by August 2012 and in respect of the last of the shares by August 2013.

4.12 Other potential options considered by the Tabcorp Board

The Tabcorp Board believes the Demerger will deliver greater value to Tabcorp Shareholders than the status quo or other potential options. The Tabcorp Board has reached this view after considering a range of potential options with the assistance of its financial advisers.

Status quo

The priorities of Tabcorp's Casinos Business are diverging from the priorities of Tabcorp's wagering, gaming and keno businesses. The Tabcorp Board considers that the Demerger will enhance the ability for these businesses to grow and will allow each company to have an appropriate capital structure and dividend policy.

Divestments and mergers

The Tabcorp Board considered the merits of different combinations including divesting various Tabcorp businesses and mergers involving Tabcorp and its businesses.

A divestment of Tabcorp's Casinos Business or Tabcorp's wagering, gaming and keno businesses would be unlikely to realise full underlying value for Tabcorp and Tabcorp Shareholders and would involve significant additional transaction uncertainty (including regulatory uncertainty). A divestment of these businesses may result in tax payable by Tabcorp which would reduce net proceeds to Tabcorp and its shareholders. In the event of a divestment, Tabcorp Shareholders may not retain an interest in these businesses and may not benefit from any future growth opportunities in these businesses.

A merger which involves Tabcorp would involve significant transaction uncertainty and complexity given the diverse range of Tabcorp's businesses and significant regulatory uncertainty.

The regulatory uncertainty associated with the Demerger is lower than the regulatory uncertainty associated with a potential divestment or merger.

The Demerger does not preclude either Echo or New Tabcorp from acquiring a third party, being acquired by a third party or pursuing a merger with a third party. Following the Demerger, the uncertainty associated with any such transaction may be reduced.

The Demerger also allows Eligible Shareholders to retain an interest in Tabcorp's businesses, to benefit from future growth opportunities in these businesses and to make their own decisions regarding their continuing investment in either or both of Echo and New Tabcorp.

Having regard to the advantages, disadvantages and risks of each of the various options described above, compared with the advantages, disadvantages and risks of the Demerger (as outlined in Section 3), the Tabcorp Board believes the Demerger is in the best interests of Tabcorp Shareholders and is superior to and will deliver greater value to Tabcorp Shareholders than the status quo or other potential options.

4.13 Implications if the Demerger does not proceed

If Tabcorp Shareholders do not approve the Demerger, the Court does not approve the Scheme or any of the other conditions to the Demerger are not satisfied or waived, the Demerger will not proceed.

In that event:

- the Capital Reduction will not proceed;
- Tabcorp Shareholders will not receive Echo Shares (or, in the case of Ineligible Overseas Shareholders, they will not receive the proceeds from the sale of Echo Shares);
- Tabcorp Shareholders will retain their current holding of Tabcorp Shares (unless they sell them);
- Tabcorp Shares will trade on the basis that there will not be a Demerger. The price of Tabcorp Shares in such circumstances is uncertain;
- Tabcorp will continue to own and manage the Casinos Business;
- the advantages of the Demerger, as described in Section 3.2, may not be realised;
- the disadvantages and risks of the Demerger as described in Sections 3.3 and 3.4 may not arise;
- the Tabcorp Board and management may consider alternatives for the Casinos Business; and
- Tabcorp will incur cash transaction and implementation costs of approximately \$40 million.

5. Information on Echo Entertainment Group

5. Information on Echo Entertainment Group

5.1 Business overview

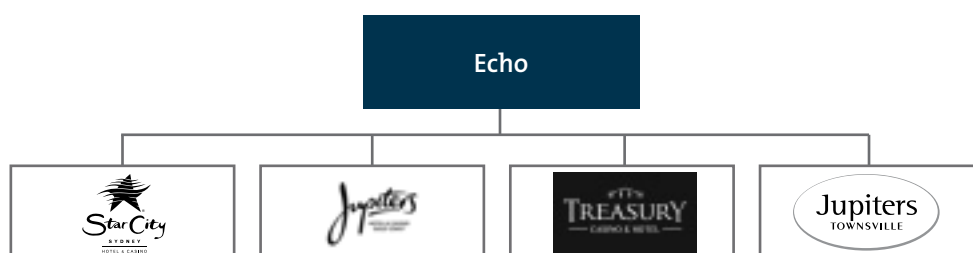
Echo³ operates Star City Casino in Sydney, Jupiters Hotel & Casino on the Gold Coast, Treasury Casino & Hotel in Brisbane and Jupiters Townsville. Echo also manages the Gold Coast Convention and Exhibition Centre and the Townsville Entertainment and Convention Centre (in which Echo has a partial interest).

Echo has a diversified earnings base with both gaming and non-gaming operations in New South Wales and Queensland.

Significant growth in operations is expected from new investments and proposed expansion programs at Echo's properties.

A \$960 million expansion at Star City in NSW is underway and a \$625 million expansion⁴ of Echo's Queensland casinos is planned.

Echo Group Properties



Property profiles (as at 31 December 2010)

	Star City Casino	Jupiters Hotel & Casino	Treasury Hotel & Casino	Jupiters Townsville	Total for Echo
Tables	202	96	91	26	415
MTGMs	261	35	43	10	349
EGMs	1,500	1,368	1,280	346	4,494
Restaurants	5	6	6	3	20
Bars	14	11	8	3	36
Hotel rooms / apartments	490	594	130	194	1,408
Theatres	1	1	na	na	2
Conference and banquet facilities	✓	✓	✓	✓	✓
Visitors/day ¹	+25,000	+12,000	+11,000	+2,000	+50,000
Employees	3,618	2,083	1,632	476	7,809

Note:

1 Visitors/day – Figures represent the average number of visitors per day between 1 July 2010 and 31 December 2010.

3 In this Scheme Booklet (including in this Section 5) references to Echo include, where the context requires, references to the Casinos Business during the relevant period or at the relevant time, in particular the casinos business conducted by the Jupiters Group and the Star City Holdings Group, which entities (other than those operating the Queensland and New South Wales keno businesses) will form part of the Echo Group which is proposed to be demerged to Tabcorp Shareholders.

4 Subject to the satisfactory conclusion of negotiations with the Queensland Government and the other matters referred to in Section 5.7.



Summary of key licences held by Echo¹

Casino	Year of licence expiry
Star City	2093
Jupiters	Perpetual
Treasury	2070 ⁵
Jupiters Townsville	Perpetual

Note:

¹ Further details relating to the casino licences are set out in Section 11.1.

5.2 Recent operational performance

The recent operational achievements of the Casinos Business include:

- the Star City Casino expansion being on track with capital expenditure in line with budget;
- disruption to the existing Star City Casino operations as a result of the expansion project being well managed;
- increased earnings at Star City Casino from gaming concessions, improved technology and marketing;
- EGM market share growing in each key market; and
- recovery in performance in Queensland following the slow down in discretionary spending and consumer confidence following the global financial crisis.

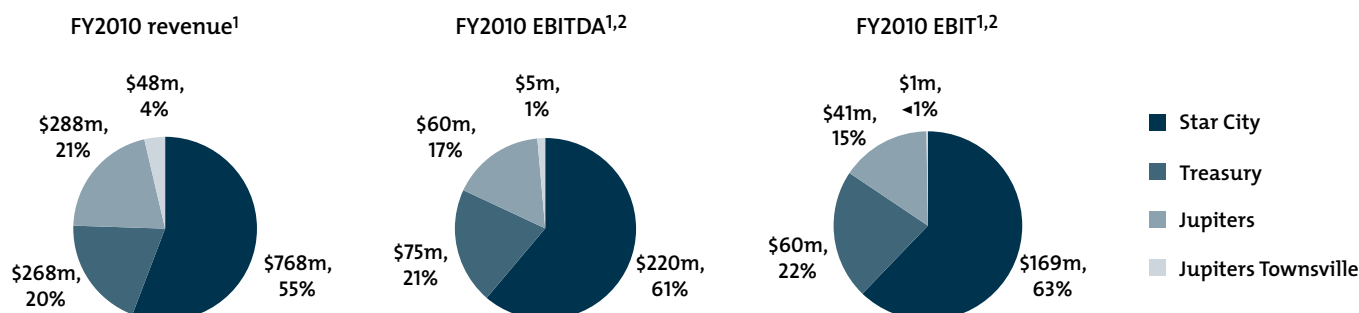
⁵ The Treasury casino licence is perpetual, however, it is linked to the lease of the Treasury Casino & Hotel property which expires in 2070. There is provision under the Brisbane Casino Agreement for the licence to be extended in connection with an extension of the current lease or grant of a new lease.

5. Information on Echo Entertainment Group

5.3 Recent financial performance

5.3.1 Year ended 30 June 2010

In FY2010, Tabcorp's Casinos Business generated normalised revenue of \$1,372 million, normalised EBITDA of \$360 million and normalised EBIT of \$271 million.



Notes:

1 These figures are normalised for theoretical win rate in the VIP business. See Section 5.10.4.

2 These figures do not take into account \$4 million per annum additional corporate costs which are anticipated to arise post Demerger. See Section 5.10.3.

5.3.2 Trading update

Tabcorp's Casinos Business has continued to experience revenue growth in the third quarter of the 2011 financial year, with normalised revenues up 5.9% in the 3 months ended 31 March 2011 compared to the previous corresponding period. Star City Casino grew normalised revenues by 11.3%, driven by continued growth in gaming and the international VIP business, and good management of disruption from construction. In Queensland, the January 2011 floods impacted significantly on the performance of the Treasury Casino & Hotel during the quarter. The other Queensland casinos continued to record positive revenue growth.

The table below shows the Casinos Business actual and normalised revenue performance (rounded to the nearest million) for the period 1 July 2010 to 31 March 2011.

REVENUE	1H11		3Q11		YTD	
	\$m	Change on pcp	\$m	Change on pcp	\$m	Change on pcp
Star City	412	6.5%	207	11.3%	619	8.0%
Jupiters Gold Coast	154	7.7%	77	4.1%	231	6.5%
Treasury Brisbane	142	2.2%	61	(7.6%)	203	(1.0%)
Jupiters Townsville	27	3.8%	12	9.1%	39	5.4%
TOTAL (normalised)	735	5.8%	357	5.9%	1,092	5.8%
Actual win above/(below) theoretical rate	(5)		84		79	
TOTAL (actual)	730	6.6%	441	37.4%	1,171	16.4%

5.4 Business strategy

The key strategic priorities of Echo are as follows:

Create world class destinations

- Deliver the expansion of Star City Casino
- Deliver the proposed expansion of the Queensland casinos⁶
- Pursue additional expansion where this creates sustainable shareholder value

Grow international VIP business

- Provide world class private gaming facilities
- Expand international rebate business market share

Improve customer experience

- Provide customers with improved product and service offering
- Elevate the customer experience to grow market share

Maximise value from technology

- Further enhance gaming and loyalty experience
- Deliver an integrated casino gaming platform and implement a new IT platform across the Queensland properties

As part of its business strategy, Echo will actively review opportunities in relation to its business and assets from time to time.

5.5 Star City Casino

5.5.1 Star City Casino operations

Star City Casino is located in Pyrmont in Sydney, New South Wales. Star City Casino was established in 1995 and Star City Pty Ltd has a 99 year casino licence (the **NSW Casino Licence**) that expires in 2093. The land on which the Star City Casino site is situated is owned by the NSW CLGCA and leased to Sydney Harbour Casino Properties Pty Limited.

The original period in relation to exclusivity for the NSW Casino Licence expired in 2007. In October 2007, Star City Pty Ltd reached an agreement with the New South Wales Government for the grant to Star City Pty Ltd of certain product concessions and for the period in relation to NSW-wide exclusivity to be extended until November 2019. Further information in relation to the NSW Casino Licence is set out in Section 11.1.1.

As at 31 December 2010, Star City Casino featured 202 gaming tables and 261 MTGMs located on a main gaming floor and in private gaming rooms. As at 31 December 2010, electronic gaming operations at the casino included 1,500 EGMs, which is the number it is permitted to operate, and 261 MTGMs, a wagering outlet and 9 keno terminals.

As at 31 December 2010, Star City Casino's non-gambling operations included 351 hotel rooms and 139 apartments⁷ as part of its five star hotel and apartment complex, five restaurants, 14 bars, banquet and conference facilities, a theatre and a car park.

5.5.2 Star City Casino expansion

Star City Casino is currently undergoing a major expansion. The Star City Casino expansion project includes the reorientation of the property towards Sydney harbour, a new 5-star hotel, new restaurants and bars, an events centre, a nightclub, spa and treatment rooms, 4,000 square metres of retail space and the refurbishment and expansion of the casino. The first of the new gaming areas, bars and restaurants are now open and operating in line with expectations.

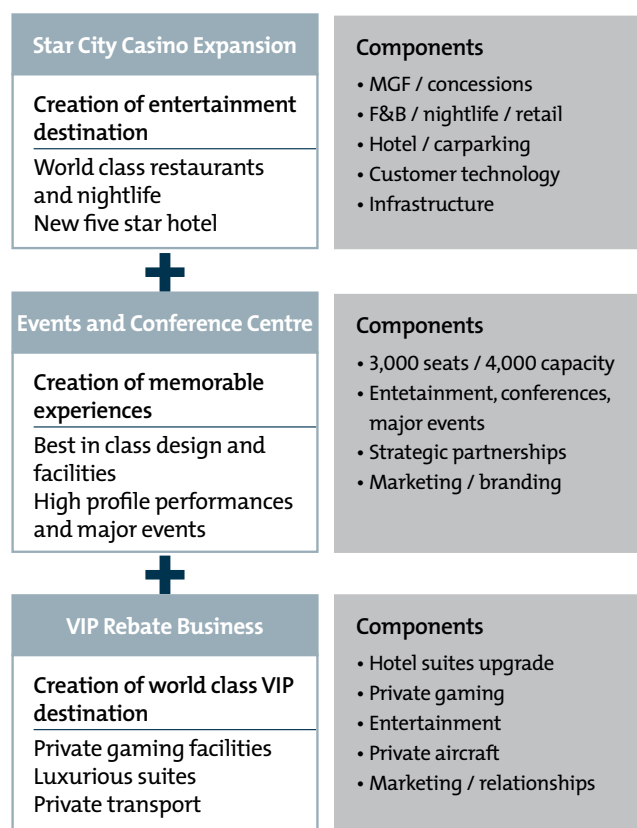
The creation of a world class VIP destination is also a key component of the Star City Casino expansion project which will involve the provision of private gaming facilities, luxurious suites and private aircraft.

The inclusion of an events centre is expected to realise the full tourism potential of the Star City Casino property, making Star City Casino a complete entertainment destination.

⁶ Subject to the satisfactory conclusion of negotiations with the Queensland Government and the other matters referred to in Section 5.7.

⁷ The Star City Holdings Group owns all the hotel rooms and 95 apartments, and manages 34 investor owned apartments. Ten apartments are owner-occupied.

5. Information on Echo Entertainment Group



The \$960 million investment at Star City Casino is well progressed and on track for completion in CY2012. Most of the new facilities will be delivered in CY2011. The transformation is currently focused on the redevelopment of the main gaming floor (approximately 40% complete as at the date of this Scheme Booklet, with completion targeted for December 2011), the addition of several new bars and restaurants (all planned to be open by December 2011) and the construction of a new 172 room five star hotel (approximately 50% complete as at the date of this Scheme Booklet, with completion targeted for November 2011).

The two private aircraft associated with the expansion program are to be financed through operating leases (rather than purchased outright) with possession of the first aircraft taking place in March 2011. The \$960 million headline investment includes payment of \$100 million to the NSW Government and \$90 million for the acquisition of two private aircraft, that will now be leased.

The proposed capital expenditure for FY2011, FY2012 and FY2013 in respect of the Star City Casino expansion is as set out below.

Star City Casino expansion capital expenditure profile

FY	Capital Expenditure Profile ⁸
FY2008-FY2010	\$280 million (over 3 years)
FY2011	\$435 million (approx.)
FY2012	\$150 million (approx.)
FY2013	\$95 million (approx.)

5.6 Queensland casinos

5.6.1 Jupiters Hotel & Casino Gold Coast

Jupiters Hotel & Casino is located on the Gold Coast, Queensland and was established in 1985. Jupiters Hotel & Casino is located on a 6.6 hectare landscaped island facility and is the only casino resort destination on the Gold Coast. Entities within the Jupiters Group own the Jupiters Hotel & Casino property and hold the associated casino licence. The geographical exclusivity period for the casino licence has expired.

As at 31 December 2010, Jupiters Hotel & Casino featured 96 gaming tables (although the current permitted maximum is 117) located on the main gaming floor areas and in private gaming rooms. Gaming table operations at Jupiters Hotel & Casino incorporate an international rebate table games business in the private gaming rooms. Electronic gaming operations at the casino included 1,368 EGMs and 35 MTGMs (although the licence permits a maximum of 1,404 EGMs and MTGMs), a wagering outlet and 16 keno terminals (all operated).

As at 31 December 2010, Jupiters Hotel & Casino's non-gambling operations included 594 hotel rooms (as part of the complex's five star hotel), six restaurants, 11 bars, banquet and conference facilities, a theatre and a car park.

5.6.2 Treasury Casino & Hotel

Treasury Casino & Hotel is located in Brisbane, Queensland, and was established in 1995. Jupiters holds the casino licence in perpetuity, which is linked to the lease of the Treasury Casino & Hotel property that expires in 2070. The geographical exclusivity period for the casino licence has expired. The Treasury Casino & Hotel operations are housed in a precinct including the restored Treasury and Land Administration Buildings, a heritage site within Brisbane's central business district in Queensland. The Treasury Casino & Hotel property is owned by the State of Queensland and occupied under a lease from the State to Jupiters which expires in 2070.

As at 31 December 2010, Treasury Casino & Hotel featured 91 gaming tables (although the current permitted maximum is 111) located on a number of main gaming floors and in private gaming rooms. Gaming table operations at the casino incorporate an international rebate table games business in

⁸ Star City Casino expansion capital expenditure includes \$100 million payment to the NSW Government and \$90 million for the acquisition of two private aircraft that will now be leased. The capital expenditure for FY2008-FY2010 represents amounts paid and payable as at 30 June 2010. The timing of the capital expenditure shown in this table for FY2011-FY2013 is indicative only.

the private gaming rooms. Electronic gaming operations at the casino included 1,280 EGMs and 43 MTGMs (although the licence permits a maximum of 1,332 EGMs and MTGMs), a wagering outlet and 15 keno terminals (all operated).

As at 31 December 2010, Treasury Casino & Hotel's non-gambling operations included 130 hotel rooms (as part of the complex's five star hotel), six restaurants, eight bars, banquet and conference facilities and a car park.

5.6.3 Jupiters Townsville

Jupiters Townsville casino is located in Townsville, Queensland, and was established in 1986. The property on which the Jupiters Townsville casino is situated is owned, and the associated perpetual casino licence is held, within the Jupiters Group. The geographical exclusivity period for the casino licence has expired.

As at 31 December 2010, Jupiters Townsville featured 26 gaming tables (although the current permitted maximum is 37), 346 EGMs and 10 MTGMs (although the licence permits a maximum of 400 EGMs and MTGMs), a wagering outlet and 3 keno terminals (all operated).

As at 31 December 2010, Jupiters Townsville's non-gambling operations included 194 hotel rooms (as part of the complex's four and a half star hotel), three restaurants, three bars and a car park.

The Jupiters Group also has a minority interest in, and operates, the Townsville Entertainment and Convention Centre. The centre is used for sporting events, banquets, conferences and conventions, and can host up to 5,150 people in the main auditorium and an additional 850 in other areas.

5.6.4 Gold Coast Convention and Exhibition Centre

Jupiters manages the Gold Coast Convention and Exhibition Centre, which is owned by the State of Queensland. The centre is located adjacent to the Jupiters Hotel & Casino and the two properties are connected by a covered walkway. The centre can accommodate up to 6,020 people in various entertainment and sports modes in the main arena, up to 5,950 delegates in the exhibition halls and additional patrons in various other banqueting and conference rooms, with a maximum simultaneous occupancy of 10,000.

5.7 Queensland casinos expansion

In December 2010, Tabcorp announced a proposed investment program of \$625 million in relation to Echo's three Queensland casinos. The announcement followed Tabcorp reaching in-principle agreement with the Queensland Government on a package of concessions that would support the viability of the Queensland casinos investment program and the long term growth of Echo's three Queensland casinos.

The rationale for the proposed \$625 million Queensland casinos investment includes the following:

- Echo currently has strong market positions in Brisbane, Gold Coast and Townsville;
- Queensland as a State has strong growth prospects;

- Queensland has one of the strongest population growth rates in Australia, with the Gold Coast expected to remain at above the Australian national average population growth rate; and
- Queensland remains a leading tourist destination capturing 20% of all international visitor nights, and 25% of all domestic visitor nights, in Australia.

Echo will be able to leverage off the project management and implementation expertise and experience generated by the Star City Casino expansion to mitigate potential risks associated with the Queensland casinos expansion.

The Queensland casinos investment program is subject to:

- Echo entering into an agreement with the Queensland Government on terms acceptable to Echo in relation to the investment program;
- the Echo Group obtaining a number of gaming concessions that would support the viability of the proposed Queensland casinos investment program (as a whole), including:
 - 500 additional EGMs, and the transfer of 47 EGM licences from Jupiters Townsville to the Treasury Casino & Hotel or the Jupiters Hotel & Casino;
 - 50 additional table licences to be utilised at the Treasury Casino & Hotel and the Jupiters Hotel & Casino;
 - a reduced threshold amount required for premium and VIP customers to participate in junket play; and
 - the Queensland Government reclassifying MTGMs as table games on terms acceptable to Echo. MTGMs are currently classified as gaming machines rather than table games. The reclassification of MTGMs as table games would provide the Echo Group with greater flexibility to tailor its casino gaming floors to meet particular demands; and
- the Echo Group obtaining all necessary regulatory approvals, including regulatory approvals to enable the implementation of the concessions referred to above, council and other planning and development approvals.

If the Queensland casinos investment program is undertaken, it would significantly expand the facilities and scale of the Queensland casino properties, particularly in Brisbane and on the Gold Coast. More than three quarters of the total proposed investment would be directed towards non-gaming facilities such as hotels, restaurants, events space and spa and pool facilities. It is expected that overall visitation to the Queensland casino properties would significantly increase from the current 9 million visitors per annum.

A summary of the expected key components of the Queensland casinos expansion is set out below. The descriptions provided below are indicative of the general nature, scale, standards and scope of the development. As set out above, the proposed expansion program is subject to Echo and the Queensland Government entering into an agreement on terms acceptable to Echo that documents the 'in-principle'

5. Information on Echo Entertainment Group

agreement reached in December 2010. It is also subject to the final design and the other matters referred to above, as well as obtaining the necessary regulatory approvals.

If Echo is not able to enter into an agreement with the Queensland Government in relation to the proposed investment program on terms acceptable to Echo, or is not able to obtain all relevant gaming concessions (including associated regulatory approvals) or other regulatory approvals, planning and development approvals, the proposed investment program as described generally below would not proceed, and the nature and scale of any investment program in relation to the Queensland casinos would need to be considered by the Echo Board at the relevant time.

5.7.1 Proposed \$350 million investment to create casino resort on the Gold Coast

Jupiters Hotel & Casino on the Gold Coast has a unique position in one of the most attractive tourism destinations in Australia. The proposed investment would significantly expand the property and is expected to include the following main elements:

- a new 5 star, 200 room boutique hotel, the construction of which is conditional upon: (i) the Queensland Government being successful in its bid to hold the 2018 Commonwealth Games; and (ii) the favourable reclassification of MTGMs as table games rather than gaming machines;
- eight new restaurants and bars;
- a new night life venue;
- new spa facilities and 'ultra' pool;
- a 'Beach Club' on the ocean's edge, including VIP facilities;
- an expanded and refurbished ballroom;
- an expanded main gaming floor; and
- a new private gaming room and VIP gaming facilities.

5.7.2 Proposed \$260 million investment in Brisbane

Echo's proposed investment in the Treasury Casino & Hotel in Brisbane would add hotel capacity to Brisbane and would significantly upgrade and expand the entertainment and gaming facilities that are currently available at the Treasury Casino & Hotel property. The proposed investment is anticipated to include a new hotel and an upgrade of the existing hotel and casino properties:

- 159 William Street:
 - a new 5 star, 400 room hotel;
 - a new events centre or ballroom;
 - a new world class spa;
 - a new nightlife venue;
 - four additional restaurants;
 - new gaming facilities including private gaming room and VIP gaming facilities; and

- a walkway to the existing casino; and
- existing Treasury Casino & Hotel:
 - an upgrade of the existing gaming space;
 - some or all of VIP gaming to be moved to the new hotel; and
 - an upgrade of existing hotel rooms.

5.7.3 Proposed \$15 million investment to upgrade facilities at Jupiters Townsville

Echo's proposed investment in Jupiters Townsville is anticipated to upgrade existing facilities and increase the space available for major events in the region. It would include:

- an upgrade of the hotel suites;
- an expansion of the available meeting and ballroom space; and
- an upgrade of premium gaming facilities.

5.7.4 Other matters

Echo has committed to implementing a voluntary pre-commitment system for EGMs in its Queensland casinos as part of its program to upgrade its gaming management technology. Echo recognises the importance of voluntary pre-commitment for the continued improvement of its responsible gambling practices. The system is expected to be operational in approximately two years.

5.7.5 Planned capital expenditure

The capital expenditure in respect of the proposed Queensland casinos investment program, which has not commenced, would occur after the Demerger Date and is currently expected to be phased over a number of years (as set out below).

Queensland casinos expansion planned capital expenditure

FY ¹	Capital Expenditure Profile
FY2011	\$5 million (approx.)
FY2012	\$30 million (approx.)
FY2013	\$90 million (approx.)
FY2014	\$220 million (approx.)
FY2015 – FY2018	\$280 million (approx.) over 4 years

Note:

1 The timing of expenditure is indicative only.

The proposed investment program and capital expenditure are subject to Echo entering into an agreement with the Queensland Government on terms acceptable to Echo, as well as regulatory, council and other planning approvals as described in Section 5.7.

The first three years of the proposed Queensland casinos investment program would focus on the construction of a new hotel at 159 William Street in Brisbane and the expansion of gaming and non-gaming facilities at Jupiters Hotel & Casino. This is expected to deliver the vast majority of the expansion in gaming and non-gaming facilities by FY2015.

It is expected that the construction of the second hotel on the Gold Coast would commence in CY2015 and would be completed in time for the 2018 Commonwealth Games, should Queensland be awarded the Games.

The proposed Queensland casinos investment program is expected to improve the growth prospects of Echo.

The Echo Board will consider the appropriate capital management strategy for Echo, taking into consideration the timing of capital expenditure over the course of the Star City Casino and the proposed Queensland casinos investment programs, the performance of the Echo Group and the various funding options available to it.

5.8 Echo Board of Directors, management and corporate governance

If the Demerger is implemented, the board of directors of Echo will initially be constituted as set out below. In conjunction with the Demerger, Echo will seek to identify appropriate candidates to join the Echo Board as additional non-executive directors. The appointment of additional directors would require receipt of relevant regulatory approvals.

The Echo Board members and senior executives referred to below are drawn from Tabcorp and have extensive industry experience.

5.8.1 Non-executive directors

John Story

Chairman and non-executive director

- Mr Story has been a non-executive director of Tabcorp since January 2004, and Chairman of Tabcorp since 2007. Mr Story has over 18 years' experience as a director in the gambling industry, having joined Tabcorp following its merger with Jupiters in November 2003
- Mr Story was a Partner of the law firm Corrs Chambers Westgarth for 36 years until his retirement on 30 June 2006. Mr Story practised in the areas of corporate and commercial law and served as the firm's Queensland Managing Partner and National Chairman
- Mr Story is Chairman of Suncorp Group Limited and a Director of CSR Limited. Mr Story is also Chancellor of the University of Queensland and Commissioner of the Public Service Commission (Queensland)
- Mr Story is currently Chairman of the Tabcorp Nomination Committee. Mr Story is also currently a member of the Tabcorp Audit Committee, the Tabcorp Remuneration Committee and the Tabcorp Risk and Compliance Committee

John O'Neill AO

Non-executive director

- Mr O'Neill has been a non-executive director of Tabcorp since May 2008
- Mr O'Neill is the Managing Director and Chief Executive Officer of Australian Rugby Union Limited. Mr O'Neill is a former Chief Executive Officer of Football Federation Australia and was Managing Director and Chief Executive Officer of the State Bank of New South Wales and Chairman of the Australian Wool Exchange Limited
- Mr O'Neill was also the inaugural Chairman of Events New South Wales, which flowed from the independent reviews he conducted into events strategy, convention and exhibition space, and tourism on behalf of the New South Wales Government
- Mr O'Neill is currently Chairman of the Tabcorp Risk and Compliance Committee. Mr O'Neill is also currently a member of the Tabcorp Audit Committee and the Tabcorp Nomination Committee

Brett Paton

Non-executive director

- Mr Paton has been a non-executive director of Tabcorp since October 2008
- Mr Paton is Vice Chairman Institutional Clients Group for Australia and New Zealand at Citigroup Inc and is a member of the Citigroup Australian Management Committee
- Mr Paton is also a member of the ASX Capital Markets Advisory Panel. Mr Paton was Managing Director and Vice Chairman of Global Investment Banking at UBS and was a Member of its Australian Executive Committee, Chairman of the Equity Markets Committee and Chairman of the Capital Commitment Committee, its underwriting committee
- Mr Paton is currently a member of the Tabcorp Audit Committee, Tabcorp Nomination Committee, Tabcorp Risk and Compliance Committee and the Tabcorp Technology Committee

5.8.2 Management

The biographies of the Managing Director and Chief Executive Officer, and the Chief Financial Officer and Executive Director, of Echo are set out below.

Larry Mullin

Managing Director and Chief Executive Officer

- Mr Mullin was appointed Managing Director of Tabcorp's Casinos division in February 2009
- Mr Mullin is responsible for overseeing a period of significant change for the Tabcorp casinos – namely the redevelopment of Star City Casino and the recently announced proposed expansion and refurbishment of the Queensland casinos
- Before joining Tabcorp, Mr Mullin was the President and Chief Operating Officer of Borgata Hotel Casino and Spa in Atlantic City in the United States

5. Information on Echo Entertainment Group

- Mr Mullin has a 20 year career in casino operations, during which he held a variety of senior casino management positions and helped shape casino entertainment in the United States
- Mr Mullin holds a Bachelor of Business Administration

Matt Bekier

Chief Financial Officer and Executive Director

- Mr Bekier joined Tabcorp in late 2005 after 14 years with McKinsey & Company in Australia, Europe, Asia and North America
- At Tabcorp, Mr Bekier has been the Chief Financial Officer, responsible for Finance, Strategy, Risk, Internal Audit, Group IT and Business Services
- Mr Bekier holds a Master of Economics and Commerce as well as a PhD in Finance

It is expected that all remaining key senior management appointments will be made in advance of, and will take effect on, the Demerger Date.

5.8.3 Corporate governance and Echo Board committees

The Echo Board strongly supports the principles of corporate governance and is committed to maintaining the highest standards within Echo. This is particularly relevant given the highly regulated environment in which Echo operates.

Initially, Echo's policies, practices and structures will mirror those governing Tabcorp as at the date of this Scheme Booklet. These can be found at www.tabcorp.com.au/about/governance.

Echo's policies and corporate governance practices will be reviewed annually and will continue to be developed and refined to meet the needs of Echo and best practice.

To assist in carrying out its responsibilities, the Echo Board will establish the following committees:

- Audit Committee;
- Risk and Compliance Committee;
- Remuneration Committee; and
- Nomination Committee.

Board committee membership will be restricted to non-executive directors of Echo. Each board committee will have terms of reference which set out the roles, responsibility, composition and processes of each committee.

(i) Audit Committee

The Audit Committee will be responsible for reviewing, overseeing and reporting to the Echo Board on financial reporting matters, internal controls and internal and external audit functions.

(ii) Risk and Compliance Committee

The Risk and Compliance Committee will be responsible for establishing, overseeing and reviewing risk and compliance policies, frameworks and systems and assessing the effectiveness of risk and compliance control processes and reporting systems.

(iii) Remuneration Committee

The Remuneration Committee will be responsible for establishing, overseeing and advising the Echo Board in relation to remuneration arrangements and incentive plans, preparation of the annual remuneration report, assessing management performance and other human resources-related matters.

(iv) Nomination Committee

The Nomination Committee will be responsible for establishing and managing processes, and advising the Echo Board, in relation to board and board committee appointments, composition and succession.

The processes of the Echo Board will be governed by the Echo Constitution. The constitution to be adopted by Echo is summarised in Section 10.10.

5.9 Employees, industrial relations and employee share incentive plans

5.9.1 Employees

Generally, employees in each part of the Casinos Business are employed by the entity that operates that business (eg most employees who work at Star City Casino are employed by Star City Pty Ltd).

However, certain of the intended employees of Echo are currently employed by entities that will form part of the New Tabcorp Group. These employees, of which there are approximately 100, are predominantly executive/casinos divisional personnel and information technology employees.

Accordingly, such employees have been, or will be (in the period leading up to the Demerger Date), offered continuing employment (on substantially similar, and overall no less favourable, terms and conditions) with Echo.

Similarly, there are approximately 15 employees who work in the wagering, gaming or keno businesses but are currently employed by a company in the Echo Group (Jupiters or Star City Pty Ltd), and they have been, or will be, offered continuing employment with the New Tabcorp Group (on substantially similar, and overall no less favourable, terms and conditions).

In each case, ongoing liabilities relating to such employees, such as salary, superannuation and leave entitlements, will be assumed by the new employer from the commencement of the new employment relationship.

5.9.2 Industrial relations

Employee relations in respect of the entities that will comprise the Echo Group are managed at the enterprise level. Collectively-bargained enterprise agreements are in place at each of the casino properties. These enterprise agreements will continue to apply and operate in relation to relevant staff, according to their terms and applicable legislation, after the Demerger. Approximately 79% of casino employees are covered by these enterprise agreements. In addition to relevant employees, the agreements cover each employer and either the Liquor, Hospitality and Miscellaneous Workers Union or the Australian Workers' Union of Employees, Queensland.

The casinos business has not experienced any material industrial relations disputes in the last five years, except for the following:

- protected industrial action in the context of negotiation of the *Star City Enterprise Agreement 2009*. The action took the form of rolling one hour stoppages over 24 hours' duration. The action occurred on a number of days in the period January 2010 to March 2010. The issues were resolved and the enterprise agreement was ultimately voted up and approved by Fair Work Australia;
- a backpay issue concerning a small number of restaurant employees at the Star City Casino, which arose and was resolved in the period May 2008 to November 2010;
- a shiftworker leave entitlements issue at Star City Casino (concerning an entitlement to a fifth week of annual leave) which arose and was resolved in the period March 2007 to September 2009; and
- the 'Trophies Restaurant' at Star City Casino ceased operating in May 2010 as a result of capital works associated with the Star City expansion project. A total of 51 full-time, part time and casual employees were affected by the closure. In June 2010, the Liquor, Hospitality and Miscellaneous Workers Union filed a 'general protections dispute' with Fair Work Australia (**FWA**) on behalf of 11 employees claiming the employees had not been consulted about measures to avoid or minimise the termination of employment and measures to mitigate any adverse effects of any terminations. Conciliation at FWA was not able to resolve the matter. In December 2010, Star City Pty Ltd was served with applications filed by the Union with the Chief Industrial Magistrate's Court of NSW seeking the imposition of pecuniary penalties for alleged breaches of the *Star City Enterprise Agreement 2009* in relation to the 11 employees. Star City Pty Ltd is defending the applications. The matter is ongoing.

5.9.3 Employee share incentive plans

Echo intends to establish employee share incentive plans which will provide eligible employees with an opportunity to acquire fully paid ordinary shares or other securities in Echo. It is anticipated that, initially, the terms of the plans will be similar to the terms of the incentive plans that Tabcorp currently has in place. However, following the Demerger, the Echo Board will review those incentive arrangements and may decide to change them to better meet Echo's needs.

5.10 Echo pro forma historical financial information

5.10.1 Overview

This Section contains pro forma historical financial information in relation to Echo (the ***Echo pro forma financial information***), including:

- Echo pro forma historical income statements before net financing costs and tax for the years ended 30 June 2008, 30 June 2009 and 30 June 2010, and the half year ended 31 December 2010;
- Echo pro forma historical net operating cash flows before net financing costs and tax and after capital expenditure for the years ended 30 June 2008, 30 June 2009 and 30 June 2010, and the half year ended 31 December 2010; and
- Echo pro forma historical balance sheet as at 31 December 2010.

5.10.2 Basis of preparation

The Echo pro forma financial information has been prepared for illustrative purposes, to assist Tabcorp Shareholders to understand the financial position and financial performance of Echo. By its nature, pro forma financial information is illustrative only. Consequently, the Echo pro forma financial information does not purport to reflect the actual or future financial performance for the relevant period, and does not purport to reflect the actual financial position of Echo at the relevant time. These pro forma financial statements do not purport to reflect the actual financial performance and position that would have occurred if Echo had operated as a stand alone entity for the relevant period.

The Echo pro forma financial information has been prepared by extracting the financial information directly related to the Casinos Business from Tabcorp's accounting records and applying pro forma adjustments. These accounting records were used to generate the audited Tabcorp financial statements for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 and the reviewed interim Tabcorp financial statements for the half year ended 31 December 2010. The financial statements for these periods are available from Tabcorp's website (www.tabcorp.com.au) or the ASX website (www.asx.com.au).

The financial statements for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 have been audited in accordance with Australian Auditing Standards and the audit opinions issued to the members of Tabcorp relating to those financial statements were unqualified. Tabcorp's half year financial statements for the period ended 31 December 2010 were not audited but were reviewed by Tabcorp's auditor in accordance with Australian Auditing Standards applicable to the interim financial report.

The Echo pro forma historical financial information has been prepared in accordance with the accounting policies set out in Tabcorp's half year report to 31 December 2010 and Tabcorp's Annual Report for the year ended 30 June 2010. International Financial Reporting Standards adopted by the International Financial Accounting Standards Board do not currently include promulgated standards for the

5. Information on Echo Entertainment Group

preparation and reporting of pro forma financial information and effective guidance as at the date of this Scheme Booklet is limited to the preparation of historical financial statements. Consequently, the Echo pro forma historical financial information has been directly derived from balances and amounts included in the historical financial statements of Tabcorp, as prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board and Tabcorp management information.

The financial information in this Section is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual financial report prepared in accordance with the Corporations Act.

Pro forma adjustments for net financing costs and tax have not been made to the Echo pro forma historical income statements and the pro forma historical net operating cash flow statements because the financing arrangements and tax structure under which the Casinos Business operated during the periods presented do not reflect the anticipated financing arrangements and tax structure of Echo following the Demerger. Refer to Sections 5.10.7, 5.10.8 and 5.10.13 for information regarding Echo's financing facilities and tax arrangements following the Demerger.

A summary of estimated additional standalone corporate costs of Echo is also presented and represents a combination of corporate and business services costs allocated in the year ended 30 June 2010 and estimated additional corporate costs after the Demerger.

Pro forma adjustments have also been made in the Echo pro forma historical balance sheet to reflect certain financing arrangements and capital items and the accounting for the Demerger.

The Investigating Accountant has prepared an Investigating Accountant's Report in respect of the financial information, a copy of which is included in Section 8. The financial information set out below should be read in conjunction with the Investigating Accountant's Report included in Section 8.

The financial information in this Section should be read in conjunction with the risk factors set out in Sections 3.4, 5.11 and 6.11.

5.10.3 Echo pro forma historical income statements before net financing costs and tax

Set out below is a summary of the Echo pro forma historical income statements before net financing costs and tax for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 and the half year ended 31 December 2010.

Table 1: Echo pro forma historical income statements before net financing costs and tax

\$m	Year ended 30 June 2008	Year ended 30 June 2009	Year ended 30 June 2010	Half year ended 31 December 2010
Revenue	1,365	1,399	1,360	729
Government taxes & levies	(247)	(262)	(289)	(155)
Commissions & fees	-	(7)	(5)	(2)
Net operating expenses	(648)	(696)	(717)	(376)
EBITDA	470	434	349	196
Depreciation, amortisation and impairment	(64)	(69)	(89)	(47)
EBIT, excluding significant items	406	365	260	149
Significant items ⁹	(37)	-	-	-
EBIT	369	365	260	149
<i>Pro forma estimated additional standalone corporate costs</i>	<i>(4)</i>	<i>(4)</i>	<i>(4)</i>	<i>(2)</i>
<i>Pro forma EBIT, excluding significant items</i>	<i>402</i>	<i>361</i>	<i>256</i>	<i>147</i>

Following the Demerger, Echo will be a separately listed entity on ASX. This will result in additional standalone corporate costs associated with operating an entity of Echo's nature and scale. These costs will include company secretariat costs, ASX listing fees, share registry costs, audit fees, insurance and the costs of maintaining a board of directors. It is estimated these costs will be approximately \$4 million per annum in addition to the amount of the corporate and business services costs currently allocated to the Casinos Business. The amount of these costs has been assumed to be the same in each of the years covered in the above table.

⁹ Comprises a non-cash impairment of \$37 million in the value of assets at Star City Casino as a result of the casino expansion project.

Table 2: Echo additional standalone corporate costs

\$m	Additional standalone corporate costs per annum
Company secretariat cost	3
Corporate function costs	24
Total estimated standalone corporate costs	27
Less: corporate costs and business services costs currently allocated	(23)
Estimated additional corporate costs	4

5.10.4 Management discussion and analysis on Echo pro forma historical financial performance

Commentary on the Echo pro forma historical financial performance is outlined below. More information is available from Tabcorp's annual financial statements for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 and interim financial statements for the half year ended 31 December 2010, which can be found on Tabcorp's website (www.tabcorp.com.au).

The performance discussion below is focused on normalised EBIT. Given that the win rates in the VIP rebate business can fluctuate from period to period, the win rates for this business are 'normalised' at the theoretical level to provide a better representation of underlying business performance.

The theoretical win rate was calculated at 1.35% of the turnover from the VIP rebate business for all periods discussed. The average win rate of the VIP rebate business over the last five financial years is 1.44%, which is higher than the theoretical win rate.

The table below compares actual reported EBIT to normalised EBIT.

\$m	Year ended 30 June 2008	Year ended 30 June 2009	Year ended 30 June 2010	Half year ended 31 December 2010
EBIT, excluding significant items	406	365	260	149
Normalisation adjustment	(37)	(37)	11	5
EBIT (normalised), excluding significant items	369	328	271	154
<i>Actual win rate (% of VIP turnover)</i>	<i>1.80%</i>	<i>1.72%</i>	<i>1.24%</i>	<i>1.26%</i>

Half year ended 31 December 2010

Echo's normalised EBIT for the six months to 31 December 2010 was \$154 million, up 4.1% on the comparative period (to 31 December 2009).

Normalised EBIT at Star City Casino in New South Wales increased 2.2% with revenues increasing 6.5% as the business expanded its product offering and opened new gaming areas on the main gaming floor.

The three Queensland properties showed a recovery in performance following a difficult year in 2010. Revenues increased 4.7% and normalised EBIT increased by 7.4%. All main lines of business showed positive revenue growth.

Echo's expenses increased by 5.8%.

Year ended 30 June 2010

Echo's normalised EBIT for the year ended 30 June 2010 was \$271 million, which was down 17.5% on the previous financial year. The performance of the casino properties in the two Australian states in which the Echo Group operates varied significantly.

Normalised EBIT at Star City Casino in New South Wales increased 4.7% to \$169 million.

Revenue increased 5.4%, driven by an expansion of the product offering, new gaming technology and improved marketing. During the year, the casino opened a new sports theatre, a dedicated poker room, a new baccarat area and a noodle restaurant. All new areas performed well.

Normalised EBIT from the three Queensland casinos decreased 38.8% to \$102 million.

Revenues decreased 4.1% as the Queensland gaming market contracted. At the same time, gaming taxes increased by \$27 million due to a higher tax rate. The Queensland casinos gained market share in the two main markets of Brisbane and the Gold Coast.

Casino expenses increased 3.5%.

5. Information on Echo Entertainment Group

Year ended 30 June 2009

Normalised EBIT for the year ended 30 June 2009 was \$328 million, down 11.0% on the previous financial year. The Casinos Business delivered a full year revenue increase of 2.6%, with a second half increase of 5.1%. All four casino properties increased revenues in the second half.

Visitation increased by 1.2% and rated play was up 10.1%. Market share was stable for both New South Wales and Queensland over the period.

Main gaming floor revenue increased 7.1% supported by the expansion of MTGMs. Private gaming room revenue increased 6.1% driven primarily by volume. VIP rebate play increased 7.7% predominantly due to additional tournaments and Chinese New Year.

Expenses increased 6.8%. Labour and marketing expenses increased as the business progressed with its plans to provide improved customer service.

Year ended 30 June 2008

Normalised EBIT was \$369 million, down 4.5% on the previous financial year.

The four casino properties experienced tougher trading conditions in addition to the impact of smoking bans in New South Wales. These factors impacted on revenues from EGMs and the main gaming floor where revenues decreased 2.4% and 1.2% respectively.

Revenues from the domestic private gaming rooms increased 8.7%, assisted by above average win rates. Revenues from the VIP rebate business decreased 28.3%, driven by the absence of a few large players.

Star City Casino experienced a revenue decrease of 4.4% due to the impact of smoking bans and tougher trading conditions.

The Queensland properties revenue increased 2.2% on the back of a recovery from smoking bans.

Casino expenses increased 1.7%.

5.10.5 Echo pro forma historical net operating cash flows before net financing costs and tax but after capital expenditure

Set out below is a summary of the Echo pro forma historical net operating cash flows before net financing costs and tax but after capital expenditure for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 and the half year ended 31 December 2010.

Table 3: Echo pro forma historical operating cash flows before net financing costs and tax but after capital expenditure

\$m	Year ended 30 June 2008	Year ended 30 June 2009	Year ended 30 June 2010	Half year ended 31 December 2010
EBITDA	470	434	349	196
Other non cash items	1	1	2	1
Change in working capital	(58)	(12)	(8)	(45)
Net operating cash flows before net financing costs and tax	413	423	343	152
Capital expenditure excl Star City expansion	(105)	(91)	(63)	(34)
Star City expansion capital expenditure	(5)	(46)	(215)	(173)
Net operating cash flows after capital expenditure, before net financing costs and tax	303	286	65	(55)

As a standalone entity, following the Demerger, Echo will have additional net cash outflow relating to incremental corporate costs (refer to Sections 3.3.5 and 5.10.3), financing activities (refer to Sections 5.10.7 and 5.10.8), taxation (refer to Section 5.10.13), and dividends (refer to Section 5.10.14). Pro forma adjustments have not been made for these items because the periods presented do not reflect Echo's corporate and operating structure, financing activities, tax arrangements and capital structure following the Demerger.

5.10.6 Echo pro forma historical balance sheet as at 31 December 2010

Set out below is a summary of the Echo pro forma historical balance sheet as at 31 December 2010. For the purposes of presenting the pro forma historical balance sheet, it has been assumed that the Demerger was effected and completed on 31 December 2010.

Table 4: Echo pro forma historical balance sheet as at 31 December 2010

As at 31 December 2010 (\$m)	Pro forma Casino Business	Transfers of assets & derivatives	Issue of capital & loan repayments	Transaction costs	Pro forma Echo (pre tax reset)	Tax cost base reset	Pro forma Echo
		(a)	(b)	(c)		(d)	
Current Assets							
Cash and cash equivalents	91	-	-	-	91	-	91
Receivables	30	-	-	-	30	-	30
Other	24	-	-	-	24	-	24
Total Current Assets	145	-	-	-	145	-	145
Non-Current Assets							
Property, plant and equipment	1,604	4	-	7	1,615	-	1,615
Licences	249	-	-	-	249	-	249
Other intangible assets	1,588	12	-	12	1,612	-	1,612
Derivative financial instruments	-	4	-	-	4	-	4
Other non-current assets	11	-	-	-	11	-	11
Total Non-Current Assets	3,452	20	-	19	3,491	-	3,491
Total Assets	3,597	20	-	19	3,636	-	3,636
Current Liabilities							
Payables ¹⁰	3,240	4	(3,164)	36	116	-	116
Derivative financial instruments	-	8	-	-	8	-	8
Other current liabilities	57	-	-	-	57	-	57
Total Current Liabilities	3,297	12	(3,164)	36	181	-	181
Non-Current Liabilities							
Interest bearing liabilities	-	-	1,111	(17)	1,094	-	1,094
Deferred tax liabilities	157	-	-	(5)	152	23	175
Derivative financial instruments	-	8	-	-	8	-	8
Other non-current liabilities	6	-	-	-	6	-	6
Total Non-Current Liabilities	163	8	1,111	(22)	1,260	23	1,283
Total Liabilities	3,460	20	(2,053)	14	1,441	23	1,464
Net Assets	137	-	2,053	5	2,195	(23)	2,172
Shareholders' Equity							
Issued capital	-	-	2,053	-	2,053	-	2,053
Retained earnings	-	-	-	-	-	(23)	(23)
Reserves	137	-	-	5	142	-	142
Total shareholders' equity	137	-	2,053	5	2,195	(23)	2,172

The Echo pro forma historical balance sheet has been prepared in order to give Tabcorp Shareholders an indication of Echo's balance sheet in the circumstances noted in this Section, and does not state the actual financial position of Echo at the time of the Demerger. No adjustments have been made to reflect the trading of the Casinos Business since 31 December 2010.

¹⁰ The Echo pro forma historical balance sheet has been prepared on the basis that the Restructure takes place prior to 1 July 2011. To the extent that this does not occur, significant additional transaction costs in relation to taxes and duties may be payable.

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The adjustments to the pro forma historical balance sheet include:

- The transfer of corporate IT assets pertaining to Echo at their carrying value, and the transfer of interest rate derivatives within Tabcorp on the basis that Echo will put in place a level of derivatives in order to ensure it maintains a minimum level of fixed interest pricing on its facilities.
- The settlement of net intercompany loans from Tabcorp through the issue of Echo shares to Tabcorp and the draw down of external borrowings.
- Estimated capital expenditure for the establishment of IT infrastructure and estimated loan establishment costs, settled through intercompany loans.
- At the implementation of the Demerger, Echo will form a new Australian tax consolidation group. As a result, certain deferred tax balances may arise as a result of the resetting of the tax bases of certain tangible and intangible assets with a corresponding tax adjustment recognised in the Echo income statement under current tax legislation. The pro forma adjustment is an estimate and may vary subject to the finalisation of the tax cost base.

However, the Federal Government's Mid-Year Economic and Fiscal Outlook of 9 November 2010 announced that, for demergers occurring after 9 November 2010, the tax costs of assets held by subsidiary members of the new consolidated group would be retained. If this law is enacted as announced, this adjustment will reverse at that time.

5.10.7 Debt facilities and cash

Debt funding for Tabcorp's Casinos Business is currently provided by the Tabcorp Group.

If the Demerger is implemented, these arrangements will be replaced by a new \$1,400 million syndicated bank facility, which has been established with a syndicate of domestic and international banks (the **Echo Syndicated Facility**). The debt maturity profile for the Echo Syndicated Facility is set out below in this Section.

The Echo Board considers that the Echo Syndicated Facility, combined with the cash flow expected to be generated by Echo, will be sufficient to allow Echo to carry out its business and stated objectives immediately following the Demerger, and is appropriate having regard to the financial and investment profile of Echo following the Demerger.

The Echo Syndicated Facility contains market standard terms and conditions for a facility of this nature.

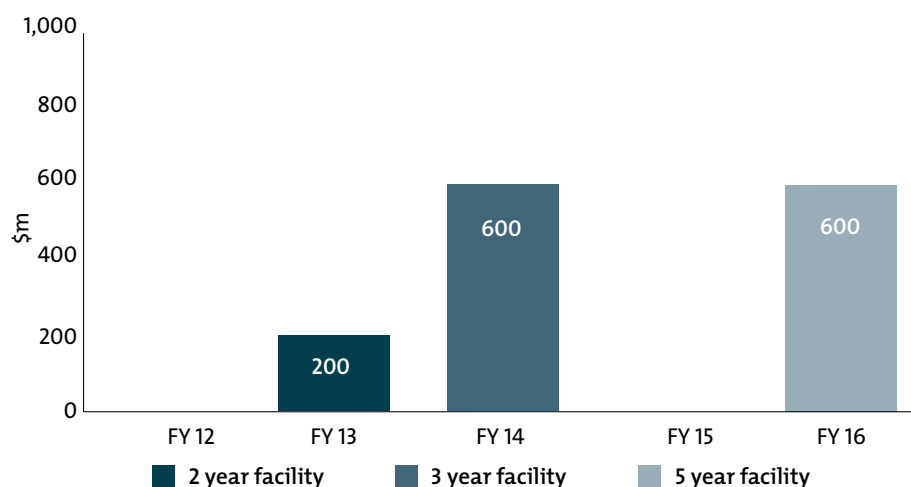
The key terms of the Echo Syndicated Facility are as follows:

Facility type	Syndicated bank facility		
Borrower	A wholly owned subsidiary of Echo		
Currency	A\$		
Tranches	Tranche	Commitment	Maturity date
	A	\$200,000,000	2 year tranche
	B	\$600,000,000	3 year tranche
	C	\$600,000,000	5 year tranche
Interest rates	BBSY plus a Margin based on a Net Borrowings to EBITDA ratio grid.		
Conditions precedent to initial draw down	<p>The Echo Syndicated Facility contains market standard conditions precedent to initial drawdown for a facility of this nature. Additional conditions include the Scheme becoming Effective, Echo Shares being approved for quotation on ASX and that information, including financial information, relating to the Demerger and Echo provided to the syndicate of banks in negotiating the Echo Syndicated Facility has not varied in a manner that has or is likely to have a material adverse effect on the ability of the Borrower or Echo to perform their obligations under the Echo Syndicated Facility.</p> <p>If no drawing has occurred under any tranche by 30 September 2011, the availability period for all tranches will end and all commitments under the Echo Syndicated Facility will be cancelled.</p>		
Security	None		
Guarantee	Echo will provide a parent guarantee in relation to the Echo Syndicated Facility.		

Events of default and mandatory prepayment	<p>The Echo Syndicated Facility contains events of default that are standard for a facility of this nature including, but not limited to, payment default, breach of representation, breach of financial undertaking, cross-default, insolvency, cancellation of any material licences, cessation or suspension of business, Echo ceases to be listed on the ASX or suspends trading for any period longer than 10 consecutive business days and the occurrence of an event that has a material adverse effect on the ability of the Borrower or Echo to perform their obligations under the Echo Syndicated Facility.</p> <p>If there is a change in the control (as defined in section 50AA of the Corporations Act) of Echo, any lender may require full repayment of amounts outstanding to it under the Echo Syndicated Facility within 90 days.</p>
Covenants	<p>The Echo Syndicated Facility contains covenants that are standard for a facility of this nature including, but not limited to, provision of information, negative pledge, restriction on disposal of assets, restriction on providing financial accommodation and a restriction on non-guarantors incurring financial indebtedness (in each case, subject to any applicable exceptions).</p> <p>In addition, Echo must comply with financial covenants (a net borrowings to EBITDA ratio and an EBIT to net interest expense ratio) for each 12 month period ending on 30 June and 31 December.</p>

As at the date of this Scheme Booklet, binding commitment letters have been signed by Echo and each of the banks providing the Echo Syndicated Facility, pursuant to which the banks have agreed to enter into formal agreements to provide the Echo Syndicated Facility (subject to various conditions being satisfied, including those summarised in the table above in 'Conditions precedent to initial draw down'). As part of the commitment letters, Echo and the banks have agreed a terms sheet in respect of the Echo Syndicated Facility. Each bank has obtained credit committee approval to the terms of the Echo Syndicated Facility.

Echo Syndicated Facility maturity profile



At the time the Demerger is implemented, it is expected that Echo will have drawn external debt of approximately \$1,090 million and cash of approximately \$90 million. This balance is subject to variances in actual cash flows in Tabcorp between 31 December 2010 and the Demerger Date. As a result of these variances, the opening Echo debt level may differ from the amount included in the Echo pro forma historical balance sheet.

If the Demerger proceeds, Tabcorp intends to modify its existing debt facilities. This is discussed further in Section 6.8.6.

5.10.8 Other financing arrangements

Tabcorp may transfer or novate some of its existing interest rate swaps to Echo to hedge its interest rate risk under the new Echo Syndicated Facility and ensure Echo maintains a minimum level of fixed interest pricing on its facilities.

Echo intends to diversify Echo's debt financing and extend its debt maturity profile through the US private placement market, via an offer of new US private placement notes in Echo to investors in Tabcorp's existing US Notes and other investors.

Echo may also explore other alternatives to diversify its debt financings and extend its debt maturity profile.

If Echo issues US private placement notes or other securities into the debt capital markets it will use the proceeds to reduce the size of the Echo Syndicated Facility.

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If Echo issues US dollar denominated debt in connection with the Demerger, it intends to swap the full US dollar amount into Australian dollars at a fixed exchange rate for the full period to maturity.

5.10.9 Commitments

Echo's pro forma capital commitments as at 31 December 2010 were as follows:

\$m	Pro forma as at 31 December 2010
Contracted but not provided for and payable No later than one year	178
Total	178

Echo's pro forma operating lease commitments as at 31 December 2010 were as follows:

\$m	Pro forma as at 31 December 2010
Contracted but not provided for and payable No later than one year	5
Later than one year, not later than five years	24
Later than five years	85
Total	114

Operating lease commitments include commitments in relation to the leasing of an aircraft (\$33 million) and lease costs associated with the Treasury Casino & Hotel and Star City Casino properties under their respective licensing arrangements (\$81 million).

5.10.10 Shareholders' equity

At the time of the Demerger, Echo is expected to have minimal retained earnings and will have the same number of shares on issue as the number of Tabcorp Shares on issue as at the Scheme Record Date, with no options over shares, preference shares or other forms of external hybrid capital. The number of Tabcorp Shares on issue as at the Scheme Record Date will be approximately 688 million Tabcorp Shares plus any Tabcorp Shares issued after the date of this Scheme Booklet under any Tabcorp employee incentive plan.

5.10.11 Property, plant and equipment

Echo's pro forma property, plant and equipment are depreciated on a straight line basis over their useful economic lives. Management reviews the appropriateness of useful economic lives of assets at least annually, but any changes to useful economic lives could affect prospective depreciation rates and asset carrying values.

\$m	Pro forma as at 31 December 2010
Plant and equipment	
at cost	621
accumulated depreciation	(392)
Total carrying value	229
Land, buildings and improvements	
at cost	1,572
accumulated depreciation	(186)
Total carrying value	1,386
Total net carrying value of property, plant and equipment	1,615

5.10.12 Intangible assets

Echo's pro forma intangible assets, other than indefinite life intangible assets, are amortised on a straight line basis over their useful economic lives.

At each reporting date an assessment is made whether there is any indication that an intangible asset (excluding goodwill) may be impaired. When an indicator of impairment exists a formal estimate of the recoverable amount is made. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Goodwill is tested for impairment annually. Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates.

\$m	Pro forma as at 31 December 2010
Goodwill	1,444
Star City Casino concessions	95
Software	55
Other	18
Total Intangible assets	1,612

5.10.13 Taxation

Tax is currently paid in relation to the Casinos Business as part of Tabcorp's group taxation arrangements. At the implementation of the Demerger, Echo will exit Tabcorp's Australian tax consolidation group and will form its own new Australian tax consolidation group. The effective tax rate of Echo in relation to the Casinos Business may vary from what it would have been if it remained part of the Tabcorp Group.

5.10.14 Dividend policy and franking

Echo's dividend policy will be determined by the Echo Board at its discretion and may change over time. The Echo Board intends to target a dividend payout ratio of 50% of normalised net profit after tax, commencing from the 2012 financial year. This payout ratio is consistent with the capital intensity of casinos and investment in growth projects.

Dividends are expected to be fully franked. Echo intends to establish a DRP. If the DRP is activated, the satisfaction of the DRP will be either through the issue of new Echo Shares or the purchase of Echo Shares on market, at the discretion of the Echo Board.

At the time of the Demerger, Echo is expected to have minimal retained earnings (as the earnings only accumulate from the date of the Restructure) and will have a zero franking balance.

It is anticipated that, subject to it being financially prudent to do so, the first dividend of Echo would be an 'interim' dividend payable in CY2012 in respect of the half year to 31 December 2011.

5.11 Risk factors associated with an investment in Echo Shares

This Section outlines a number of risks that may affect Echo following the Demerger. The risks set out in this Section may adversely affect the future prospects, operating or financial performance of Echo and investment returns or market value of Echo Shares. Some of these risks may be mitigated by appropriate controls and systems, while others are outside Echo's control and may not be able to be mitigated.

5.11.1 Regulation and changes to the regulatory environment

General

The activities of the Echo Group are conducted in highly regulated industries. The gambling activities that Echo conducts, and will conduct, and the level of competition that it experiences, and will experience, depend to a significant extent on:

- the licences granted to the Echo Group and to third parties; and
- government policy and the manner in which the relevant governments exercise their broad powers in relation to the manner in which the relevant businesses are conducted.

Changes in legislation, regulation or government policy may have an adverse impact on the Echo Group's operational and financial performance. Court decisions concerning the constitutionality or interpretation of such legislation, regulations or government policy may have an adverse effect on the operational and financial performance of the Echo Group.

Potential changes which would affect the value of the licences granted to members of the Echo Group include:

- changes in state casino and gaming tax rates and levies (including EGM levies);
- the grant of additional gambling licences to third parties;
- changes or decisions concerning the distribution and advertising of gambling products, including through particular channels;
- variations to permitted deduction rates and returns to players;
- changes to the restrictions on the number, type and location of EGMs and restrictions on the number of gaming venues;

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- the introduction of additional legislation to guard against money laundering, which increases compliance costs for the Echo Group;
- the introduction of further legislation to implement further responsible gambling measures; and
- any other legislative change.

Federal government intervention

The Prime Minister of Australia, the Honourable Julia Gillard MP, announced in or around September 2010 following the Federal Government election that, as part of the arrangement agreed with an independent Federal member of parliament to 'win his support', the Commonwealth may be able to exercise greater legislative authority in the area of gambling (particularly poker machines). The Government agreed to commission and receive no later than 1 February 2011 legal advice about the Commonwealth's constitutional competence and prospects for successfully legislating in this area. The Government also agreed as part of this arrangement to, among other things, adopt a Commonwealth Government position on gambling reform that will include the initial response released on 23 June 2010 to the Productivity Commission report on problem gambling and commit to the following additional measures:

- implementing a best practice full pre-commitment scheme that is uniform across all States and Territories, consistent with recommendations and findings of the Productivity Commission. Implementation is proposed to commence in 2012, with the full pre-commitment scheme commencing in 2014. The full pre-commitment scheme would include the use of technology to reduce problem gambling;
- supporting the Productivity Commission recommendations in relation to poker machine dynamic warning displays and cost of play displays; and
- implementing a \$250 daily withdrawal limit for ATMs in venues with poker machines (excluding casinos).

It is proposed that the Commonwealth work together with the States and Territories and seek agreement of all jurisdictions to amend their own laws to implement these arrangements. Some States have indicated support for the implementation of a pre-commitment scheme on a voluntary basis.

The Commonwealth Government has since released advice from the Australian Government Solicitor stating that there are a range of constitutional heads of power that would enable it to pursue reforms that would address problem gambling. Any Commonwealth intervention resulting in new legislation subsequently being introduced by the States and the Territories, or by the Commonwealth, could have an adverse effect on the operational and financial performance of the Echo Group.

5.11.2 Disciplinary action and cancellation of casino licences

In certain situations, the licences that have been granted to members of the Echo Group (including the NSW Casino Licence and the Queensland Casino Licences) may be

suspended or cancelled. As at the date of this Scheme Booklet, no member of the Echo Group has been advised of the existence of any circumstance which is likely to give rise to the suspension or cancellation of any of those licences.

The potential for any of the licences referred to above, and any new licences that the Echo Group may be granted, to be suspended or cancelled is a risk factor.

As referred to in Section 11.1.1, the NSW CLGCA is required to conduct, at intervals of not greater than five years, an investigation of the suitability of the operator of the Star City Casino and whether it is in the public interest that the NSW Casino Licence should remain in force. If Star City Pty Ltd is found to be an 'unsuitable person' to continue to give effect to the NSW Casino Licence, or it is found that it is not in the public interest for the NSW Casino Licence to continue, this may have an adverse effect on the Echo Group. The next investigation in relation to Star City Pty Ltd and the NSW Casino Licence must be completed and a report submitted to the responsible Minister by 15 December 2011.

5.11.3 Divestiture of shares in subsidiaries

In certain circumstances, the NSW CLGCA and the Queensland Minister can compel the divestiture by relevant members of the Echo Group of certain of Echo's subsidiaries. Those circumstances might include a change in the shareholders or directors of Echo or in the circumstances applicable to Echo. For example, if a change in the shareholders or directors or circumstances of Echo was considered by the NSW CLGCA to result in Echo ceasing to be a suitable person to be associated with Star City Holdings, an action by the NSW CLGCA might result in the Echo Group ceasing to own the Star City Casino business. Similarly, an action by the Queensland Minister might result in the Echo Group ceasing to own one or more of the businesses conducted by the Jupiters Group.

The potential for the Echo Group to be required to dispose of shares in the companies owning any of its businesses may have an adverse effect on the operational and financial performance of the Echo Group.

5.11.4 Consequences of breach of shareholding restrictions

There are a number of restrictions on shareholdings in Echo which arise due to the requirements of various regulatory authorities.

The Echo Constitution requires that a person must not have voting power in Echo in excess of 10%, without the written consent of the NSW CLGCA or the relevant Queensland Minister while relevant subsidiaries of Echo are involved in certain gambling activities.

There are also restrictions on shareholdings in Echo which relate to the suitability of persons to be associated with certain members of the Echo Group. The Echo Constitution confers certain powers on the Echo Board, the NSW CLGCA or the relevant Queensland Minister to force the divestiture of shares by persons in circumstances where relevant shareholding limitations, or restrictions on voting power, have been breached.

5.11.5 Star City Casino 'exclusivity'

Pursuant to an agreement with the NSW CLGCA, the NSW CLGCA shall procure that the State of New South Wales pays to Star City Pty Ltd certain damages if, during the period up to 13 November 2019, the State of New South Wales grants a licence, permission or authorisation or enacts legislation which has the effect of allowing another licensed casino to open in New South Wales. Further information is set out in Section 11.1.1.

The New South Wales Government has not yet foreshadowed what will occur after 2019, but the potential licensing of additional casino operators in New South Wales is a risk factor.

5.11.6 Queensland Casino Licences

There are no longer periods of geographical exclusivity that apply to the Queensland Casino Licences. The Queensland Government has issued one further licence (to those held by the Echo Group) to Reef Corporate Services Limited (in respect of The Reef Hotel Casino) and could issue additional licences, so that operators of casino tables may compete in Queensland. This may have an adverse effect on the operational and financial performance of the Echo Group.

5.11.7 Taxes and levies

The Queensland and New South Wales Governments can review the fees and charges payable under Queensland and New South Wales gambling legislation (as applicable) which may result in new or increased taxes or levies payable by members of the Echo Group in respect of the Treasury Casino & Hotel, Jupiters Hotel & Casino, Jupiters Townsville or Star City Casino (as applicable).

For example, in December 2008, the Queensland Government announced that taxes payable on EGMs at casinos operating in Queensland would, as of 1 July 2009, increase by 10 per cent. This was a significant contributor to the \$27 million increase in gaming taxes paid by Tabcorp in the year ended 30 June 2010. Such increases may have an adverse effect on the financial performance of the Echo Group.

5.11.8 Smoking bans

Indoor smoking bans have been implemented in the jurisdictions in which members of the Echo Group operate. However, certain private gaming areas in casino properties operated by the Echo Group have been exempt from these smoking bans. To the extent that these exemptions cease to apply then this may adversely impact the operational and financial performance of the Echo Group.

5.11.9 Compliance risks

Any failure by Echo to embrace high compliance standards, values and systems at all operational levels may increase exposure to a compliance failure, potentially leading to the suspension or loss of applicable gambling licences, in addition to other civil or criminal penalties.

5.11.10 Investigations

From time to time, Echo may be subject to various regulatory investigations such as tax compliance investigations. The outcome of these investigations from time to time may have an adverse effect on the financial performance of the Echo Group.

5.11.11 Expansion projects — Star City Casino and Queensland casinos

Star City Casino is currently undergoing a \$960 million expansion program that is designed to transform the property into a leading entertainment destination for local, national and international customers. The redevelopment and expansion project is expected to be completed in 2012. Tabcorp has also announced the proposed Queensland casinos expansion, a \$625 million expansion of the three Queensland casinos, which is subject to Echo entering into an agreement with the Queensland Government on terms acceptable to Echo, and Echo obtaining a number of gaming concessions and necessary regulatory, council and other planning and development approvals. See Section 5.7. There is no guarantee that any agreement will be reached with the Queensland Government or that required regulatory, council and other planning and development approvals will be granted.

Further, in respect of such expansion projects, the estimated capital expenditure is subject to market prices and changes of scope. Interruptions on the project sites due to industrial disputes, work stoppages and accidents may also impact adversely on the timing or capital expenditure of such projects. There is a risk that changes in timing and the amount of estimated capital expenditure in relation to these projects could result in cost or time overruns which may have an adverse effect on the operational and financial performance of the Echo Group. Either project may suffer cost or time overruns.

The expansion projects may also be affected materially by weather conditions or other natural disasters. For example, floods may impact the timing of construction or may cause damage to a casino property. Such damage could adversely impact the estimated capital expenditure for either expansion project and cause unexpected delays to completion. It cannot be certain that the financial impact of any such event would be mitigated, fully or partially, by insurance.

5.11.12 Computer system risks

The Echo Group places, and will continue to place, significant reliance on its computer systems for ongoing operations. A prolonged failure of the computer systems operated by the Echo Group supporting any of its casino businesses would result in a significant loss of revenue and profit to the Echo Group and may have an adverse effect on the operational and financial performance of the Echo Group.

5. Information on Echo Entertainment Group

5.11.13 International rebate business

The international rebate business is highly volatile. Although the Jupiters Group and Star City Casino (since January 2006 when international rebate business was reintroduced at that property) have historically achieved theoretical win rates over time, during the course of each year the casino businesses can enjoy significant wins and sustain significant losses. The volatility of international rebate business in the future may have an adverse effect on the operational and financial performance of the Echo Group.

5.11.14 Bad debts

As part of its casino operations, the Echo Group will, from time to time, extend cheque cashing credit facilities to its premium customers. Despite credit controls there is the potential, from time to time, for certain cheques to be dishonoured when presented to the bank, and the Echo Group may be required to provide for (and potentially incur) bad debts. The potential for this to occur is a risk factor.

5.11.15 Litigation and disputes

From time to time, members of the Echo Group become involved in litigation and disputes. There is a risk that the resolution of litigation and disputes may result in provisions for such litigation and disputes being exceeded. There is also the risk that the Echo Group's reputation may suffer due to the profile of, and public scrutiny surrounding, any such litigation and disputes regardless of their outcome.

5.11.16 Availability and servicing of debt finance

From time to time, the Echo Group will be required to establish or refinance its debt facilities. There is no certainty as to the availability of debt facilities or the terms on which such facilities may be provided to the Echo Group in the future. The Echo Group's ability to refinance its debt on favourable terms as it becomes due or to repay the debt, its ability to raise further finance on favourable terms for its business and to pursue opportunities, and its borrowing costs will depend on market conditions and the Echo Group's future operating performance. In particular, the Echo Group may incur higher interest rates and/or additional fees associated with future debt refinancing. If Echo is unable to refinance its debt obligations, or to do so on reasonable terms, this may have an adverse effect on the financial position and performance of the Echo Group.

The Echo Group's ability to service its debt will depend on its future financial performance and if it is unable to do so, the Echo Group's lenders may act to enforce their rights against it, which may impact the Echo Group's financial or operating performance and impair its ability to pay dividends.

5.11.17 Employee retention

The Echo Group will be reliant upon a number of key senior personnel and the loss of such personnel may have an impact on the performance of the Echo Group. The Echo Group's continued success also depends on its ability to attract and retain qualified and highly skilled management and personnel. As with most other businesses, from time to time it may be difficult for the Echo Group to hire and retain key

personnel, and key Echo Group personnel may be sought and hired by competitors of the Echo Group.

5.11.18 Future dividends and franking capacity

No assurances can be given in relation to the payment of future dividends. Future determinations as to the payment of dividends by Echo will be at the discretion of the Echo Board at the time and will depend upon the availability of profits, the operating results and financial condition of Echo, future capital requirements, covenants in relevant financing agreements, general business and financial conditions and other factors considered relevant by the Echo Board. No assurances can be given in relation to the level of franking of future dividends. Franking capacity will depend upon the amount of tax paid in the future, and other factors.

5.11.19 Competition

Gambling activities compete with other consumer products for consumers' discretionary expenditure and in particular with other forms of leisure and entertainment including cinema, restaurants, sporting events, the internet and pay television.

If the Echo 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 the Echo Group.

5.11.20 Current global economic environment

General economic factors may affect an investment in Echo or the performance of Echo. Some of these include:

- movements in Australian and international stock markets, changes in interest rates, inflation and inflationary expectations and overall economic and political conditions may affect the demand for and market price of Echo Shares;
- changes in government legislation and policy, in particular taxation laws, may affect the relative attractiveness of investing in Echo; and
- the price of securities on ASX may rise or fall due to a diverse range of non-company specific influences which may affect the market performance of the Echo Group.

None of Echo, its directors or any other person guarantees the market performance of the Echo Group.

The Australian and global economies continue to experience challenging conditions which have been contributed to by the global financial crisis. Any further deterioration in the Australian or global economies may have an adverse effect on the financial position and performance of the Echo Group.

The operational and financial performance and position of the Echo Group may be adversely affected by the worsening of general economic conditions in Australia, as well as international market conditions and related factors. It is also possible new risks might emerge as a result of markets experiencing extreme stress or existing risks may manifest themselves in ways that are not currently foreseeable.

5.11.21 Other risks

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

5.12 Other information

5.12.1 Dividend reinvestment plan

Echo intends to establish a DRP which will allow Echo Shareholders to reinvest all or part of any dividends payable on their Echo Shares to acquire additional Echo Shares.

Following the Demerger, the Echo Board will determine, in its absolute discretion, whether or not to activate the DRP. Further, if the Echo Board decides to activate the DRP, the satisfaction of the DRP would be either through the issue of new Echo Shares or the purchase of Echo Shares on market, at the discretion of the Echo Board.

If the Echo Board decides to activate the DRP, it will provide further details to Echo Shareholders at the relevant time, including details of the DRP and the election that Echo Shareholders may make in relation to their participation in the DRP.

5.12.2 Directors' fees

In accordance with the Echo Constitution, the aggregate remuneration of the non-executive Echo Directors in each financial year will not exceed \$2 million (or such greater amount as may be approved from time to time by Echo Shareholders in a general meeting). This remuneration may be divided among the non-executive Echo Directors equally, or otherwise in such proportions as they decide. The maximum aggregate remuneration amount has been set so as to provide scope for the appointment of additional non-executive Echo Directors if required.

The non-executive Echo Directors will be remunerated with a base fee plus additional committee fees for chairing or sitting on an Echo Board committee. The initial annual fee structure (which excludes superannuation) will be as follows:

	Fee
Chairman of Board	\$350,000
Membership of Board	\$120,000
Chairmen of Board Committees	\$7,500-\$40,000
Membership of Board Committees	\$7,500-\$15,000

This remuneration structure is designed to reflect the general responsibilities of individual directors, as well as the extra responsibilities and workload associated with participating in a committee.

Echo Directors are also entitled to be paid or reimbursed for all travelling and other expenses properly incurred by them in connection with the business or affairs of Echo.

Further, if any Echo Director, with the approval of the Echo Board, performs extra services or makes any special exertions for the benefit of the company, the Echo Board may approve the payment to that Echo Director of special and additional remuneration as the Echo Board determines having regard to the value to the company of the extra services or special exertions. Any special or additional remuneration must not include a commission on or percentage of profits or operating revenue or turnover.

5.12.3 Directors' arrangements

Echo will enter into a deed of indemnity, insurance and access with each Echo Director. In summary, each deed will provide:

- an ongoing indemnity, to the extent permitted by law, in favour of the Echo Director against liabilities and legal costs incurred by the Echo Director in or arising out of the conduct of the business of Echo (or any wholly owned subsidiary of which they are a director) or the discharge of their duties (including where the Echo Board considers it appropriate, duties arising by virtue of the appointment to another company at the request of Echo);
- that Echo will effect and maintain directors' and officers' insurance for the entire period for which the director is an Echo Director, and for 7 years after the date they cease to be a director of Echo (or longer, if relevant legal proceedings have been commenced);
- that Echo must maintain and procure that each Echo subsidiary maintains a complete set of its board papers for a period of 7 years after the date on which the director ceases to be an Echo Director (or longer, if relevant legal proceedings have been commenced); and
- that a former Echo Director may inspect and take copies of Echo Board papers and books for the purpose of defending claims made against the former director for a period of 7 years after they cease to be a director of Echo or of a subsidiary of Echo (or longer, if relevant legal proceedings have been commenced).

5. Information on Echo Entertainment Group

5.12.4 Senior management contracts

(i) Managing Director and Chief Executive Officer contract

Larry Mullin, Managing Director of Tabcorp's Casinos Business since February 2009, will be Managing Director and Chief Executive Officer of Echo following the Demerger.

Mr Mullin, a US citizen, is working in Australia on a Subclass 457 (Long-Stay temporary business) visa. The Demerger has no significant impact on his immigration status, certainly insofar as he will be able to remain in Australia with full working rights, while transitional formalities are being arranged. It will be necessary to ensure sponsorship of his visa by the Echo Group rather than Tabcorp.

The material terms of Mr Mullin's employment contract with Echo, the terms of which will become effective shortly after the Effective Date, are, in summary:¹¹

Position	Managing Director and Chief Executive Officer
Remuneration	<p><i>Fixed Total Employment Cost (TEC)</i>: initial TEC of \$1,500,000, reviewed annually by the Echo Board.</p> <p><i>Variable Short-Term Incentive (STI)</i>: Eligible to participate in Echo's Short Term Performance Plan (STPP). If performance targets are met, the STPP reward for FY2012 is \$1,500,000. Payments may be made in excess of the target STPP reward where performance targets are exceeded, or otherwise at the discretion of the Echo Board. Details of the STPP are referred to in Section 5.12.6.</p> <p><i>Variable Long-Term Incentive (LTI)</i>: Eligible to participate in Echo's Long Term Performance Plan (LTPP), which will be delivered in the form of either performance rights or performance options (being rights or options (as applicable) in respect of Echo Shares), as determined by the Echo Board at the time the allocation is approved, and subject to time-based performance hurdles. If performance targets are met, the LTPP reward for FY2012 is \$1,000,000. Details of the LTPP are referred to in Section 5.12.6.</p> <p><i>Out Performance Incentive (OPI)</i>: Maximum payment of \$3,000,000 subject to specified company financial performance goals measured at 30 June 2014.</p>
Other benefits	<p>No sign-on bonus is payable to Mr Mullin.</p> <p>Other benefits Mr Mullin receives, include:</p> <p><i>Living away from home expenses</i> – Mr Mullin receives reimbursement of up to \$5,000 per week for living away from home expenses (eg accommodation, storage, leasing of household goods, utility connection fees and full time education of his children under the age of 25) until 2 February 2013.</p> <p><i>Home leave</i> – Mr Mullin receives 12 return business class tickets for travel between Australia and the United States each year until 2 February 2013.</p> <p><i>FBT</i> – Echo bears the cost of any fringe benefits tax payable in respect of housing and location assistance until 2 February 2013.</p>
Term	No fixed term (subject to visa status). Employment will continue until terminated by either Echo or Mr Mullin.
Termination	Mr Mullin may terminate his employment at any time, on giving 6 months' notice in writing. Echo may terminate Mr Mullin's employment at any time, on giving 12 months' notice in writing or payment in lieu of notice. Any payment in lieu of notice will equal Mr Mullin's TEC for one year. If Echo initiates termination, repatriation expenses are borne by Echo.
Post-employment restraints	In order to protect Echo's legitimate business interests, Mr Mullin is subject to a maximum 12 month post-employment non-competition and non-solicitation restraint.

¹¹ Separately to his proposed employment arrangements with Echo, Mr Mullin also currently holds Performance Rights and restricted Tabcorp Shares that have been issued under the Incentive Plans. Sections 4.11.1 and 4.11.4 respectively describe the treatment generally, in conjunction with the Scheme, of Performance Rights and restricted Tabcorp Shares that have been issued under the Incentive Plans. Assuming the Effective Date is 3 June 2011, that treatment will result in Mr Mullin receiving a payment of \$233,448 in respect of the cancellation of 123,595 Performance Rights. Testing of the performance conditions for 68,494 Performance Rights will be accelerated to the date on which the Scheme becomes Effective. The number of Tabcorp Shares, if any, that Mr Mullin will receive for the Performance Rights that will be tested is currently unknown and will depend on the extent to which the relevant performance hurdles are met in relation to the Performance Rights, as discussed in Section 4.11.1. In addition, Mr Mullin holds 30,311 restricted Tabcorp Shares. The restrictions on these Tabcorp Shares will be lifted, as discussed in Section 4.11.4.

(ii) Chief Financial Officer and Executive Director contract

Matt Bekier, Tabcorp's current Chief Financial Officer, will be the Chief Financial Officer and Executive Director of Echo following the Demerger.

The material terms of Mr Bekier's employment contract with Echo, the terms of which will become effective shortly after the Effective Date, are, in summary:¹²

Position	Chief Financial Officer and Executive Director
Remuneration	<p><i>Fixed TEC:</i> initial TEC of \$900,000, reviewed annually by the Echo Board.</p> <p><i>Variable STI:</i> Eligible to participate in Echo's STPP. If performance targets are met, the STPP reward for FY2012 is \$600,000. Payments may be made in excess of the target STPP reward where performance targets are exceeded, or otherwise at the discretion of the Echo Board. Details of the STPP are referred to in Section 5.12.6.</p> <p><i>Variable LTI:</i> Eligible to participate in Echo's LTPP, which will be delivered in the form of either performance rights or performance options (being rights or options (as applicable) in respect of Echo Shares), as determined by the Echo Board at the time the allocation is approved, and subject to time-based performance hurdles. If performance targets are met, the LTPP reward for FY2012 is \$500,000. Details of the LTPP are referred to in Section 5.12.6.</p>
Other benefits	<p>No sign-on bonus is payable to Mr Bekier.</p> <p>Other benefits Mr Bekier receives, include:</p> <p><i>Living away from home expenses</i> – if Mr Bekier rents accommodation in Sydney and meets ATO requirements eligible for Living Away From Home Allowance (LAFHA) Echo will contribute \$5,000 per month to the cost of rent for two years from relocation date. If ATO/LAFHA requirements are not met, Echo will meet fringe benefits tax, resulting in Mr Bekier receiving \$5,000 net per month towards the cost of rental accommodation for the two year period.</p>
Term	No fixed term. Employment will continue until terminated by either Echo or Mr Bekier.
Termination	Mr Bekier may terminate his employment at any time, on giving 6 months' notice in writing. Echo may terminate Mr Bekier's employment at any time, on giving 9 months' notice in writing or payment in lieu of notice. Any payment in lieu of notice will be based on Mr Bekier's TEC.
Post-employment restraints	In order to protect Echo's legitimate business interests, Mr Bekier is subject to a maximum 12 month post-employment non-competition and non-solicitation restraint.

5.12.5 Other senior executive arrangements

Echo has entered into employment contracts with other senior management of Tabcorp's Casinos Business, which will take effect on the Demerger Date. These contracts set out the remuneration for the relevant employee, which includes a component for long term incentives and short term incentives for the 2011/2012 financial year. The precise form of these incentives is yet to be determined. In general, these contracts are able to be terminated by the employee giving 3 months', and Echo giving 6 months', notice.

5.12.6 Senior executive incentive plans

The remuneration framework for senior Echo management will comprise a mix of both fixed and variable remuneration components.

Initially, the variable remuneration component will take the form of awards under the STPP, the LTPP and the OPI. The STPP and the LTPP will initially be in substantially the same form as the Short Term Performance Plan and Long Term Performance Plan currently operated by Tabcorp, and are summarised below.

As noted above, Mr Mullin and Mr Bekier will be eligible to participate in the STPP and the LTPP in respect of the financial year ending 30 June 2012. The Echo Board is expected to formally approve awards to Mr Mullin and Mr Bekier under the STPP and the LTPP, including setting the relevant performance conditions, in mid to late 2011. Any securities issued to Mr Mullin or Mr Bekier

¹² Separately to his proposed employment arrangements with Echo, Mr Bekier also currently holds Performance Rights that have been issued under the Incentive Plans. Section 4.11.1 describes the treatment generally, in conjunction with the Scheme, of Performance Rights that have been issued under the Incentive Plans. Assuming the Effective Date is 3 June 2011, that treatment will result in Mr Bekier receiving a payment of \$249,061 in respect of the cancellation of 125,601 Performance Rights. Testing of the performance conditions for 194,317 Performance Rights will be accelerated to the date on which the Scheme becomes Effective. The number of Tabcorp Shares, if any, that Mr Bekier will receive for the Performance Rights that will be tested is currently unknown and will depend on the extent to which the relevant performance hurdles are met in relation to the Performance Rights, as discussed in Section 4.11.1.

5. Information on Echo Entertainment Group

in connection with those awards would be issued at or about that time (and, in any event, within 12 months of the date of this Scheme Booklet). The maximum number of securities that may be issued to Mr Mullin and Mr Bekier under the LTPP in respect of the financial year ending 30 June 2012 is not capped, but will be calculated in accordance with the methodology described in paragraph (ii) below. Echo does not propose to provide any loan to Mr Mullin or Mr Bekier in connection with those securities.

Echo may amend the STPP and the LTPP, or adopt alternative remuneration arrangements, including with respect to the variable remuneration component of senior executives other than Mr Mullin and Mr Bekier in respect of the financial year ending 30 June 2012.

(i) STPP

Under the STPP, participants will have the opportunity to receive a short term incentive equal to their target STI (as determined during their annual remuneration review), multiplied by a factor determined by the extent to which individual and group performance targets are satisfied.

The STI will be delivered in cash, or a mix of cash and restricted shares. Mr Mullin's and Mr Bekier's awards for the financial year ending 30 June 2012 will be delivered solely in cash.

(ii) LTPP

Under the LTPP, LTI will be delivered through either performance rights (which will provide the senior manager with the opportunity to acquire Echo Shares, subject to meeting market based performance hurdles and service conditions, at no cost to the senior manager) or performance options (which will provide the senior manager with the opportunity to acquire Echo Shares, subject to meeting market based performance hurdles and service conditions, upon payment of a specified exercise price). Participants will not be required to pay any consideration in respect of the grant of performance rights or performance options.

The number of performance rights or options to be delivered to a senior manager will be the target LTI for that senior manager divided by the fair market value of those performance rights or options.

The fair market value of the relevant performance rights or options will be determined by an external consultant using commonly accepted pricing models which will take into consideration:

- in the case of performance options, the exercise price of those options;
- the current share price of the underlying Echo Shares at or about the date of grant;
- the life of the relevant performance rights or options;
- the expected volatility of Echo's share price;
- the risk free interest rate; and
- Echo's expected dividend yield.

Performance rights or options will be tested three years from

their date of allocation. The performance hurdle will be relative Total Shareholder Return (**TSR**).

TSR measures the return received by shareholders (capital returns, dividends and share price movement) over a specific period relative to a peer group of companies. If there is any change in the dividend payment timetable of a company in the peer group (including Echo), then the TSR performance of that company will be adjusted to remove any artificial distortion in the outcome. Echo will engage an external consultant to calculate its TSR relative to the peer group of companies.

The peer group to be used for assessing Echo's relative TSR will be determined by the Echo Board Remuneration Committee.

The composition of the peer group may change as a result of specific external events, such as mergers and acquisitions, capital returns, delistings and capital reconstructions. The Echo Board Remuneration Committee will agree guidelines for adjusting the peer group following such events, and will have the discretion to determine any adjustment to the peer group of companies.

The table below sets out the percentage of performance rights or options that will vest depending on Echo's TSR ranking as at the applicable test date.

Percentile	Percentage of performance options or rights that will become exercisable
Below the 50th percentile	0%
At the 50th percentile	50%
Above the 50th percentile and below the 75th percentile	An additional 2% for each 1 percentile increase above the 50th percentile
At or above the 75th percentile	100%

Upon exercise of performance rights or options, senior management will be allocated an equivalent number of Echo Shares, and will receive full voting and dividend rights corresponding to the rights of all other holders of Echo Shares.

Performance rights and options that have not vested at the end of the test period will lapse. Performance rights and options which have vested will be exercisable by senior management until the seventh anniversary after the grant date. Following the seventh anniversary, any vested performance rights and options which have not been exercised will lapse.

All unvested performance rights and options will lapse immediately upon cessation of employment. However, the Echo Board Remuneration Committee will have discretion in special circumstances to determine the number of performance rights and options retained and the terms applicable. Special circumstances will include events such as retirement, redundancy, death and permanent disability. Vested performance rights and options will be exercisable by the individual for a period of 90 days after termination of employment, following which they will lapse.

5.12.7 Information technology

The systems used by the Echo Group to support all casino operations will remain unchanged post Demerger.

The corporate technology systems used to operate Tabcorp's corporate group (for example, Email, Oracle ERP for financials, payroll, accounts payable, accounts receivable), will be replicated for the Echo Group as part of the Demerger process. The scope of the technology transition has been set to replicate the corporate systems in a like-for-like manner, meaning the systems will (for the majority) remain unchanged post Demerger. This scope has been selected to expedite the transition and to ensure that the Echo Group will receive a technology platform that meets its operating requirements in the shortest possible timeframe. A limited number of examples exist where minor enhancements will be made to technology platforms that are expected to improve the ability of the Echo Group to operate.

The transition of corporate systems will occur during CY2011 and CY2012, with the process scheduled to complete within 1 year after the Demerger Date.

Tabcorp will provide, or will procure the provision of, corporate systems to the Echo Group in the period following the Demerger Date, in accordance with the Transitional Services Agreement. Further information about the Transitional Services Agreement is set out in Section 10.12.5.

The Echo Group will provide, or procure the provision of, systems to Tabcorp in the period following the Demerger Date, in accordance with a transitional services agreement. The Echo Group will also provide, or will procure the provision of, certain technology and other services to certain Tabcorp Group members, for a transitional period following the Demerger, in connection with the Tabcorp Group's current keno operations.

5.12.8 Litigation

As at the date of this Scheme Booklet, no member of the Echo Group is involved in any litigation, the outcome of which is likely to have a material adverse effect on the business or financial position of Echo.

5.12.9 Insurance


Members of the Echo Group will have the benefit of Tabcorp insurance policies until 31 October 2011, other than directors' and officers' insurance, crime insurance, kidnap & ransom insurance and professional liability insurance, which will be arranged by Echo on and from the Demerger Date. From 1 November 2011, Echo must provide its own group business insurance.

However, Tabcorp must use reasonable endeavours to continue to maintain for the benefit of Echo and the Echo Directors and officers, directors' and officers' insurance policies and crimes insurance policies, in respect of matters which occurred on or before the Demerger Date, for periods of seven years and two years respectively.

It is intended that Echo insurance policies will be placed with insurers of acceptable security and the levels of retained risk and the coverage purchased will be appropriate to the business activities of Echo, subject to such insurance being available on commercially reasonable terms.

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6. Information on New Tabcorp

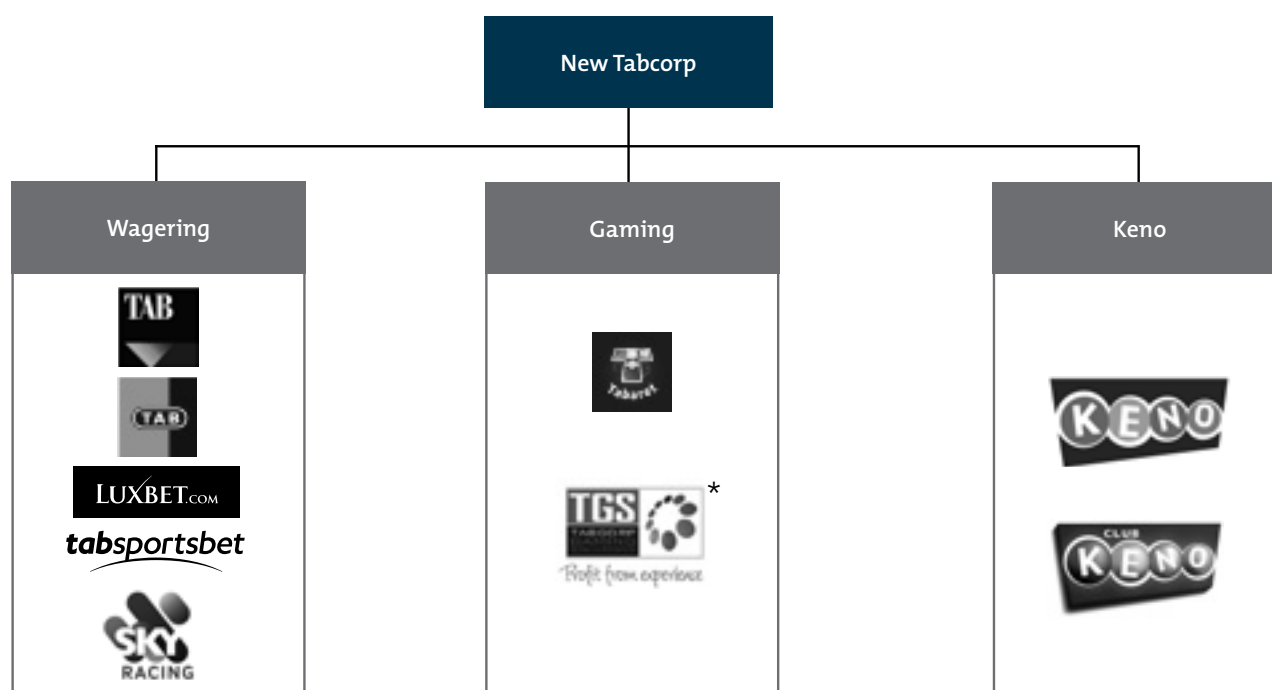


6. Information on New Tabcorp

6.1 Business overview

After the Demerger, New Tabcorp will operate wagering, gaming and keno businesses.

New Tabcorp Group business segments



Note:

* It is expected that New Tabcorp's TGS business will commence on or about August 2012.

New Tabcorp profile (as at 31 December 2010)

	Wagering	EGM (Gaming)	Keno
Wagering accounts	364,455	na	na
Employees [†]	1,855	236	24
Outlets	2,570	264	2,865

Note:

[†] The employee figures are only based on headcount at locations and not legal employers. The figures do not include employees that provide business services and corporate functions (including group accounting and reporting, legal communications and investor relations, tax, risk and compliance, audit and corporate group technology).

Terminals

EasyBet terminals	2,993
Gaming EGM terminals	13,371
Keno terminals	3,819
Keno self-service terminals	545

Tabcorp's wagering, gaming and Club Keno operations in Victoria are carried out under two licences (the Victorian Wagering Licence and the Victorian Gaming Licence), which are due to expire in August 2012. There is also an authorisation to conduct Club Keno under the Victorian Gaming Licence, which is due to expire in April 2012. When these licences expire, the New Tabcorp Group will no longer generate earnings and cash flows from the activities which are currently conducted under these licences unless a member of the New Tabcorp Group is able to conduct such activities under another licence or permit. The New Tabcorp

Group may also lose some or all of the benefits it currently has from the combination of businesses in the Tabcorp Group. The risks associated with the expiry of the Victorian Wagering Licence and the Victorian Gaming Licence are discussed in further detail in Section 6.11.1.

Notwithstanding these risks, New Tabcorp will continue to operate significant businesses. In particular, New Tabcorp:

- holds the long dated NSW Totalizator Licences;
- holds keno licences in New South Wales and Queensland;
- operates nationally through tabsportsbet and Luxbet;
- operates Sky Racing, a national media business.

Further, on 25 March 2011, the Victorian Government issued the Victorian Keno Licence to Tabcorp, which licence will authorise Tabcorp to operate keno in Victoria from April 2012. Tabcorp has submitted an application for the new Victorian Wagering and Betting Licence.

Tabcorp is currently diversified across multiple products and locations and generates significant operating cash flows, with high margins and earnings growth despite the imposition of new fees and increased competition.

Summary of key licences

Wagering division	Year of licence expiry
Victorian Wagering Licence	2012
NSW Totalizator Licences	2097
NT wagering licence	2015
Gaming division	
Victorian Gaming Licence	2012
NSW keno licence	2022
Queensland keno licence	2022
New licence	
Victorian Keno Licence ¹³	2022
Potential new licences	Proposed term of new licence
Victorian Wagering and Betting Licence	12 years

6.2 Recent operational performance

Recent operational achievements include:

Wagering

- Strong growth in areas of investment (fixed odds, sportsbetting, online and Luxbet)
- Roll-out of Trackside in NSW retail venues
- Retail refurbishments and expansion of self service
- Additional Sky Racing channels

Gaming

- Record market share
- TGS reaching critical mass

Keno

- Distribution expansion
- New keno technology—self service terminal rollout in New South Wales

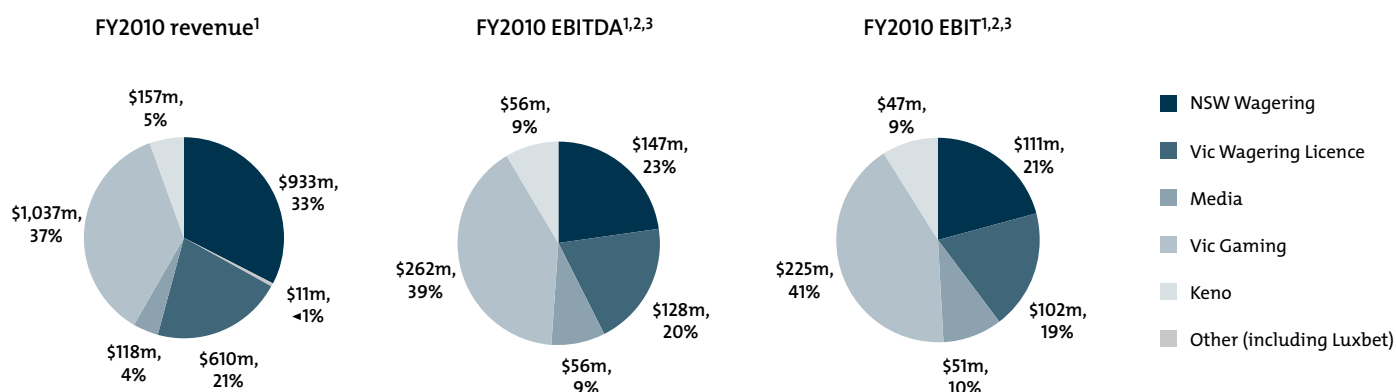
¹³ On 25 March 2011, the Victorian Government issued the Victorian Keno Licence to Tabcorp. See Section 6.7.

6. Information on New Tabcorp

6.3 Recent financial performance

6.3.1 Year ended 30 June 2010

In FY2010, the New Tabcorp Businesses generated revenue of \$2,866 million, EBITDA of \$649 million and EBIT of \$534 million. The Victorian Wagering Licence and Victorian Gaming Licence contributed \$1,647 million of revenue, \$390 million of EBITDA and \$327 million of EBIT in FY2010.



Notes:

- Wagering, gaming and keno has Victorian gambling licences expiring in August 2012 (relating to gaming and wagering), with the Victorian Club Keno authorisation expiring in April 2012. On 25 March 2011, the Victorian Government issued the Victorian Keno Licence (to operate from April 2012) to Tabcorp. Tabcorp has submitted an application for the new Victorian Wagering and Betting Licence. The terms of that licence will differ from the current Victorian Wagering Licence. Tabcorp expects that, if it were to be awarded the new Victorian Wagering and Betting Licence, earnings generated from that licence would be lower than earnings generated from the current Victorian Wagering Licence.
- Does not take into account additional corporate costs anticipated to arise post Demerger (estimated to be approximately \$4 million per annum for New Tabcorp).
- In FY2010 'Other (including Luxbet)' did not generate a profit and has been excluded in the EBIT and EBITDA pie charts.

6.3.2 Trading update

Tabcorp's wagering, gaming and keno businesses have continued to experience revenue growth in the third quarter of the 2011 financial year, with revenues up 5.1% in the 3 months ended 31 March 2011 compared to the previous corresponding period. Wagering revenues were adversely affected by the wet weather in January and early February 2011 which resulted in a high number of abandoned race meetings coupled with reduced field sizes due to the state of the tracks. Revenues recovered in March 2011 as the impact from the wet weather subsided and a normal racing program could be delivered. Victorian gaming revenues grew 7.4% in the third quarter compared to a weaker third quarter in the previous financial year, and the business continues to grow market share. Keno recorded strong revenue growth in the third quarter, and the business is benefiting from the expansion of distribution and the roll out of self service technology.

The table below shows the revenue performance (rounded to the nearest million) of the New Tabcorp Businesses for the period 1 July 2010 to 31 March 2011.

REVENUE	1H11		3Q11		YTD	
	\$m	Change on pcp	\$m	Change on pcp	\$m	Change on pcp
Wagering	891	2.2%	402	2.6%	1,293	2.3%
Vic Gaming	556	2.0%	260	7.4%	816	3.7%
Keno	84	2.4%	43	16.2%	127	6.7%
TOTAL	1,531	2.1%	705	5.1%	2,236	3.0%

6.4 Business strategy

The key strategic priorities of New Tabcorp are as follows:

Wagering	Maintain retail leadership	<ul style="list-style-type: none"> ▶ Optimise distribution footprint ▶ Expand self service technology ▶ Roll out Trackside and fixed odds betting in NSW network
	Drive fixed odds expansion	<ul style="list-style-type: none"> ▶ Expand fixed odds offering and pursue regulatory reform to level the fixed odds playing field
	Drive online	<ul style="list-style-type: none"> ▶ Develop leading online presence across full suite of products
	Improve regulatory conditions	<ul style="list-style-type: none"> ▶ Pursue levelling of the competitive playing field (eg in products, taxes, fees)
	Leverage loyalty program	<ul style="list-style-type: none"> ▶ Grow “No 1 Club” — leading customer loyalty program in Australian Wagering
	Expand internationally	<ul style="list-style-type: none"> ▶ Expand international pooling ▶ Drive export of Australian racing through Sky, import international product
Gaming	Develop TGS	<ul style="list-style-type: none"> ▶ Optimise gaming earnings in Victoria to August 2012 ▶ Expand TGS in Victoria and establish interstate
Keno	Grow Keno	<ul style="list-style-type: none"> ▶ Expand distribution ▶ Introduce self service
	Pursue new licences	<ul style="list-style-type: none"> ▶ Submitted application for the Victorian Wagering and Betting Licence ▶ Submitted application for the Victorian Keno Licence. On 25 March 2011, the Victorian Government issued the Victorian Keno Licence to Tabcorp.

6.5 Wagering

The wagering division operates totalizator and fixed odds wagering businesses under licences and approvals in Victoria and New South Wales through retail, phone and online channels under the tabsportsbet and TAB brands. In addition, the wagering division operates a national online racing and sports bookmaker business based in the Northern Territory under the Luxbet brand. Wagers are sold to customers:

- in Victoria through a TAB branded retail network of 622 agencies and licensed venues;
- in New South Wales through a TAB branded retail network of 1,948 agencies and licensed venues;
- via telephone betting accounts, through Tabcorp’s call centre, and interactively through touch tone and speech recognition systems;
- via the internet through on-line betting systems, including applications used by iPhones and internet enabled mobile phones (TAB.mobi);
- via pay TV through the TAB Active interactive wagering service; and
- at Victorian and New South Wales race tracks through on-course totalizators.

Off-course retail wagering is the principal form of wagering in Victoria and New South Wales, representing approximately 63% of the revenue of the Victorian and New South Wales wagering businesses. The wagering businesses currently compete with bookmakers in Victoria and New South Wales and other interstate and international wagering operators who accept wagers over the telephone or internet (such as corporate bookmakers based in the Northern Territory) as well as betting exchanges. The NSW and Victorian TAB businesses also have arrangements in place with Australia Post outlets across Australia for new customer ID verification for account opening, and account deposits and withdrawals.

6. Information on New Tabcorp

6.5.1 TAB Victoria

Pursuant to the Victorian Wagering Licence, which expires on 15 August 2012, and the Gambling Regulation Act, Tabcorp conducts:

- off-course totalisators and fixed odds betting on thoroughbred, harness and greyhound racing in Australia and selected international events;
- on-course totalisators and fixed odds betting on thoroughbred, harness and greyhound racing in Victoria;
- totalisator and fixed odds betting on approved sports events (eg AFL matches) and non-sporting events (eg elections) in Australia and overseas;
- the Trackside product in 590 Victorian retail agencies and hotels as at 31 December 2010; and
- the co-mingling of wagering pools with various domestic and international operators.

TAB Victoria turnover for FY2010 was \$4.5 billion. The business operates across 622 outlets.

TAB Victoria deploys advanced retail technology and is the leading operator of self-service retail technology, with 45% of retail turnover in Victoria generated through self-service EasyBet Terminals (**EBTs**).

Tabcorp is party to a Joint Venture Agreement with VicRacing which entitles VicRacing to a 25% interest in the income generated from and the expenses incurred in Tabcorp's conduct of the activities under the Victorian Wagering Licence and the Victorian Gaming Licence. Section 12 includes information regarding the key contractual arrangements between the Tabcorp Group and the Victorian Racing Industry.

The Victorian Government is presently undertaking a licensing process for the grant of a Victorian Wagering and Betting Licence, which is expected to commence upon the expiry of the current Victorian Wagering Licence. Tabcorp has lodged an application for the Victorian Wagering and Betting Licence, which it may or may not be awarded. Further information is set out in Section 6.5.6.

6.5.2 Tab NSW

Pursuant to the NSW Totalizator Licences, Tab conducts:

- off-course totalizators and fixed odds betting on thoroughbred, harness and greyhound racing in Australia and on selected international events;
- on-course totalizators and fixed odds betting on thoroughbred, harness and greyhound racing in New South Wales and, in addition, provides totalizator-related services to a limited number of Queensland racing clubs;
- totalizator and fixed odds betting on approved sporting events, non-sporting events (eg reality TV shows) and selected international events; and
- the Trackside product in over 250 NSW retail agencies and licensed venues.

Tab's turnover for FY2010 was \$5.5 billion. The business operates across 1,948 outlets in NSW. A comprehensive suite of betting products and options is available through totalizator and fixed odds betting. Retail turnover in NSW through self-service EBTs is 15.3% of total retail turnover, and is growing rapidly.

Tab's NSW Off-Course Totalizator Licence is exclusive until 6 March 2013. The NSW Totalizator Licences expire on 6 March 2007.

Section 12 includes information regarding the key contractual arrangements between the Tabcorp Group and the New South Wales racing industry.

6.5.3 Fixed odds (TAB Fixed Odds and Luxbet.com)

Fixed odds betting on sports and racing under Tabcorp's Victorian, New South Wales and Northern Territory wagering licences and approvals generated \$1.9 billion of turnover in FY2010.

Luxbet Pty Ltd, a wholly owned subsidiary of Tabcorp, was granted a licence in September 2008 to conduct business as a racing and sports bookmaker in the Northern Territory. The licence expires on 30 June 2015. Luxbet Pty Ltd has captured more than a 10% share of Northern Territory wagering turnover to date in the highly competitive online betting market. Luxbet Pty Ltd offers fixed odds betting and tote odds betting on racing, and a comprehensive suite of licensed fixed odds sports and non-sporting event offerings. Its service is conducted through internet and telephone betting.

6.5.4 Trackside

Trackside is a computer simulated racing product designed to complement Tabcorp's traditional wagering product offering. Trackside produced turnover of \$200 million in Victoria in FY2010. Tabcorp obtained NSW Government approvals to operate Trackside in New South Wales effective from 31 December 2010 and commenced the roll-out of the Trackside product into New South Wales on 10 January 2011. As at 11 March 2011, Trackside has been rolled out into over 250 venues in New South Wales.

6.5.5 Media operations

Sky Channel Pty Ltd, a wholly-owned subsidiary of Tab, broadcasts three channels to pay TV subscribers in 2.26 million homes across Australia. Sky Racing broadcasts thoroughbred, harness and greyhound racing to approximately 5,400 commercial outlets, such as hotels, clubs and TAB outlets, across Australia. The three Sky Racing channels (Sky Racing1, Sky Racing2 and Sky Racing World) provide coverage of over 72,000 races per year.

Tabcorp also has an advertising and sponsorship agreement with Radio Sport National, a radio station in Victoria, through which Tabcorp's Victorian wagering business' odds, editorial and advertising are broadcast.

Sky Sports Radio is one of the leading radio broadcasters of racing in Australia with a commercial station in Sydney and an extensive narrowcast network throughout New South Wales. Sky Sports Radio has been broadcasting for

more than 80 years in the Sydney region with transmissions incorporating the three codes of racing (thoroughbred, harness and greyhound). A comprehensive TAB betting information service complements live descriptions.

Sky Racing's International division manages the export of Australian racing to up to 30 countries on a daily basis including vision, form guides and wagering data. The biggest export markets are New Zealand, Singapore, United Kingdom, the United States and Sri Lanka.

By the operation of reciprocal arrangements, Sky Racing's International division is also responsible for all imported racing content and co-mingling of wagering pools with various international operators which at this stage include New Zealand, South Africa and Singapore.

On 17 March 2011, Tabcorp confirmed it received a proposal from ThoroughVision Pty Ltd (**TVN**) to acquire Sky Channel. Tabcorp is not contemplating the sale of Sky Channel.

6.5.6 Victorian Wagering and Betting Licence

The Victorian Government in 2010 announced that three parties have been invited to submit an application for the Victorian Wagering and Betting Licence (although one party that was invited to submit an application publicly stated that it formally withdrew from the process). Tabcorp has submitted an application.

It is uncertain whether Tabcorp will be successful in its application. Further, no assurance can be given as to:

- the precise terms and conditions on which the Victorian Wagering and Betting Licence would be issued;
- the terms of the arrangements that would need to be entered into with the Victorian Government and the Victorian Racing Industry in relation to the Victorian Wagering and Betting Licence; or
- the amount that might be required to be paid by way of licence fees (whether by way of an upfront payment or annual payments) in respect of the Victorian Wagering and Betting Licence.

The terms of the new Victorian Wagering and Betting Licence will differ from the current Victorian Wagering Licence. When announcing the new Victorian gambling industry structure (as referred to in Section 6.11.1), the Victorian Government indicated that the arrangements under that post 2012 structure will differ from the current arrangements. Tabcorp expects that, if it were to be awarded the new Victorian Wagering and Betting Licence, earnings generated from that licence would be lower than earnings generated from the current Victorian Wagering Licence. The earnings that may be generated from the new Wagering and Betting Licence will ultimately be dependent on a number of factors including the matters noted above.

Tabcorp's wagering business faces various risks (as set out in Section 6.11) and if Tabcorp is awarded the Victorian Wagering and Betting Licence those risks could have a significant bearing on the financial performance of New Tabcorp's Victorian wagering business.

Tabcorp has determined to pursue the proposed Demerger regardless of whether or not Tabcorp is awarded the Victorian Wagering and Betting Licence. If Tabcorp is awarded the Victorian Wagering and Betting Licence, it does not currently anticipate undertaking another equity capital raising to fund a payment for that licence. However, Tabcorp may seek to increase its DRP participation by offering a discount or underwriting.

Irrespective of the outcome of the Victorian Wagering and Betting Licence process, Tabcorp will continue to be a market leader in the Australian wagering market with a strong, competitive and well capitalised business.

6.5.7 Potential growth opportunities

During the first half of FY2011, Tab reached agreements with both Racing NSW and the NSW Government on a funding package for the redevelopment of Randwick racecourse. Under these agreements, New Tabcorp will pay two instalments of \$75 million on 1 July 2011 and 1 July 2012 respectively. Tab also received approval to introduce Trackside, a computer simulated horse, harness and greyhound wagering product, in its NSW retail network on 31 December 2010. As at 11 March 2011, Trackside has been rolled out to over 250 venues in NSW and is expected to be in 700 venues in NSW by the end of June 2011.

Separately, under the NSW Government's racing reform program, the NSW Government granted to Tab a number of other approvals, including:

- fixed odds betting on racing in all channels (including retail) and up to the jump (enabling bets to be placed up until the start of the race, as opposed to previously where bets closed 30 minutes prior to the first race of the relevant meeting), bringing NSW into line with the majority of Australian jurisdictions;
- a reduced tax rate for Tab relating to premium and international customer turnover over defined thresholds; and
- international co-mingling with NSW to host pools from Germany, the Isle of Man, Singapore, the United States and Canada.

Under the Racing Distribution Agreement, Tab must also obtain the consent of NSW Racing to conduct co-mingling in NSW. To date, NSW Racing has provided consent for Tab to host pools with entities from Germany, the Isle of Man, Singapore, the United States and Canada.

In November 2010, the NSW Government announced it would bring NSW into line with other Australian jurisdictions by approving betting on non-racing and sporting events, for example, reality television shows and entertainment awards. In line with this announcement, Tab received approval on 4 March 2011 to provide betting markets on a number of additional non-racing and sporting events on which betting markets are currently offered by corporate bookmakers licensed in the Northern Territory.

6. Information on New Tabcorp

6.6 Gaming

Gaming activities

Tabcorp's gaming and network games businesses primarily consists of the activities conducted in Victoria under the Victorian Gaming Licence which expires in August 2012. The Victorian Gaming Licence authorises Tabcorp (as one of two authorised licensed participants) to conduct among other things:

- gaming using EGMs in licensed clubs and hotels in Victoria; and
- Club Keno games in licensed clubs and hotels in Victoria, which are conducted through a joint venture arrangement with Tatts Group Limited.

The other Victorian gaming licence is held by Tatts Group Limited. The proprietor of Crown Casino is separately licensed to conduct gaming at that venue. Tabcorp owns the brand, Tabaret, under which it operates its EGMs in Victoria.

Tabcorp's EGM network (as at 31 December 2010)

Area	Number of venues		Number of EGMs	
	Clubs	Hotels	Clubs	Hotels
Melbourne metropolitan	63	98	3,722	5,673
Victorian country	70	33	2,766	1,210
Total	133	131	6,488	6,883

Upon the expiry of the Victorian Gaming Licence, Tabcorp may redeploy or otherwise deal with the assets of the gaming business in a manner it determines appropriate.

Section 12.2.2 describes the Joint Venture Agreement which entitles VicRacing to a 25% interest in the income generated from and expenses incurred in Tabcorp's conduct of activities under the Victorian Gaming Licence.

Tabcorp Gaming Solutions (TGS)

Until the expiry of the Victorian Gaming Licence in August 2012, the gaming division will focus on optimising Victorian gaming operations by managing EGM deployment, reducing capital expenditure, controlling operating expenditure growth and continuing to focus on market share.

Having regard to the new venue operator gambling industry structure which will apply in Victoria post August 2012, Tabcorp continues to review its options regarding its gaming business post August 2012.

Upon the expiry of Tabcorp's Victorian Gaming Licence in August 2012, gaming operator licences will no longer be held by the two current operators. Instead, licensed club and hotel venue operators will operate, and conduct gaming pursuant to, EGMs in Victoria. Tabcorp has responded by introducing a specialised consulting and support service for the new operators of EGMs – TGS. TGS provides servicing support, commercial assistance, business development, marketing advice, training and EGM supply, and is currently contracted in respect of over 7,000 EGMs in Victoria.

TGS is in the process of obtaining all necessary approvals for its post August 2012 operations.

6.7 Keno

The keno business has expanded successfully in NSW and Queensland and currently has over 2,600 distribution points. Tabcorp's Club Keno is currently operated in Victoria under the Victorian Gaming Licence through a joint venture with Tatts Group Limited, with the authorisation to conduct Club Keno under the Victorian Gaming Licence due to expire in April 2012.

The Victorian Government has been undertaking a licensing process for the grant of a single Victorian Keno Licence and, on 25 March 2011, issued the Victorian Keno Licence to Tabcorp.

The Victorian Keno Licence is for a period of 10 years, and will operate from April 2012. The Victorian Keno Licence will authorise Tabcorp to conduct and distribute approved keno games (which may include simulated racing games) in certain hotels, clubs and wagering outlets in Victoria.

Tabcorp will pay \$60 million for the Victorian Keno Licence, which amount is payable in April 2011. No further equity capital would need to be raised to fund a payment for that licence.

6.8 New Tabcorp pro forma historical financial information

6.8.1 Overview

This Section contains Tabcorp historical financial information and New Tabcorp pro forma historical financial information, including:

- New Tabcorp pro forma historical income statements before net financing costs and tax, for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 and the half year ended 31 December 2010;
- reconciliation of Tabcorp's historical income statements to the New Tabcorp pro forma historical income statements before net financing costs and tax;
- New Tabcorp pro forma historical net operating cash flows before net financing costs and tax and after capital expenditure, for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 and the half year ended 31 December 2010;
- reconciliation of Tabcorp's historical operating cash flows to the New Tabcorp pro forma historical net operating cash flows, before net financing costs and tax after capital expenditure; and
- New Tabcorp pro forma historical balance sheet as at 31 December 2010.

Reference to the Tabcorp historical financial information refers to Tabcorp on a consolidated basis, and reference to the New Tabcorp pro forma historical financial information refers to New Tabcorp on a consolidated basis.

6.8.2 Basis of preparation

The New Tabcorp pro forma historical income statements, New Tabcorp pro forma historical net operating cash flow statements and the New Tabcorp pro forma historical balance sheet have been prepared for illustrative purposes, to assist Tabcorp Shareholders to understand the impact of the Demerger and the financial position and financial performance of New Tabcorp. By its nature, pro forma financial information is illustrative only. Consequently the pro forma historical income statements and the pro forma historical net operating cash flow statements for New Tabcorp do not purport to reflect the actual or future financial performance for the relevant period and the pro forma historical balance sheet of New Tabcorp does not purport to reflect the actual financial position of New Tabcorp at the relevant time. These pro forma financial statements do not purport to reflect the actual financial performance and position that would have occurred if New Tabcorp had operated as a standalone entity for the relevant period.

The New Tabcorp pro forma financial information has been prepared by extracting information from the audited Tabcorp financial statements for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 and the reviewed interim Tabcorp financial statements for the half year ended 31 December 2010, adjusted for the removal of the Casinos Business financial information and the pro forma adjustments as described below. Tabcorp's financial statements for these periods are available from Tabcorp's website (www.tabcorp.com.au) or the ASX website (www.asx.com.au).

The financial statements for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 have been audited in accordance with Australian Auditing Standards and the audit opinions issued to the members of Tabcorp relating to those financial statements were unqualified. Tabcorp's half year financial statements for the period ended 31 December 2010 were not audited but were reviewed by Tabcorp's auditor in accordance with Australian Auditing Standards applicable to the interim financial report.

The New Tabcorp pro forma financial information has been prepared in accordance with the accounting policies set out in Tabcorp's half year report to 31 December 2010 and Annual Report for the year ended 30 June 2010. International Financial Reporting Standards adopted by the International

Accounting Standards Board do not currently include promulgated standards for the preparation and reporting of pro forma financial information and effective guidance as at the date of this Scheme Booklet is limited to the preparation of historical financial statements. Consequently pro forma information has been directly derived from balances and amounts included in the historical financial statements of Tabcorp, as prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board and Tabcorp management information.

The financial information in this Section is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual financial report prepared in accordance with the Corporations Act.

Pro forma adjustments for net financing costs and tax have not been made to the New Tabcorp pro forma historical income statements and the pro forma historical net operating cash flow statements because the financing arrangements and tax structure under which Tabcorp operated during the periods presented do not reflect the anticipated financing arrangements and tax structure of New Tabcorp.

Pro forma adjustments have been made in the New Tabcorp pro forma balance sheet to reflect certain financing arrangements, capital items and the impact of the Demerger.

The Investigating Accountant has prepared an Investigating Accountant's Report in respect of the financial information, a copy of which is included in Section 8. The financial information set out below should be read in conjunction with the Investigating Accountant's Report included in Section 8.

The financial information in this Section should be read in conjunction with the risk factors set out in Section 6.11.

6.8.3 New Tabcorp pro forma historical income statements before net financing costs and tax

(i) New Tabcorp pro forma historical income statements before net financing costs and tax

Set out below is a summary of New Tabcorp's pro forma historical income statements before net financing costs and tax for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 and the half year ended 31 December 2010.

6. Information on New Tabcorp

Table 5: New Tabcorp pro forma historical income statements before net financing costs and tax

\$m	Year ended 30 June 2008	Year ended 30 June 2009	Year ended 30 June 2010	Half year ended 31 December 2010
Revenue	2,633	2,818	2,866	1,531
Government taxes & levies	(828)	(875)	(876)	(465)
Commissions & fees	(831)	(923)	(953)	(510)
Net operating expenses	(369)	(382)	(388)	(200)
EBITDA	605	638	649	356
Depreciation, amortisation and impairment	(103)	(108)	(115)	(60)
EBIT, excluding significant items	502	530	534	296
Significant items ¹⁴	(696)	-	-	-
EBIT	(194)	530	534	296
<i>Pro forma estimated additional standalone corporate costs</i>	<i>(4)</i>	<i>(4)</i>	<i>(4)</i>	<i>(2)</i>
<i>Pro forma EBIT, excluding significant items</i>	<i>498</i>	<i>526</i>	<i>530</i>	<i>294</i>

Following the Demerger, New Tabcorp will incur additional corporate related costs of approximately \$4 million as a result of cost dis-synergies.

Net financing costs and tax have not been included above in the New Tabcorp pro forma historical income statements because the financing arrangements and tax structure under which Tabcorp operated during the periods presented do not reflect the anticipated financing arrangements and tax structure of New Tabcorp following the Demerger.

(ii) Reconciliation of Tabcorp historical income statements to New Tabcorp pro forma historical income statements, before net financing costs and tax

Set out below is a reconciliation of Tabcorp's historical income statements to the New Tabcorp pro forma historical income statements before net financing costs and tax for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 and the half year ended 31 December 2010.

Table 6: Reconciliation of Tabcorp historical income statement to New Tabcorp pro forma historical income statement, before net financing costs and tax for the year ended 30 June 2008

Year ended 30 June 2008 (\$m)	Tabcorp	Echo	Inter segment revenue	New Tabcorp pro forma
Revenue	3,993	1,365	(5)	2,633
Government taxes & levies	(1,075)	(247)	-	(828)
Commissions & fees	(828)	-	3	(831)
Net operating expenses	(1,015)	(648)	2	(369)
EBITDA	1,075	470	-	605
Depreciation, amortisation and impairment	(167)	(64)	-	(103)
EBIT, excluding significant items	908	406	-	502
Significant items ¹⁵	(733)	(37)	-	(696)
EBIT	175	369	-	(194)
Net financing costs ¹⁶	(119)			
Income tax expense	(221)			
Net loss attributable to Tabcorp shareholders	(165)			

14 Comprises: (a) adjustments in relation to the Victorian Wagering and Gaming Licences being an impairment of other receivables (the present value of a right to receive a cash payment) of \$475 million, prior periods' amortisation of \$27 million; (b) an impairment of wagering goodwill of \$194 million.

15 Comprises: (a) adjustments in relation to the Victorian Wagering and Gaming Licences being an impairment of other receivables (the present value of a right to receive a cash payment) of \$475 million, prior periods' amortisation of \$27 million, partly offset by the unwinding of the discount on that receivable of \$41 million (included in net financing costs); (b) an impairment of wagering goodwill of \$194 million; and (c) a non cash impairment of \$37 million, before income tax effect of \$11 million, in the value of assets at Star City Casino as a result of the casino expansion project.

16 See footnote 15 above.

Table 7: Reconciliation of Tabcorp historical income statement to New Tabcorp pro forma historical income statement, before net financing costs and tax for the year ended 30 June 2009

Year ended 30 June 2009 (\$m)	Tabcorp	Echo	Inter segment revenue	New Tabcorp pro forma
Revenue	4,211	1,399	(6)	2,818
Government taxes & levies	(1,137)	(262)	-	(875)
Commissions & fees	(926)	(7)	4	(923)
Net operating expenses	(1,076)	(696)	2	(382)
EBITDA	1,072	434	-	638
Depreciation, amortisation and impairment	(177)	(69)	-	(108)
EBIT, excluding significant items	895	365	-	530
Significant items	-	-	-	-
EBIT	895	365	-	530
Net financing costs	(153)			
Income tax expense	(220)			
Net profit attributable to Tabcorp shareholders	522			

Table 8: Reconciliation of Tabcorp historical income statement to New Tabcorp pro forma historical income statement, before net financing costs and tax for the year ended 30 June 2010

Year ended 30 June 2010 (\$m)	Tabcorp	Echo	Inter segment revenue	New Tabcorp pro forma
Revenue	4,220	1,360	(6)	2,866
Government taxes & levies	(1,165)	(289)	-	(876)
Commissions & fees	(954)	(5)	4	(953)
Net operating expenses	(1,103)	(717)	2	(388)
EBITDA	998	349	-	649
Depreciation, amortisation and impairment	(204)	(89)	-	(115)
EBIT, excluding significant items	794	260	-	534
Significant items	-	-	-	-
EBIT	794	260	-	534
Net financing costs	(154)			
Income tax expense	(171)			
Net profit attributable to Tabcorp shareholders	469			

6. Information on New Tabcorp

Table 9: Reconciliation of Tabcorp historical income statement to New Tabcorp pro forma historical income statement, before net financing costs and tax for the half year ended 31 December 2010

6 months ended 31 December 2010 (\$m)	Tabcorp	Echo	Inter segment revenue	New Tabcorp pro forma
Revenue	2,257	729	(3)	1,531
Government taxes & levies	(620)	(155)	-	(465)
Commissions & fees	(510)	(2)	2	(510)
Net operating expenses	(575)	(376)	1	(200)
EBITDA	552	196	-	356
Depreciation, amortisation and impairment	(107)	(47)	-	(60)
EBIT, excluding significant items	445	149	-	296
Significant items	-	-	-	-
EBIT	445	149	-	296
Net financing costs	(71)			
Income tax expense	(108)			
Net profit attributable to Tabcorp shareholders	266			

(iii) Management discussion and analysis on New Tabcorp's pro forma historical financial performance

Commentary on New Tabcorp's pro forma historical financial performance is provided below. More information is available from Tabcorp's annual financial statements for the years ended 30 June 2008, 2009 and 2010 and interim financial statements for the half year ended 31 December 2010, which can be found on Tabcorp's website (www.tabcorp.com.au).

31 December 2010

New Tabcorp achieved an EBIT of \$296 million for the six months, representing a 1.1% increase on the prior corresponding period (six months to 31 December 2009). Wagering and gaming performance for the six months to 31 December 2010 is set out below, with comparisons against the prior corresponding period.

Wagering

Wagering EBIT increased by 3.0% to \$152 million. Wagering revenues increased 2.1% and variable contribution increased 3.1%. Revenues from fixed odds betting increased 48% in the half, more than offsetting a 3.3% decrease in totalizator revenues. Totalizator turnover was impacted by competition and wet weather, with an increase in the number of abandoned races over the previous year and smaller field sizes.

The internet channel continued to grow strongly with turnover up 30% to \$1 billion in the half. The retail channel in Victoria recorded growth as it benefited from the expansion of fixed odds betting on racing and growth in Trackside.

Expenses increased 2.6%.

Gaming

Gaming EBIT was \$148 million, an increase of 2.3% on the prior corresponding period. Revenues from gaming in Victoria increased 2.1% as the business continued to gain market share. Revenues from keno increased 2.3%. Expenses across the division were flat, with higher expense growth in keno offset by savings in gaming in Victoria.

30 June 2010

New Tabcorp achieved EBIT of \$534 million representing a 0.8% increase on the previous year.

Wagering

Wagering EBIT increased 4.1% to \$262 million.

The wagering business recorded strong growth with turnover increasing 7.5% and revenues increasing 4.9%. The revenue performance was driven by expansion of fixed odds coverage of racing in Victoria and New South Wales and the launch of a loyalty program in New South Wales. In addition, Sky Racing expanded from one channel to three channels, offering customers more choice and a dedicated thoroughbred racing channel.

The business grew fixed odds betting on racing and sports by 47.1%. Turnover in the traditional totalizator product and in the retail channel was down in the second half and flat for the year.

The wagering business benefited from the FIFA World Cup. Total turnover on the World Cup was \$129 million, including \$85 million in the 2010 financial year. Revenues for the World Cup were \$22 million, including \$15 million in the 2010 financial year.

In the 2010 financial year, race fields payments increased by \$15 million before tax, including a settlement with the Victorian racing industry.

Expenses increased 2.7%.

Gaming

EBIT was \$272 million, a decrease of 1.8% from the previous year.

The gaming market in Victoria experienced much tougher conditions, with regulatory changes and a declining market. New Tabcorp again gained market share, reaching 52.9% in the second half.

Division revenues decreased 2.5%, driven by Victorian gaming. Keno revenues were flat.

Expenses decreased 2.1%.

30 June 2009

New Tabcorp achieved EBIT of \$530 million, representing a 5.8% increase on the previous year.

Wagering

Wagering EBIT was \$252 million, a decrease of 1.6% on the previous year. Revenues increased 7.8%. The strong first half results reflected the recovery from equine influenza in the previous period. The wagering business experienced much tougher trading conditions in the second half of the year, with lower revenue growth, margin compression and additional race fields payments to the racing industry.

During the year, the racing industries in each state announced that they would implement new race fields arrangements, under which they would charge product fees to wagering operators for the betting conducted on their racing product.

The additional race fields charges had a material impact on New Tabcorp, reducing EBIT by \$20 million.

Expenses increased 5.1%, largely driven by the start up of Luxbet.com. Operating expenses in the existing business increased 1%.

Gaming

Gaming EBIT increased 13.9% on the previous year to \$277 million.

Revenues from the Victorian gaming business increased by 4.8%, and market share increased to 52.6%. Revenues from keno increased 16.8% as the business expanded distribution into more New South Wales hotels.

Expenses decreased 1.6%.

30 June 2008

New Tabcorp achieved EBIT before significant items of \$502 million, representing a 4.0% increase on the previous year.

Wagering

Wagering EBIT before significant items increased 4.5% to \$256 million. The wagering result was positive in light of the equine influenza outbreak, which impacted EBIT by approximately \$17 million. Racing turnover recovered gradually during the second half after racing resumed in December 2007. Sportsbetting continued to perform well with revenues increasing 15.9% on the previous year.

The equine influenza outbreak had a significant impact on the Australian racing industry. In New South Wales, thoroughbred and harness racing stopped for more than three months, with the government providing financial support to participants. Victoria continued to deliver a full racing program.

Gaming

Gaming EBIT before significant items decreased 0.2% to \$243 million. Revenues increased 4.8% despite the introduction of full indoor smoking bans in Victoria. Gaming market share in Victoria continued to increase, averaging 52% in the second half.

Revenue growth did not translate into higher earnings as a result of the higher Gaming Machine Levy imposed by the Victorian Government.

Following New South Wales Government approval, the division commenced the rollout of its keno product into New South Wales hotels. As at the end of June 2008, 170 hotels offered the keno product.

6.8.4 New Tabcorp pro forma historical net operating cash flows before net financing costs and tax but after capital expenditure

(i) New Tabcorp pro forma historical net operating cash flows before net financing costs and tax but after capital expenditure

Set out below is a summary of the New Tabcorp pro forma historical operating cash flows before financing costs and tax after capital expenditure for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 and the half year ended 31 December 2010.

6. Information on New Tabcorp

Table 10: New Tabcorp pro forma historical net operating cash flows before net financing costs and tax but after capital expenditure

\$m	Year ended 30 June 2008	Year ended 30 June 2009	Year ended 30 June 2010	Half year ended 31 December 2010
EBITDA	605	638	649	356
Other non cash items	2	-	(4)	1
Change in working capital	(26)	(16)	40	(52)
Net operating cash flows before net financing costs and tax	581	622	685	305
Capital expenditure	(112)	(120)	(130)	(48)
Net operating cash flows after capital expenditure, before net financing costs and tax	469	502	555	257

Following the Demerger, New Tabcorp will have additional net cash outflows relating to incremental corporate operating costs, financing activities (refer Section 6.8.6), taxation and dividends (refer Section 6.8.12). Pro forma adjustments have not been made for these items because the periods presented do not reflect New Tabcorp's corporate and operating structures, financing arrangements, tax arrangements and capital structure following the Demerger.

(ii) **Reconciliation of Tabcorp historical net operating cash flows to New Tabcorp pro forma historical net operating cash flows, before net financing costs and tax and after capital expenditure**

Set out below is a reconciliation of the Tabcorp historical net operating cash flows to the New Tabcorp pro forma historical net operating cash flows, before net financing costs and tax but after capital expenditure for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 and the half year ended 31 December 2010.

Table 11: Reconciliation of Tabcorp historical net operating cash flows to New Tabcorp pro forma historical net operating cash flows, before net financing costs and tax but after capital expenditure for the year ended 30 June 2008

Year ended 30 June 2008 (\$m)	Tabcorp	Echo	New Tabcorp pro forma
EBITDA	1,075	470	605
Other non cash items	3	1	2
Change in working capital	(84)	(58)	(26)
Net operating cash flows before net financing costs and tax	994	413	581
Capital expenditure excl Star City expansion	(217)	(105)	(112)
Star City expansion capital expenditure	(5)	(5)	-
Net operating cash flows after capital expenditure, before net financing costs and tax	772	303	469

Table 12: Reconciliation of Tabcorp historical net operating cash flows to New Tabcorp pro forma historical net operating cash flows, before net financing costs and tax but after capital expenditure for the year ended 30 June 2009

Year ended 30 June 2009 (\$m)	Tabcorp	Echo	New Tabcorp pro forma
EBITDA	1,072	434	638
Other non cash items	1	1	-
Change in working capital	(28)	(12)	(16)
Net operating cash flows before net financing costs and tax	1,045	423	622
Capital expenditure excl Star City expansion	(211)	(91)	(120)
Star City expansion capital expenditure	(46)	(46)	-
Net operating cash flows after capital expenditure, before net financing costs and tax	788	286	502

Table 13: Reconciliation of Tabcorp historical net operating cash flows to New Tabcorp pro forma historical net operating cash flows, before net financing costs and tax but after capital expenditure for the year ended 30 June 2010

Year ended 30 June 2010 (\$m)	Tabcorp	Echo	New Tabcorp pro forma
EBITDA	998	349	649
Other non cash items	(2)	2	(4)
Change in working capital	32	(8)	40
Net operating cash flows before net financing costs and tax	1,028	343	685
Capital expenditure excl Star City expansion	(193)	(63)	(130)
Star City expansion capital expenditure	(215)	(215)	-
Net operating cash flows after capital expenditure, before net financing costs and tax	620	65	555

Table 14: Reconciliation of Tabcorp historical net operating cash flows to New Tabcorp pro forma historical net operating cash flows, before net financing costs and tax after capital expenditure for the half year ended 31 December 2010

Year ended 31 December 2010 (\$m)	Tabcorp	Echo	New Tabcorp pro forma
EBITDA	552	196	356
Other non cash items	2	1	1
Change in working capital	(97)	(45)	(52)
Net operating cash flows before net financing costs and tax	457	152	305
Capital expenditure excl Star City expansion	(82)	(34)	(48)
Star City expansion capital expenditure	(173)	(173)	-
Net operating cash flows after capital expenditure, before net financing costs and tax	202	(55)	257

6.8.5 Tabcorp historical and New Tabcorp pro forma historical balance sheet as at 31 December 2010

Set out below is a summary of the Tabcorp historical and the New Tabcorp pro forma historical balance sheet as at 31 December 2010. For the purposes of presenting the pro forma historical balance sheet, it has been assumed that the Demerger was effected and completed on 31 December 2010.

6. Information on New Tabcorp

Table 15: Tabcorp historical and New Tabcorp pro forma historical balance sheet as at 31 December 2010

As at 31 December 2010 (\$m)	Tabcorp	Less Proforma Casino Business	Transfers of assets & derivatives (a)	Restructure/ Demerger transactions (b)	Goodwill impairment (c)	Debt re- financing & Transaction costs (d)	New Tabcorp pro forma
Current Assets							
Cash and cash equivalents	387	(91)	-	-	-	(109)	187
Receivables	98	(30)	-	-	-	-	68
Other	54	(24)	-	-	-	-	30
Total Current Assets	539	(145)	-	-	-	(109)	285
Non-Current Assets							
Property, plant and equipment	1,890	(1,604)	(4)	-	-	(10)	272
Licences	635	(249)	-	-	-	-	386
Other intangible assets	3,776	(1,588)	(12)	-	(340)	(9)	1,827
Derivative financial instruments	4	-	(4)	-	-	-	-
Other non current assets	78	(11)	-	-	-	-	67
Total Non-Current Assets	6,383	(3,452)	(20)	-	(340)	(19)	2,552
Total Assets	6,922	(3,597)	(20)	-	(340)	(128)	2,837
Current Liabilities							
Payables	483	(3,240)	(4)	3,164	-	(36)	367
Interest bearing liabilities	449	-	-	-	-	-	449
Derivative financial instruments	28	-	(8)	-	-	(15)	5
Current tax liabilities	50	-	-	-	-	-	50
Other current liabilities	85	(57)	-	-	-	-	28
Total Current Liabilities	1,095	(3,297)	(12)	3,164	-	(51)	899
Non-Current Liabilities							
Payables	75	-	-	-	-	-	75
Interest bearing liabilities	1,286	-	-	(1,111)	-	264	439
Deferred tax liabilities	271	(157)	-	-	-	(59)	55
Derivative financial instruments	168	-	(8)	-	-	(150)	10
Other non-current liabilities	12	(6)	-	-	-	3	9
Total Non-Current Liabilities	1,812	(163)	(8)	(1,111)	-	58	588
Total Liabilities	2,907	(3,460)	(20)	2,053	-	7	1,487
Net Assets	4,015	(137)	-	(2,053)	(340)	(135)	1,350
Shareholders' Equity							
Issued capital	4,179	-	-	(2,220)	-	(7)	1,952
Retained earnings/ (accumulated losses)	(197)	-	-	615	(340)	(78)	-
Reserves	33	(137)	-	(448)	-	(50)	(602)
Total shareholders' equity	4,015	(137)	-	(2,053)	(340)	(135)	1,350

The New Tabcorp pro forma historical balance sheet has been prepared in order to give Tabcorp Shareholders an indication of New Tabcorp's balance sheet in the circumstances noted in this Section, and does not state the actual financial position of New Tabcorp at the time of the Demerger. No adjustments have been made to reflect the trading of Tabcorp since 31 December 2010, and no adjustment has been made for the payment for the Victorian Keno Licence (refer to Section 6.7).

The adjustments to the pro forma historical balance sheet include:

- (a) The transfer of assets and derivatives which comprises two components, being the transfer of corporate IT assets of Echo at their carrying value, and the transfer of interest rate derivatives within Tabcorp on the basis that Echo will put in place a level of derivatives in accordance with its treasury policy.
- (b) The Restructure and Demerger transaction adjustments include:
 1. The settlement of net intercompany loans owed to Tabcorp by Echo through the issue of Echo Shares, and the application of cash to borrowings including the US Notes referred to in paragraph (d) below.
 2. A reduction in share capital (approximately \$2,220 million) and recognition of a demerger reserve (\$856 million) to reflect the estimated fair value of the distribution (\$3,076 million). This pro forma adjustment is indicative only and will be based on the fair value of Echo as at the date of the Demerger.
 3. The estimated profit on the distribution (\$881 million) of Echo Shares under the Demerger, representing the difference between the estimated fair value of Echo and the carrying value of the net assets to be divested.
 4. A transfer of the remaining profit on the distribution after allowing for opening retained losses, transaction costs and impairment charges, to the demerger reserve (\$266 million).
- (c) Immediately after the Demerger, it is anticipated that the approach to impairment testing for wagering goodwill will change. Additional wagering operating segments are expected to be identified as a result of changes in internal management reporting and structures, including changes in the level of information to be received by the Managing Director and Chief Executive Officer of New Tabcorp post Demerger. The operating segments would be NSW Wagering, Victorian Wagering, Media and Luxbet. The identification of additional operating segments would result in the allocation of wagering segment goodwill as follows: NSW Wagering, \$1,200 million; Victorian

Wagering, \$132 million and Media, \$216 million. This approach is expected to lead to non-cash impairment charges against NSW Wagering goodwill and Victorian Wagering goodwill estimated to be approximately \$340 million in aggregate using the current estimates of cash flows and discount rate.

- (d) Transaction and implementation costs comprise estimated Demerger cash transaction and implementation costs of \$135 million (pre-tax), and other non cash costs of \$37 million (pre-tax) (refer to Sections 3.3.4 and 10.16). Cash transaction costs of \$5 million were incurred prior to 31 December 2010. The increase in interest bearing liabilities of \$264 million represents the estimated net settlement of cross currency swaps related to the US Notes and borrowing costs. Should Echo be unsuccessful in undertaking an issue of new US private placement notes to investors in Tabcorp's existing US Notes or to other investors, transaction costs, as outlined in Sections 4.1.5, 5.10.6 and 5.10.8, could be higher than estimated.¹⁷

In accordance with the accounting standards, the Tabcorp balance sheet at 31 December 2010 reflected debt relating to the US Notes including derivatives of \$859 million compared to the proceeds recognised on the issue of the notes of \$939 million. The difference reflects hedge accounting adjustments made to reserves and the profit and loss since the US Notes were issued.

6.8.6 Debt facilities and cash

Tabcorp is currently funded from \$600 million of medium term notes, \$284 million of Tabcorp Bonds, \$939 million of US Notes and existing bank facilities of \$765 million. These bank debt facilities are only partly drawn.

If the Demerger is implemented, New Tabcorp proposes to reduce the total amount of debt issued by the Tabcorp Group to the capital markets and debt facilities available to the Tabcorp Group.

Specifically, New Tabcorp intends to:

- maintain the \$600 million of Medium Term Notes on issue;
- maintain the \$284 million of Tabcorp Bonds on issue;
- repay the US Notes and cancel the associated cross-currency swaps; and
- replace Tabcorp's existing bank debt facilities with a new syndicated facility totalling \$800 million which New Tabcorp has established with a syndicate of domestic banks (*Tabcorp Syndicated Facility*).

¹⁷ This cost of repaying the US Notes and the close out of related swaps is subject to variances in the US 10 year Treasury bond yields and Australian dollar/US dollar exchange rates. As a result of these variances, the actual cost will differ from the number stated in this Scheme Booklet.

6. Information on New Tabcorp

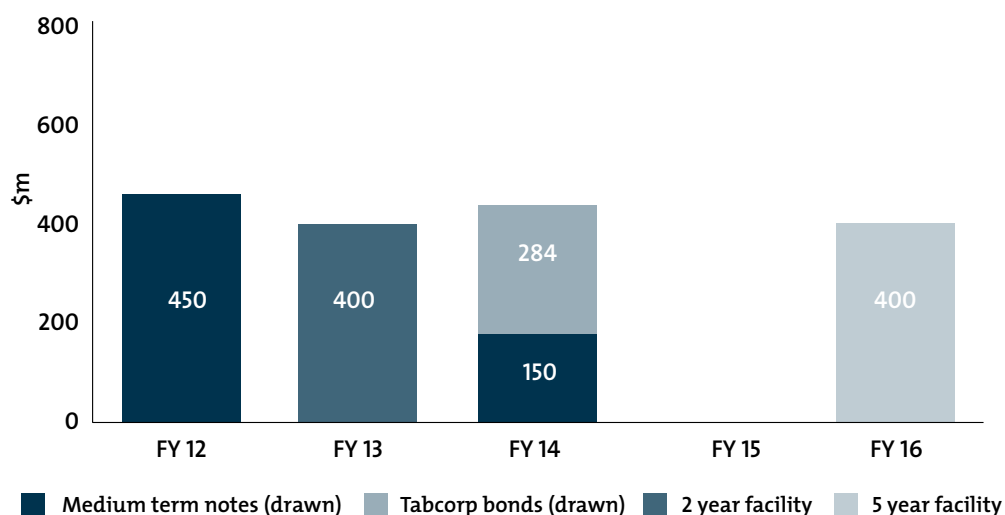
The Tabcorp Syndicated Facility contains market standard terms and conditions for a facility of this nature.

The key terms of the Tabcorp Syndicated Facility are as follows:

Facility type	Syndicated bank facility		
Borrower	Tabcorp Investments No.4 Pty Ltd		
Currency	A\$		
Tranches	Tranche	Commitment	Maturity date
	A	\$400,000,000	2 year tranche
	B	\$400,000,000	5 year tranche
Interest rates	BBSY plus a Margin based on a Net Borrowings to EBITDA ratio grid.		
Conditions precedent to initial draw down	<p>The Tabcorp Syndicated Facility contains market standard conditions precedent to initial drawdown for a facility of this nature. Additional conditions include the Scheme becoming Effective and that information, including financial information, relating to the Demerger and Tabcorp provided to the syndicate of banks in negotiating the Tabcorp Syndicated Facility has not varied in a manner that has or is likely to have a material adverse effect on the ability of the Borrower or the relevant Tabcorp Group members to perform their obligations under the Tabcorp Syndicated Facility.</p> <p>If no drawing has occurred under any tranche by 30 September 2011, the availability period for all tranches will end and all commitments under the Tabcorp Syndicated Facility will be cancelled.</p>		
Security	No		
Guarantee	At the date of the Demerger, a guarantee will be given by each of Tabcorp Holdings Limited, Tabcorp Assets Pty Ltd, Tabcorp Investments Pty Ltd, Tabcorp Investments No.2 Pty Ltd, Showboat Australia Pty Ltd, Tabcorp Participant Pty Ltd and Tab Limited. Tabcorp must ensure that key subsidiaries are guarantors.		
Events of default and mandatory prepayment	<p>The Tabcorp Syndicated Facility contains events of default that are standard for a facility of this nature including, but not limited to, payment default, breach of representation, breach of financial undertaking, cross-default, insolvency, cancellation of any material licences, cessation or suspension of business, Tabcorp ceases to be listed on the ASX or suspends trading for any period longer than 10 consecutive business days and the occurrence of an event that is reasonably likely to have a material adverse effect on the ability of the relevant Tabcorp Group members to perform their obligations under the Tabcorp Syndicated Facility. If a person has voting power (as defined in section 610 of the Corporations Act) of more than 50% in Tabcorp, the commitment of each lender will be cancelled and the Borrower must repay all outstanding loans within 90 days.</p>		
Covenants	<p>The Tabcorp Syndicated Facility contains covenants that are standard for a facility of this nature including, but not limited to, provision of information, negative pledge, restriction on disposal of assets, restriction on providing financial accommodation and a restriction on non-guarantors incurring financial indebtedness (in each case, subject to any applicable exceptions).</p> <p>In addition, Tabcorp must comply with financial covenants (a net borrowings to EBITDA ratio and an EBIT to net interest expense ratio) for each 12 month period ending on 30 June and 31 December.</p>		

As at the date of this Scheme Booklet, binding commitment letters have been signed by Tabcorp and each of the banks providing the Tabcorp Syndicated Facility, pursuant to which the banks and Tabcorp have agreed to enter into formal agreements to provide the Tabcorp Syndicated Facility (subject to various conditions being satisfied, including those summarised in the table above in "Conditions precedent to initial draw down"). As part of the commitment letters, Tabcorp and the banks have agreed a term sheet in respect of the Tabcorp Syndicated Facility. Each bank has obtained credit committee approval to the terms of the Tabcorp Syndicated Facility.

New Tabcorp debt maturity profile



At the time the Demerger is implemented, it is expected that New Tabcorp will have debt facilities of \$1,684 million (as above) and may have external gross debt in excess of the pro forma debt of \$888 million. This is subject to variances in actual cash flows in Tabcorp between 31 December 2010 and the Demerger Date. As a result of these variances, the opening New Tabcorp debt level is expected to differ from the number stated in this Scheme Booklet.

New funding arrangements have also been established and are being pursued for Echo, which will apply if the Demerger is implemented. These are described in Section 5.10.7.

6.8.7 Other financing arrangements

New Tabcorp will retain some of the existing interest rate swaps to hedge its interest rate risk under the Tabcorp Syndicated Facility and ensure it maintains a minimum level of fixed interest pricing on its facilities.

6.8.8 Commitments

New Tabcorp's pro forma capital commitments as at 31 December 2010 were as follows:

\$m	Pro forma as at 31 December 2010
Contracted but not provided for and payable	
No later than one year	42
Later than one year but not later than five years	19
Total	61

6. Information on New Tabcorp

New Tabcorp's pro forma operating lease commitments as at 31 December 2010 were as follows:

\$m	Pro forma as at 31 December 2010
Contracted but not provided for and payable	
No later than one year	33
Later than one year, not later than five years	38
Later than five years	2
Total	73

6.8.9 Property, plant and equipment

New Tabcorp's pro forma property, plant and equipment are depreciated on a straight line basis over their useful economic lives. Management reviews the appropriateness of useful economic lives of assets at least annually, but any changes to useful economic lives could affect prospective depreciation rates and asset carrying values.

\$m	Pro forma as at 31 December 2010
Plant and equipment	
at cost	628
accumulated depreciation	(405)
Total carrying value	223
Land, buildings and improvements	
at cost	113
accumulated depreciation	(64)
Total carrying value	49
Total net carrying value of property, plant and equipment	272

6.8.10 Intangible assets

New Tabcorp's pro forma intangible assets, other than indefinite life intangible assets, are amortised on a straight line basis over their useful economic lives.

At each reporting date an assessment is made whether there is any indication that an intangible asset (excluding goodwill) may be impaired. When an indicator of impairment exists a formal estimate of the recoverable amount is made. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Goodwill is tested for impairment annually. Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates.

\$m	Pro forma as at 31 December 2010
Goodwill	1,408
NSW Tracksides concessions	150
Software	123
Brand names	105
Broadcast rights	7
Media content	24
Other	10
Total Intangible assets	1,827

The pro forma goodwill includes amounts relating to the Victorian gaming business of \$47 million and the Victorian wagering business of \$72 million. It is expected this goodwill will be impaired in the 2012 financial year as a result of the pending expiry of the Victorian Gaming Licence and the Victorian Wagering Licence.

6.8.11 Impact of the Demerger on accounting

Accounting for demerger transactions is addressed in the current Australian Accounting Standards Board Interpretation 17 'Distributions of Non-cash Assets to Owners'. This interpretation requires that any obligations for distributions made by a company to its shareholders should be recognised and measured at the fair value of the assets to be distributed. The fair value of the assets to be distributed – the fair value of Echo Shares in this case – will be determined by reference to the VWAP and the closing share price of Echo Shares as traded on ASX (whether on a normal or deferred settlement basis).

As no guidance is provided in the Australian Accounting Standards Board Standards as to where a debit to equity should be recorded for the recognition of a distribution liability, the fair value of Echo Shares will be allocated between the Capital Reduction and a demerger reserve. The value of the Capital Reduction has been determined by reference to the tax allocation which is expected to be supported by an ATO ruling. Tabcorp has determined that the Capital Reduction is approximately \$2,220 million. The demerger reserve amount will be the difference between the fair value of Echo Shares and the Capital Reduction amount.

On the Effective Date, Tabcorp will recognise a provision based on the fair value of Echo Shares, which is expected to exceed Echo's historic cost of its assets and liabilities. This liability will be settled through the transfer of the Echo Shares under the Scheme. At that time, the difference between the historic cost of the net assets transferred and their fair value will result in a large one-off benefit to Tabcorp's income statement.

For illustrative purposes only, a range of fair values and the implied profit on Demerger amounts are set out in the table below. These figures are neither a prediction nor a forecast of the price of Echo Shares post Demerger and the share price may vary substantially from the range set out in the following table.

	Echo Share price (\$)				
	3.50	4.00	4.50	5.00	5.50
Implied fair value (\$m)	2,397	2,740	3,082	3,425	3,767
Echo pro forma net assets (\$m)	2,195	2,195	2,195	2,195	2,195
Profit on Demerger (\$m)¹⁸	202	545	887	1,230	1,572

Tabcorp had negative retained earnings at 31 December 2010. To the extent the accounting for the Demerger would result in a positive retained earnings balance at 30 June 2011, this balance will be reduced to nil by a transfer from the demerger reserve.

6.8.12 Dividend policy and franking

New Tabcorp's dividend policy will be determined by the New Tabcorp Board at its discretion and may change over time. The New Tabcorp Board intends to target a dividend payout ratio of 50% of net profit after tax in FY2012 and 80% of net profit after tax for FY2013. Dividends are expected to be fully franked. The DRP will also remain in place. The satisfaction of the DRP will be either through the issue of new Tabcorp Shares or the purchase of Tabcorp Shares on market, at the discretion of the New Tabcorp Board.

Subject to it being financially prudent to do so, the Tabcorp Board intends to pay a 'final' dividend, in respect of the financial year ending 30 June 2011, following the release of its financial statements for that year. Such 'final' dividend will be determined based on the earnings of Tabcorp (including earnings of the Casinos Business). The target dividend payout ratio for FY2011 is 60% of normalised net profit after tax, excluding one-off items related to the Demerger (refer Section 6.8.5).

6.9 New Tabcorp Board and management

Following the Demerger, the New Tabcorp Board will be constituted as set out below. New Tabcorp will seek to identify appropriate candidates to join the New Tabcorp Board as additional non-executive directors.

The New Tabcorp Board members and senior executives below are drawn from Tabcorp and have extensive relevant experience.

6.9.1 Non-executive directors

Paula Dwyer

Chairman and non-executive director

- Ms Dwyer has been a non-executive director of Tabcorp since August 2005
- Ms Dwyer had an executive career in finance holding senior positions in investment management, investment banking and chartered accounting with Ord Minnett (now JP Morgan) and PriceWaterhouseCoopers
- Ms Dwyer is a Director of Suncorp Group Limited and Astro Japan Property Group Limited. She is also a Member of the Takeovers Panel and Deputy Chairman of the Baker IDI Heart and Diabetes Institute. If Foster's Group Limited's proposed demerger of Treasury Wines Estates is implemented, Ms Dwyer will be appointed as a non-executive director of Foster's Group Limited
- Ms Dwyer was formerly a Director of Healthscope Limited, David Jones Limited and is a former member of the Victorian Casino and Gaming Authority and of the Victorian Gaming Commission from 1993 to 1995

18 Profit on Demerger is before Demerger costs, transfer from the demerger reserve and impairment charges.

6. Information on New Tabcorp

- Ms Dwyer is currently Chairman of the Victorian Joint Venture Management Committee and Chairman of the Tabcorp Audit Committee. She is also currently a member of the Tabcorp Nomination Committee, Tabcorp Remuneration Committee and the Tabcorp Risk and Compliance Committee

Jane Hemstritch

Non-executive director

- Mrs Hemstritch has been a non-executive director of Tabcorp since November 2008
- Mrs Hemstritch was Managing Director – Asia Pacific for Accenture Limited where she was a member of Accenture's global executive leadership team and headed up its business portfolio in Asia Pacific spanning twelve countries
- Mrs Hemstritch is a Director of Commonwealth Bank of Australia, Santos Limited and the Victorian Opera Company. She is also Deputy Chairman of The Global Foundation, a Member of the Research and Policy Council for the Committee for Economic Development of Australia, and a Member of the Council of the National Library of Australia
- Mrs Hemstritch is currently Chairman of the Tabcorp Technology Committee. She is also currently a member of the Tabcorp Audit Committee, Tabcorp Nomination Committee and the Tabcorp Risk and Compliance Committee

Zygmunt Switkowski

Non-executive director

- Dr Switkowski has been a non-executive director of Tabcorp since October 2006
- Dr Switkowski was the Chief Executive Officer and Managing Director of Telstra Corporation Limited from 1999 to 2005, and is a former Chief Executive Officer of Optus Communications
- Dr Switkowski worked for Kodak (Australasia) for 18 years, serving as the Chairman and Managing Director from 1992 to 1996
- Dr Switkowski is a Director of Suncorp Group Limited, Oil Search Limited and Lynas Corporation Limited. He is also Chancellor of the Royal Melbourne Institute of Technology and Chairman of Opera Australia
- Dr Switkowski is a former director of Healthscope Limited and is the immediate past Chairman of the Australian Nuclear Science and Technology Organisation
- Dr Switkowski is currently Chairman of the Tabcorp Remuneration Committee. He is also currently a member of the Tabcorp Audit Committee, Tabcorp Nomination Committee, Tabcorp Risk and Compliance Committee and the Tabcorp Technology Committee

Justin Milne¹⁹

Non-executive director (pending)

- Mr Milne has until recently been a senior executive at Telstra and will bring significant experience to the Tabcorp Board in the areas of online commerce, marketing and media
- Mr Milne as Group Managing Director led Telstra's new media strategy and the growth of BigPond into the nation's leading broadband internet service provider
- Mr Milne is a Director of Basketball Australia Limited and Commissioner of the National Basketball League. He is also a director of picNETWORKS Limited, a Board Member of the Sydney Children's Hospital Advisory Network and Chairman of the Sydney Children's Hospital Foundation Building Appeal

Elmer Funke Kupper²⁰

Non-executive director (pending)

- Mr Funke Kupper joined Tabcorp in February 2006. He commenced as Chief Executive Australian Business and in March 2007 was appointed as Acting Chief Executive Officer. In September 2007 he was appointed to the Tabcorp Board as Managing Director and Chief Executive Officer
- Prior to joining Tabcorp, Mr Funke Kupper held several senior executive positions with Australia and New Zealand Banking Group Limited, including Group Head of Risk Management, Group Managing Director Asia Pacific and Managing Director Personal Banking and Wealth Management
- Previously Mr Funke Kupper was a senior management consultant with McKinsey & Company and AT Kearney
- Mr Funke Kupper will continue to lead Tabcorp through the Demerger period as Managing Director and Chief Executive Officer. It is expected that he will join the Tabcorp Board as a non-executive director six months after ceasing his executive role
- Mr Funke Kupper is Chairman of the Australasian Gaming Council

¹⁹ It is intended that Mr Milne will be appointed as a non-executive director of Tabcorp following the receipt of all necessary regulatory approvals.

²⁰ Mr Funke Kupper will continue as Managing Director and Chief Executive Officer of Tabcorp through the Demerger period. If the Scheme becomes Effective, Mr Funke Kupper's employment will cease shortly after the Effective Date.

6.9.2 Management

The biographies of the Managing Director and Chief Executive Officer and the Chief Financial Officer of New Tabcorp are set out below.

David Attenborough

Managing Director and Chief Executive Officer

- Mr Attenborough joined Tabcorp in April 2010. He was previously the Chief Executive Officer (South Africa) of Phumelela Gaming and Leisure Limited, the leading wagering operator in South Africa
- Mr Attenborough's previous experience includes the development of casino, bookmaking and gaming opportunities for British bookmaking company Ladbrokes (formerly part of the Hilton Group Plc)
- Mr Attenborough holds a Bachelor of Science and a Masters of Business Administration

Damien Johnston²¹

Chief Financial Officer

- Mr Johnston joined Tabcorp in 2003. He is currently Tabcorp's Deputy Chief Financial Officer, being responsible for Tabcorp's Corporate Finance function including Treasury and Investor Relations
- Mr Johnston previously had a 21 year career with BHP Billiton with Finance roles in both Australia and Asia. These included both operational finance and corporate roles
- Mr Johnston holds a Bachelor of Commerce and is a member of CPA Australia

6.9.3 Corporate governance and New Tabcorp Board committees

The New Tabcorp Board strongly supports the principles of corporate governance and is committed to maintaining the highest standards within New Tabcorp. This is particularly relevant given the highly regulated environment in which New Tabcorp operates.

New Tabcorp's policies, practices and structures will mirror those governing Tabcorp as at the date of this Scheme Booklet. These can be found at www.tabcorp.com.au/about/governance.

New Tabcorp's policies and corporate governance practices will continue to be reviewed annually and will continue to be developed and refined to meet the needs of New Tabcorp and best practice.

To assist in carrying out its responsibilities, the New Tabcorp Board will operate the following committees:

- Audit, Risk and Compliance Committee;
- Remuneration Committee; and
- Nomination Committee.

Board committee membership will be restricted to non-executive directors of New Tabcorp. Each board committee will have terms of reference which set out the roles, responsibility, composition and processes of each committee.

(i) Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee will be responsible for reviewing, overseeing and reporting to the New Tabcorp Board on financial reporting matters, internal controls and internal and external audit functions.

In addition, the Audit, Risk and Compliance Committee will be responsible for establishing, overseeing and reviewing risk and compliance policies, frameworks and systems and assessing the effectiveness of risk and compliance control processes and reporting systems.

(ii) Remuneration Committee

The Remuneration Committee will be responsible for establishing, overseeing and advising the New Tabcorp Board in relation to remuneration arrangements and incentive plans, preparation of the annual remuneration report, assessing management performance and other human resources-related matters.

(iii) Nomination Committee

The Nomination Committee will be responsible for establishing and managing processes, and advising the New Tabcorp Board, in relation to board and board committee appointments, composition and succession.

The processes of the New Tabcorp Board will be governed by the Tabcorp Constitution.

6.9.4 Directors' fees

In accordance with the Tabcorp Constitution, the aggregate remuneration of the non-executive New Tabcorp Directors in each financial year will not exceed an amount approved by shareholders in a general meeting. The aggregate amount currently approved is \$2 million. This remuneration may be divided among the non-executive New Tabcorp Directors equally, or otherwise in such proportions as they decide.

The non-executive New Tabcorp Directors will be remunerated with a base fee plus additional committee fees for chairing or sitting on a New Tabcorp Board committee. The initial annual fee structure (which excludes superannuation) will be as follows:

	Fee
Chairman of Board	\$350,000
Membership of Board	\$120,000
Chairmen of Board Committees	\$7,500-\$40,000
Membership of Board Committees	\$7,500-\$20,000

This remuneration structure is designed to reflect the general responsibilities of individual directors, as well as the extra responsibilities and workload associated with participating in a committee.

²¹ The appointment of Damien Johnston as Chief Financial Officer is subject to the receipt of all necessary regulatory approvals.

6. Information on New Tabcorp

New Tabcorp Directors are also entitled to be paid or reimbursed for all travelling and other expenses properly incurred by them in connection with the business or affairs of New Tabcorp.

Further, if any New Tabcorp Director, with the approval of the New Tabcorp Board, performs extra services or makes any special exertions for the benefit of the company, the New Tabcorp Board may approve the payment to that New Tabcorp Director of additional remuneration as the New Tabcorp Board determines.

6.9.5 Directors' arrangements

Tabcorp has entered into deeds of indemnity, insurance and access with the existing Tabcorp Directors, and deeds of indemnity, insurance and access are entered into with any new Tabcorp Director from time to time.

6.9.6 Senior management contracts

(i) Managing Director and Chief Executive Officer contract

David Attenborough, Managing Director of Tabcorp's Wagering Business since 9 April 2010, will be Managing Director and Chief Executive Officer of New Tabcorp following the Demerger.

Mr Attenborough, a British citizen, is working in Australia on a Subclass 457 (Long-Stay temporary business) visa. The Demerger has no significant impact on his immigration status, certainly insofar as he will be able to remain in Australia with full working rights, while transitional formalities are being arranged.

The material terms of Mr Attenborough's employment contract, the terms of which will become effective shortly after the Effective Date, are, in summary:²²

Position	Managing Director and Chief Executive Officer
Remuneration	<p><i>Fixed TEC:</i> initial TEC of \$900,000, reviewed annually by the New Tabcorp Board.</p> <p><i>Variable STI:</i> Eligible to participate in New Tabcorp's Short Term Performance Plan. If performance targets are met, the Short Term Performance Plan reward for FY2012 is \$600,000. Payments may be made in excess of the target Short Term Performance Plan reward where performance targets are exceeded, or otherwise at the discretion of the New Tabcorp Board. Details of the Short Term Performance Plan are referred to in Section 5.12.6.</p> <p><i>Variable LTI:</i> Eligible to participate in New Tabcorp's Long Term Performance Plan, which will be delivered in the form of either performance rights or performance options (being rights or options (as applicable) in respect of Tabcorp Shares), as determined by the New Tabcorp Board at the time the allocation is approved, and subject to time-based performance hurdles. If performance targets are met, the Long Term Performance Plan reward for FY2012 is \$600,000. Details of the Long Term Performance Plan are referred to in Section 5.12.6.</p>
Other benefits	<p>No sign-on bonus is payable to Mr Attenborough.</p> <p>Other benefits Mr Attenborough receives, include:</p> <p><i>Living away from home expenses</i> – Mr Attenborough receives reimbursement of up to \$3,500 per week for living away from home expenses (such as accommodation) until 9 April 2014.</p> <p><i>Home leave</i> – Mr Attenborough receives 4 return business class tickets for travel between Australia and South Africa each year until 9 April 2014.</p> <p><i>FBT</i> – New Tabcorp bears the cost of any fringe benefits tax payable in respect of housing and location assistance until 9 April 2014.</p>
Term	No fixed term. Employment will continue until terminated by either New Tabcorp or Mr Attenborough.

²² Separately to his proposed employment arrangements with New Tabcorp, Mr Attenborough also currently holds Performance Rights and restricted Tabcorp Shares that have been issued under the Incentive Plans. Sections 4.11.1 and 4.11.4 respectively describe the treatment generally, in conjunction with the Scheme, of Performance Rights and restricted Tabcorp Shares that have been issued under the Incentive Plans. Assuming the Effective Date is 3 June 2011, that treatment will result in Mr Attenborough receiving a payment of \$33,637 in respect of the cancellation of 18,533 Performance Rights. Testing of the performance conditions for 5,829 Performance Rights will be accelerated to the date on which the Scheme becomes Effective. The number of Tabcorp Shares, if any, that Mr Attenborough will receive for the Performance Rights that will be tested is currently unknown and will depend on the extent to which the relevant performance hurdles are met in relation to the Performance Rights, as discussed in Section 4.11.1. In addition, Mr Attenborough holds 23,742 restricted Tabcorp Shares. The restrictions on these Tabcorp Shares will be lifted, as discussed in Section 4.11.4.

Termination	Mr Attenborough may terminate his employment at any time, on giving 6 months' notice in writing. New Tabcorp may terminate Mr Attenborough's employment at any time, on giving 12 months' notice in writing or payment in lieu of notice. Any payment in lieu of notice will equal Mr Attenborough's TEC for one year.
Post-employment restraints	In order to protect New Tabcorp's legitimate business interests, Mr Attenborough is subject to a maximum 12 month post-employment non-competition and non-solicitation restraint.

(ii) Chief Financial Officer contract

Damien Johnston, Tabcorp's current Deputy Chief Financial Officer, will be the Chief Financial Officer of New Tabcorp following the Demerger.

The material terms of Mr Johnston's employment contract, the terms of which will become effective shortly after the Effective Date, are, in summary:²³

Position	Chief Financial Officer
Remuneration	<p><i>Fixed TEC:</i> initial TEC of \$600,000, reviewed annually by the New Tabcorp Board.</p> <p><i>Variable STI:</i> Eligible to participate in New Tabcorp's Short Term Performance Plan. If performance targets are met, the Short Term Performance Plan reward for FY2012 is \$300,000. Payments may be made in excess of the target Short Term Performance Plan reward where performance targets are exceeded, or otherwise at the discretion of the New Tabcorp Board. Details of the Short Term Performance Plan are referred to in Section 5.12.6.</p> <p><i>Variable LTI:</i> Eligible to participate in New Tabcorp's Long Term Performance Plan, which will be delivered in the form of either performance rights or performance options (being rights or options (as applicable) in respect of Tabcorp Shares), as determined by the New Tabcorp Board at the time the allocation is approved, and subject to time-based performance hurdles. If performance targets are met, the Long Term Performance Plan reward for FY2012 is \$300,000. Details of the Long Term Performance Plan are referred to in Section 5.12.6.</p>
Other benefits	No sign-on bonus is payable to Mr Johnston.
Term	No fixed term. Employment will continue until terminated by either New Tabcorp or Mr Johnston.
Termination	Mr Johnston may terminate his employment at any time, on giving 6 months' notice in writing. New Tabcorp may terminate Mr Johnston's employment at any time, on giving 9 months' notice in writing or payment in lieu of notice. Any payment in lieu of notice will be based on Mr Johnston's TEC for one year.
Post-employment restraints	In order to protect New Tabcorp's legitimate business interests, Mr Johnston is subject to a maximum 12 month post-employment non-competition and non-solicitation restraint.

6.10 Litigation

The activities of the Tabcorp Group are conducted in highly regulated industries. As a result, litigation in respect of applicable legislation, regulation or government policy can have a significant bearing on the operational and financial performance of the Tabcorp Group. Currently, Tabcorp is involved in court proceedings relating to:

- the installation of electronic wagering kiosks in venues in Victoria by a corporate bookmaker licensed in the Northern Territory, which includes a challenge to Tabcorp's ability to offer fixed odds betting in Victoria under the Victorian Wagering Licence; and
- the legality, and basis for calculation, of race fields fees.

²³ Separately to his proposed employment arrangements with New Tabcorp, Mr Johnston also currently holds Performance Rights that have been issued under the Incentive Plans. Section 4.11.1 describes the treatment generally, in conjunction with the Scheme, of Performance Rights that have been issued under the Incentive Plans. Assuming the Effective Date is 3 June 2011, that treatment will result in Mr Johnston receiving a payment of \$75,935 in respect of the cancellation of 38,312 Performance Rights. Testing of the performance conditions for 62,072 Performance Rights will be accelerated to the date on which the Scheme becomes Effective. The number of Tabcorp Shares, if any, that Mr Johnston will receive for the Performance Rights that will be tested is currently unknown and will depend on the extent to which the relevant performance hurdles are met in relation to the Performance Rights, as discussed in Section 4.11.1. In addition, Mr Johnston is entitled to receive a retention payment of \$182,000 on 30 June 2012 which was put in place in 2008.

6. Information on New Tabcorp

These court proceedings are described in more detail in Section 6.11.2 and 6.11.16.

Except as referred to above, no company that will be part of the New Tabcorp Group after the Demerger is involved in any litigation, the outcome of which is likely to have a material adverse effect on the business or financial position of New Tabcorp.

Entitlement to refund in relation to the Victorian Gaming Licence and the Victorian Wagering Licence

Tabcorp's Victorian gaming and wagering licences were granted to Tabcorp in the context of the privatisation in 1994 of the gambling activities which were previously undertaken by the Totalizator Agency Board of Victoria, a Victorian statutory body (**Victorian TAB**). In addition to the grant of the licences to Tabcorp, the privatisation involved the public float of Tabcorp, and the transfer of the business and assets of the Victorian TAB to Tabcorp.

The Gaming and Betting Act was enacted to facilitate the privatisation. The Gaming and Betting Act provided that Tabcorp's Victorian gaming and wagering licences were for a term of 18 years, commencing on 15 August 1994 and expiring on 15 August 2012. The Gaming and Betting Act also provided for:

- a payment by Tabcorp to the State of Victoria of an amount of money as consideration for the grant of the licences (being the amount of subscription monies paid by investors for shares in Tabcorp, less the consideration payable to Victorian TAB for the value of the property transferred to Tabcorp). The amount ultimately paid by Tabcorp to the State of Victoria as consideration for the grant of the licences was \$597.2 million; and
- a payment by the State of Victoria to Tabcorp on the grant of new licences of an amount equal to the 'licence value' of Tabcorp's initial licences, or the premium payment paid by the new licensee, whichever is the lesser. This payment was originally provided for in section 21 of the Gaming and Betting Act, and is now provided for in section 4.3.12 of the Gambling Regulation Act.²⁴ Section 4.3.14 of the Gambling Regulation Act provides that the payment under Section 4.3.12 must be made not later than 7 days after the commencement of the new licences.

The 'licence value' of the initial licences is to be calculated in accordance with a formula which allows for a range of between 85% to 115% of the amount paid by Tabcorp for its licences.²⁵ Tabcorp estimates that the 'licence value' under the formula will be 115% of the amount paid by Tabcorp for

its licences (ie 115% of \$597.2 million, being \$686.78 million). Tabcorp estimates that the 'licence value' will be less than the premium payment paid by the new licensee.²⁶

Between 1994 and 2008, the Victorian Government made a number of statements and representations confirming Tabcorp's entitlement to the payment.

On 10 April 2008, the then Premier of Victoria (now former Premier), Mr John Brumby, announced that, from 2012, a new industry structure for gambling would be implemented in Victoria, which would include a venue-based gaming model in place of a gaming operator model. The former Premier's announcement included the following statement:

"The Government's decision 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, and the Government has formed the view that neither Tattersall's nor Tabcorp are entitled to compensation."

The former Premier subsequently made it clear that, in relation to Tabcorp, the reference to 'compensation' was a reference to the payment to Tabcorp under section 4.3.12 of the Gambling Regulation Act. However, the former Premier also stated that his Government did not intend to seek to amend section 4.3.12 of the Gambling Regulation Act.²⁷

Legislation to amend the Gambling Regulation Act was subsequently enacted to give effect to the former Premier's April 2008 announcement. The amendments provide for new 10-year gaming machine entitlements (**GMEs**) to be granted to venue operators which authorise the conduct of gaming in an approved venue from August 2012. The amendments also provide for a new 12 year Victorian Wagering and Betting Licence to take effect from August 2012. The amending legislation did not alter section 4.3.12 of the Gambling Regulation Act, which remains in force.

Tabcorp disagrees with the position of the previous Government and considers that it is entitled to the payment provided for in section 4.3.12 of the Gambling Regulation Act. Tabcorp considers that the obligation of the Victorian Government to make the payment to Tabcorp came into existence when it floated the company, and Tabcorp believes the Victorian Government should honour its commitment to make the payment, which Tabcorp estimates will be \$686.78 million. It follows that Tabcorp intends to pursue all of its rights and take all appropriate action in respect of the payment.

²⁴ The Gambling Regulation Act was enacted in 2003 to (amongst other things) consolidate various pieces of Victorian gambling legislation, including the Gaming and Betting Act. As a result, the Gaming and Betting Act was repealed, and various of its provisions were incorporated into the Gambling Regulation Act. Section 21 of the Gaming and Betting Act was re-enacted as section 4.3.12 of the Gambling Regulation Act, which remains the relevant provision.

²⁵ The formula can only be calculated in August 2012, as it includes inputs of amounts invested by Tabcorp in totalisators, and amounts wagered on gaming machines, during the period August 2011 to August 2012.

²⁶ In respect of gaming, the total amount to be paid by successful bidders for the new gaming machine entitlements under the Gambling Regulation Act is approximately \$981 million. In respect of wagering, it is not yet known what the payment will be for the new Victorian Wagering and Betting Licence.

²⁷ See the Victorian Government's Statement of Finances 2008-09, Chapter 7, page 237: "The Government does not intend to alter or amend the provisions in the Gambling Regulation Act 2003 that deal specifically with the end of licence arrangements for Tatts Group and TABCORP."

However, it should be noted that, if this matter proceeds to litigation, as with all adversarial litigation, the outcome cannot be predicted with any certainty. Despite its strong resolve to pursue this matter, Tabcorp may ultimately not succeed in recovering the payment from the Victorian Government.

As a result of the Victorian Government's decision, Tabcorp decided to write down the value of the Victorian Gaming Licence and the Victorian Wagering Licence on its balance sheet. This decision resulted in a one-off charge of \$461 million against Tabcorp's 2008 earnings, and further annual non-cash amortisation charges of \$18 million in relation to the Victorian Gaming Licence and \$9 million in relation to the Victorian Wagering Licence until the year 2012. By taking these charges, Tabcorp has dealt with the Victorian Government's announcement in its financial statements.

There is no asset currently recognised in the accounts of Tabcorp for the right to receive a cash payment should Tabcorp successfully establish the entitlement and so it is in the nature of a contingent asset. The contingent asset will remain with the wagering, gaming and keno business, and will not affect the Casinos Business.

However, as stated above, the outcome of any legal proceedings is uncertain. Tabcorp may not be successful with any such action, and may incur significant legal costs in pursuing such action.

In the event that Tabcorp is unsuccessful in recovery of the payment, there will be no further financial effect on the Tabcorp financial statements other than arising from the payment of legal costs in relation to pursuing the claim.

6.11 Risk factors associated with an investment in Tabcorp Shares

This Section outlines a number of risks that may affect New Tabcorp. The risks set out in this Section may adversely affect the future prospects, operating or financial performance of New Tabcorp and investment returns or market value of Tabcorp Shares. Some of these risks may be mitigated by appropriate controls and systems, while others are outside New Tabcorp's control and may not be able to be mitigated.

6.11.1 Victorian wagering, gaming and keno licences

New Tabcorp's wagering and gaming operations in Victoria are carried out under two licences (the Victorian Wagering Licence and the Victorian Gaming Licence), which are due to expire in August 2012. When these licences expire, the New Tabcorp Group will no longer generate earnings and cash flows from the activities which are currently conducted under these licences unless a member of the New Tabcorp Group is able to conduct such activities, or similar activities, under other licences or permits. The New Tabcorp Group may

also lose some or all of the benefits it currently has from the combination of businesses in the Tabcorp Group.

On 10 April 2008, the Victorian Government announced a new industry structure for the gambling industry which is to apply from the expiry of the existing licences. Following the expiry of the Victorian Wagering Licence and the Victorian Gaming Licence, the gambling industry structure in Victoria is expected to be as follows:

- in respect of gaming, a venue operator-based model will operate, under which venue operators running licensed and approved clubs and hotels will directly hold gaming machine entitlements authorising them to possess and operate gaming machines;
- in respect of wagering, the current single licence structure will be retained for wagering and betting in Victoria, although the form of the existing arrangements with the Victorian Racing Industry is expected to change; and
- in respect of keno, there will be a single stand-alone keno licence, with distribution to be extended to include all hotels, clubs (with full club or restricted club liquor licences) and wagering outlets.

Under the new gambling industry structure from August 2012, gaming operator licences will no longer be held by the two current operators (Tabcorp and Tatts Group Limited). As such, upon expiry of its Victorian Gaming Licence, New Tabcorp's Victorian gaming business will cease to operate in its current form.

On 25 March 2011, the Victorian Government issued the Victorian Keno Licence to Tabcorp. See Section 6.7 for further information.

The Victorian Government in 2010 announced that three parties have been invited to submit an application for the Victorian Wagering and Betting Licence (although one party that was invited to submit an application publicly stated that it formally withdrew from the process). Tabcorp has submitted an application.

It is uncertain whether Tabcorp will be successful in its application. Further, no assurance can be given as to:

- the precise terms and conditions on which the Victorian Wagering and Betting Licence would be issued;
- the terms of the arrangements that would need to be entered into with the Victorian Government and the Victorian Racing Industry in relation to the Victorian Wagering and Betting Licence; or
- the amount that might be required to be paid by way of licence fees (whether by way of an upfront payment or annual payments) in respect of the Victorian Wagering and Betting Licence.

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The terms of the new Victorian Wagering and Betting Licence will differ from the current Victorian Wagering Licence. When announcing the new Victorian gambling industry structure, the Victorian Government indicated that the arrangements under that post 2012 structure will differ from the current arrangements. Tabcorp expects that, if it were to be awarded the new Victorian Wagering and Betting Licence, earnings generated from that licence would be lower than earnings generated from the current Victorian Wagering Licence. The earnings that may be generated from the new Wagering and Betting Licence will ultimately be dependent on a number of factors including the matters noted above.

Tabcorp's wagering business faces various risks (as set out in this Section 6.11) and if Tabcorp is awarded the Victorian Wagering and Betting Licence those risks could have a significant bearing on the financial performance of New Tabcorp's Victorian wagering business.

Therefore, the impact of the above matters may have an adverse effect on the operational and financial performance of the New Tabcorp Group or the carrying value of the New Tabcorp Group's assets (see the 'Asset impairment' risk in Section 6.11.6).

6.11.2 Regulation and changes to the regulatory environment

General

The activities of the New Tabcorp Group are conducted in highly regulated industries. The gambling activities that members of the New Tabcorp Group conduct, and will conduct, and the level of competition that they experience, and will experience, depend to a significant extent on:

- the licences granted to the New Tabcorp Group and to third parties; and
- government policy and the manner in which the relevant governments exercise their broad powers in relation to the manner in which the relevant businesses are conducted.

Changes in legislation, regulation or government policy may have an adverse impact on the New Tabcorp Group's operational and financial performance. Court decisions concerning the constitutionality or interpretation of such legislation, regulations or government policy may have an adverse effect on the operational and financial performance of the New Tabcorp Group.

Potential changes, which would potentially negatively affect the value of the licences granted to members of the New Tabcorp Group, include:

- changes in state wagering and gaming tax rates and levies (including EGM levies);
- the grant of additional gambling licences to other parties;
- changes or decisions concerning race fields fees;
- changes or decisions concerning advertising restrictions;
- changes or decisions concerning pooling of totalizators in various states;

- changes or decisions concerning the distribution of gambling products, including through particular channels;
- variations to permitted deduction rates and returns to players;
- variations to arrangements for racing industry funding in Victoria and New South Wales;
- changes to the restrictions on the number, type and location of EGMs and restrictions on the number of gaming venues;
- changes to the conditions in which venues offering products of members of the New Tabcorp Group must operate;
- the introduction of additional legislation to guard against money laundering, which increases compliance costs for New Tabcorp;
- the introduction of further legislation to implement further responsible gambling measures;
- changes or decisions by government concerning totalizator or fixed odds betting; and
- any other legislative change.

Changes to the regulatory environment generally

Changes to the regulatory environment in some of the jurisdictions in which the New Tabcorp Group operates which have been made or foreshadowed and which may have an adverse effect on the operational and financial performance of the New Tabcorp Group include:

- regional capping, which limits the number of EGMs in certain local government areas;
- increasing local government powers over planning applications for gaming venues;
- the implementation of pre-commitment schemes (see Section 6.11.2(i) below);
- the introduction of ATM withdrawal limits in venues with poker machines (excluding casinos) (see Section 6.11.2(iii) below);
- certain prohibitions on promotions connected with gaming venues;
- bans on gaming machine-related signage;
- restrictions on access to cash at gaming venues;
- bans on autoplay facilities on EGMs;
- bans on \$100 note acceptors on EGMs;
- maximum bet limit of \$5 for all new EGMs;
- elimination of 24 hour gaming venues outside Crown Casino in Victoria; and
- the potential introduction throughout Australia of product fees for sports betting operators.

Uncertainty in the wagering market as a result of the dramatic pace of deregulation and issues around 'retail exclusivity'

The rapid deregulation of the national wagering market has seen a dramatic growth in market share by the corporate bookmakers, mostly located in the Northern Territory, and the introduction of race fields fees legislation across Australia (which in most cases allows racing codes in a State to charge wagering operators for the use of race fields information, irrespective of the domicile of the operator). This rapid deregulation has the potential to have an adverse impact on New Tabcorp's earnings in the short term as the market changes occur. Tabcorp is currently adjusting its wagering business model to take account of the changed market dynamics and to mitigate the adverse consequences of deregulation.

In 2009, electronic wagering kiosks were installed in venues in Victoria, which enabled retail customers to place bets with a corporate bookmaker licensed in the Northern Territory. The VCGR seized the kiosks and commenced a prosecution against the owner of the kiosks and the licensee of one of the hotels where a kiosk was installed.

Sportsbet Pty Limited has commenced a Federal Court challenge against the VCGR and the State of Victoria contesting on constitutional grounds the relevant provisions in the Gambling Regulation Act which prohibit Sportsbet Pty Limited from operating via kiosks in Victoria. In that case, Sportsbet Pty Limited also challenges Tabcorp's ability to offer fixed odds betting under its current Victorian Wagering Licence. Tabcorp successfully applied to be joined as a party to these proceedings at the end of February 2011. The hearing in respect of the matter commenced on 11 April 2011.

In 2010, wagering kiosks which enabled bets to be placed with a corporate bookmaker licensed in the Northern Territory were also rolled-out into NSW retail venues. On 31 December 2010, amendments to the Unlawful Gambling Act 1998 (NSW) made it an offence in NSW for a person to make a remote access betting facility available in a public place.

In light of the above, there is uncertainty over the enforceability of 'retail exclusivity' in both New South Wales and Victoria – that is, the enforceability of provisions in relevant New South Wales or Victorian legislation which seek to prohibit certain wagering activities other than pursuant to a licence granted under the relevant applicable state legislation. It may be that the relevant provisions of the applicable legislation are found to be unenforceable in their entirety or found to be unenforceable only in respect of certain retail wagering activities. In the event that 'retail exclusivity' was found to be unenforceable in whole or in part, this may result in a loss of revenue and turnover from retail business generated from New Tabcorp's wagering licences and accordingly an impairment may be required to be recorded against one or more of New Tabcorp's wagering licences. This may have an adverse impact on New Tabcorp.

Federal government intervention

The Prime Minister of Australia, the Honourable Julia Gillard MP, announced in or around September 2010 following the Federal Government election that, as part of the arrangement agreed with an independent Federal member of parliament to 'win his support', the Commonwealth may be able to exercise greater legislative authority in the area of gambling (particularly poker machines). The Government agreed to commission and receive no later than 1 February 2011 legal advice about the Commonwealth's constitutional competence and prospects for successfully legislating in this area. The Government also agreed as part of this arrangement to, amongst other things, adopt a Commonwealth Government position on gambling reform that will include the initial response released on 23 June 2010 to the Productivity Commission report on problem gambling and commit to the following additional measures:

- (i) implementing a best practice full pre-commitment scheme that is uniform across all States and Territories, consistent with recommendations and findings of the Productivity Commission. Implementation is proposed to commence in 2012, with the full pre-commitment scheme commencing in 2014. The full pre-commitment scheme would include the use of technology to reduce problem gambling;
- (ii) supporting the Productivity Commission recommendations in relation to poker machine dynamic warning displays and cost of play displays; and
- (iii) implementing a \$250 daily withdrawal limit for ATMs in venues with poker machines (excluding casinos).

It is proposed that the Commonwealth work together with the States and Territories and seek agreement of all jurisdictions to amend their own laws to implement these arrangements. Some States have indicated support for the implementation of a pre-commitment scheme on a voluntary basis.

The Commonwealth Government has since released advice from the Australian Government Solicitor stating that there are a range of constitutional heads of power that would enable it to pursue reforms that would address problem gambling. Any Commonwealth intervention resulting in new legislation subsequently being introduced by the States and the Territories, or by the Commonwealth, could have an adverse effect on the operational and financial performance of the New Tabcorp Group.

6. Information on New Tabcorp

6.11.3 Disciplinary action and cancellation of the wagering, gaming and other licences

In certain situations, the licences and authorisations that have been granted to members of the New Tabcorp Group (including the Victorian Wagering Licence, the Victorian Gaming Licence, the NSW Totalizator Licences, the Northern Territory sports bookmaker licence and the South Australian authorised interstate betting operator authorisation) may be suspended, cancelled or terminated. See generally Sections 12.1.1, 12.1.2 and 12.1.4. As at the date of this Scheme Booklet, no member of the New Tabcorp Group has been advised of the existence of any circumstance which is likely to give rise to the suspension or cancellation of any of those licences.

The potential for any of the licences referred to above, and any new licences that New Tabcorp may be granted, to be suspended or cancelled is a risk factor.

6.11.4 Compliance risks

Any failure by Tabcorp to continue to uphold its high compliance standards, values and systems at all operational levels may increase exposure to a compliance failure, potentially leading to the suspension or loss of applicable gambling licences, in addition to other civil or criminal penalties.

6.11.5 Consequences of breach of shareholding restrictions

There are a number of shareholding restrictions in New Tabcorp which arise under legislation or due to the requirements of various regulatory authorities.

The Gambling Regulation Act contains a regime in relation to approvals that are required before a person becomes an “associate” of a “gambling industry participant”.

New Tabcorp, as the holder of the Victorian Wagering Licence and the Victorian Gaming Licence, is currently a gambling industry participant. Any New Tabcorp Group member that in the future acquires a specified gambling or related licence under the Gambling Regulation Act will also be a gambling industry participant.

A person will be an ‘associate’ of New Tabcorp where (among other things) that person has a share in the capital of New Tabcorp and, by virtue of that shareholding, is able to exercise a significant influence over the management or operation of the New Tabcorp business. A person may also be an associate if they are a director or secretary of, or other person who takes part in the management of, the gambling business of the gambling industry participant.

Under the Gambling Regulation Act, if the VCGR considers that an associate is or has become at any time unsuitable to be concerned in or associated with the gambling business of a gambling industry participant (an **unsuitable associate**), or that the associate has engaged or is engaging in conduct that, in the VCGR’s opinion, is unacceptable for a person who is concerned in or associated with that gambling business, then the VCGR may require the associate to terminate their

association. If they do not do so, the gambling industry participant may be directed to take all reasonable steps to terminate the association.

The Gambling Regulation Act also provides that, where the Victorian Minister considers that a person is an unsuitable associate of a listed gambling industry participant, the Victorian Minister has the power to declare that that person dispose of the number of shares held that would need to be disposed of in order to cause that person to cease to be an “associate”.

If a person fails to dispose of the relevant shares within the period set by the Victorian Minister, the specified shares are forfeited to the State of Victoria. Where Tabcorp Shares are forfeited to the State of Victoria, the VCGR must sell the shares and is not bound by any restriction on the sale of shares contained in New Tabcorp’s constitution. It must distribute the net proceeds of the sale to the person from whom the shares were forfeited.

Further, under the NSW Totalizator Act and the NSW Tab Privatisation Act, shareholding restrictions prohibit anyone being entitled to more than 10% of Tab’s issued voting shares (subject to certain exceptions).

The Tabcorp Constitution also requires that a person must not have voting power in Tabcorp in excess of 10%, without the written consent of the Tab (NSW) Ministers while Tab is a subsidiary of Tabcorp.

There are also restrictions on shareholdings in Tabcorp which relate to the suitability of persons to be associated with certain members of the Tabcorp Group. The Tabcorp Constitution confers certain powers on the Tabcorp Board and the Tab (NSW) Ministers to force the divestiture of shares by persons in circumstances where relevant shareholding limitations, or restrictions on voting power, have been breached. In addition, it is envisaged that Tabcorp will agree to use its best endeavours to amend the Tabcorp Constitution to include similar powers in favour of the relevant Queensland Minister (see Section 12.2.3).

6.11.6 Asset impairment

At each reporting date, the Tabcorp Group assesses whether there is any indication that an asset may be impaired. When an indicator of impairment exists, the Tabcorp Group makes a formal estimate of the recoverable amount. Where 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 in this Section, 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 the New Tabcorp Group.

The Tabcorp Group’s balance sheet includes \$1,547.9 million of goodwill allocated to the wagering segment as at 31 December 2010. Impairments of wagering goodwill have been recognised in previous financial periods and the risk of further impairment continues as the remaining cash flows from the Victorian wagering business diminish as the

Victorian Wagering Licence nears expiry in August 2012. Further, adverse changes in assumptions or outcomes in respect of race fields fees, retail exclusivity, competition, the outcome of the licensing process relating to the new Victorian Wagering and Betting Licence or the implementation of the Demerger could trigger an impairment in the year ending 30 June 2011, and subsequent periods. A pro forma impairment adjustment has been reflected in the New Tabcorp pro forma balance sheet. Section 6.8.5 contains further information in relation to the potential impairment of wagering goodwill on implementation of the Demerger.

6.11.7 Future dividends and franking capacity

No assurances can be given in relation to the payment of future dividends. Future determinations as to the payment of dividends by New Tabcorp will be at the discretion of the New Tabcorp Board at the time and will depend upon the availability of profits, the operating results and financial condition of New Tabcorp, future capital requirements, covenants in relevant financing agreements, general business and financial conditions and other factors considered relevant by the New Tabcorp Board. No assurances can be given in relation to the level of franking of future dividends. Franking capacity will depend upon the amount of tax paid in the future, the existing balance of franking credits and other factors.

6.11.8 Investigations

From time to time, New Tabcorp is subject to various regulatory investigations such as tax compliance investigations carried out by the ATO. Past reviews have been completed by the ATO without material adjustment. The outcome of these investigations from time to time may have an adverse effect on the financial performance of the New Tabcorp Group.

6.11.9 Litigation and disputes

From time to time, members of the New Tabcorp Group become involved in litigation and disputes. While Tabcorp 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 the New Tabcorp Group's reputation may suffer due to the profile of, and public scrutiny surrounding, any such litigation and disputes regardless of their outcome.

6.11.10 Divestiture of shares in subsidiaries

In certain circumstances, the New South Wales Minister responsible for administering the NSW Totalizator Act (**NSW Racing Minister**) can compel the divestiture by relevant members of the New Tabcorp Group of shares in Tab. Those circumstances might include a change in the shareholders or directors of New Tabcorp or in the circumstances applicable to New Tabcorp. For example, if a change in the shareholders or directors or circumstances of New Tabcorp was considered by the NSW Racing Minister to result in New Tabcorp ceasing to be a suitable person to be associated with Tab, an action by the NSW Racing Minister might result in the New Tabcorp

Group ceasing to own the New South Wales wagering businesses conducted by Tab and its subsidiaries.

The potential for the New Tabcorp Group to be required to dispose of shares in the companies holding any of its businesses may have an adverse effect on the operational and financial performance of the New Tabcorp Group.

6.11.11 Computer system risks

The New Tabcorp Group places, and will continue to place, significant reliance on its computer systems for ongoing operations. A prolonged failure of the computer systems operated by the New Tabcorp Group and supporting any of its wagering or gaming businesses would result in a significant loss of revenue and profit to the New Tabcorp Group and may have an adverse effect on the operational and financial performance of the New Tabcorp Group.

6.11.12 Competition

In a broad sense, gambling activities compete with other consumer products for consumers' discretionary expenditure and, in particular, with other forms of leisure and entertainment including cinema, restaurants, sporting events, the internet and pay television.

The Tabcorp Group's wagering business currently competes with bookmakers in Victoria and New South Wales and other interstate and international wagering operators who accept bets over the telephone or internet (such as corporate bookmakers based in the Northern Territory and betting exchanges). The internet and other new forms of distribution have allowed new competitors to enter the Tabcorp Group's traditional markets of Victoria and New South Wales without those competitors being licensed in those states. Further, the High Court's decision in *Betfair Pty Ltd v Western Australia*, the significant relaxation of advertising laws (or the way in which they have been administered) and increasing application of competition policy have allowed other wagering operators to gain greater freedom to compete nationally.

There is a possibility that competition from the interstate and international operators may extend to the New Tabcorp Group's retail wagering network. The installation of internet wagering kiosks, called "Betboxes", in venues in Victoria and NSW which enabled bets to be placed with a corporate bookmaker licensed in the Northern Territory, has already been discussed in Section 6.11.2. As mentioned above there are now legal proceedings on foot between Sportsbet Pty Limited and the State of Victoria which will determine whether the current Victorian laws which prohibit them are constitutionally valid. Tabcorp has successfully applied to be joined as a party to these proceedings and the trial commenced on 11 April 2011. The NSW Government has recently made amendments on 31 December 2010 to the *Unlawful Gambling Act 1998* (NSW) to make it an offence in NSW for a person to make a remote access betting facility available in a public place. However, it is not certain whether the NSW Government will be willing to take action to enforce these new provisions. In light of the above, there is uncertainty over the enforceability of "retail exclusivity" in both NSW and Victoria – as referred to in Section 6.11.2. The

6. Information on New Tabcorp

possibility of “retail exclusivity” being undermined is a risk factor. New Tabcorp would likely pursue all legal options to resist any such diminution of its rights.

Equally, the Tabcorp Group’s gaming division faces competition in its area.

If the New Tabcorp 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 the New Tabcorp Group.

6.11.13 NSW Totalizator Licences exclusivity

The exclusivity period relating to Tab’s licences to operate totalizators in New South Wales expires in 2013 (see Section 12.1.2). The potential licensing of additional totalizator operators in New South Wales is a risk factor.

6.11.14 Racing products

Tabcorp’s wagering division is reliant on the Victorian, New South Wales and other interstate racing industries providing a program of events for the purposes of wagering. A significant decline in the quality or number of horses or greyhounds, or number of events, would have a significant adverse effect on wagering revenue and may have an adverse effect on the operational and financial performance of the New Tabcorp Group.

6.11.15 NSW fixed odds wagering on racing

Tab’s ability to continue to offer fixed odds wagering on racing in NSW is subject to approval by NSW Racing. NSW Racing provided its approval on 31 December 2010, but withdrawal of this approval is a risk factor.

6.11.16 Race field fees

Each State or Territory of Australia (except for the Northern Territory) has implemented (or is in the process of implementing) new race fields arrangements, under which the State or Territory or its racing industry charges wagering operators product fees for use of that industry’s race fields information (or otherwise charges fees in respect of the operator’s race betting operations in that State or Territory). Consequently, the Tabcorp Group is required to pay additional product fees. Members of the Tabcorp Group currently have contracts with the New South Wales and Victorian racing industries that should allow them to offset some of the fees or obtain damages under contract. Members of the Tabcorp Group are currently in disputes involving various racing industry bodies regarding the application of certain aspects of the race fields regimes or contracts that govern product fees. Those disputes may lead to litigation or other dispute resolution processes, including negotiated settlement.

It is estimated that the profit impact of the new product fees after offsets and damages obtained will be in the order of \$38 million per annum before tax until August 2012, at which time it is estimated the profit impact will increase to approximately \$55 million per annum. The actual impact may be above or below these estimates. These estimates assume the New Tabcorp Group will be compensated for race fields fees of approximately \$25 million per annum paid

or payable in New South Wales for racing held in New South Wales. Compensation in relation to the financial periods up to 30 June 2009 has been received. At 31 December 2010, the Tabcorp Group had recognised a receivable for compensation of \$37 million in respect of the 18 months ended 31 December 2010, which has yet to be received.

In addition, there is uncertainty in the industry as to the legality of race fields fees due to litigation brought by Tabcorp’s competitors. On 11 March 2011, Betfair Australia Pty Ltd and Sportsbet Pty Limited were granted special leave to appeal to the High Court to challenge race fields fees in New South Wales. Race fields fees in Victoria are being challenged in the Federal Court by Sportsbet Pty Limited in its proceedings against Harness Racing Victoria. Tabcorp has intervened in the Victorian race fields litigation, which is part heard with the hearing to be continued late this calendar year. Changes to race fields fees arising from the decision of the court are a risk factor.

6.11.17 Sky Channel arrangements

Sky Channel Pty Ltd presently holds:

- (i) a substantial parcel of media rights to exploit race meetings from thoroughbred, harness and greyhound clubs and industry bodies within and outside of Australia; and
- (ii) more limited media rights to particular events and racing sports and other programs.

The expiry dates for these contracts vary, but almost without exception, these agreements include a negotiated end date.

In January 2011, Sky Racing and Racing Queensland announced a 10 year agreement in relation to Queensland’s thoroughbred racing media rights. The agreement allows Sky Channel to exploit various rights, some on an exclusive basis and others, non-exclusively, for a ten year term expiring on 30 June 2020. Sky Channel’s rights concern exploitation across all media, namely subscription television, limited free to air rights, internet and new media. This agreement also includes an obligation on Sky Channel to assume the production of the coverage from all Queensland thoroughbred race clubs. This obligation commences on 1 July 2011 and continues for the remainder of the term.

Sky Channel and Tabcorp have entered into a memorandum of understanding with TVN, for negotiated reciprocal rights within Australia to:

- (i) in relation to SKY, broadcast the TVN coverage at both residential and non-residential locations; and
- (ii) in relation to TVN, broadcast a more limited element of Sky’s coverage at residential and non-residential locations.

The memorandum of understanding with TVN expires in December 2012.

If, for any reason, the New Tabcorp Group is unable to renegotiate any of its key broadcast arrangements or is unable to renegotiate such broadcast arrangements on satisfactory terms, then this may adversely impact the operational and financial performance of the New Tabcorp Group’s wagering division.

6.11.18 Satellite risks

There is a risk that the satellites through which Sky Channel broadcasts cannot receive or transmit signals at any particular time, thereby potentially impacting wagering and sportsbetting revenue. Sky Channel does not have third party insurance covering this risk as its cost is considered prohibitive, however, it has in-principle agreement, and the necessary technical facilities in place, that back-up satellite access would be made available with an alternative provider. There is nevertheless still a risk of a loss of broadcast coverage if Sky Channel is required to switch from one satellite to another in the event of malfunction.

6.11.19 New South Wales and Queensland keno licences

New Tabcorp cannot be certain:

- whether the keno licences that the New Tabcorp Group holds in New South Wales and Queensland will be renewed when they expire in mid-2022;
- if they are renewed, when they will be renewed by the relevant State governments; and
- that licences will not be issued to competing third parties.

Any non-renewal of these gaming licences or the issue of licences to competing third parties may have an adverse effect on the operational and financial performance of the New Tabcorp Group.

6.11.20 Equine influenza (or other equine pandemic)

In late August 2007, there was an outbreak of equine influenza. Tabcorp's wagering business was adversely affected by this outbreak.

Equine influenza (or other equine pandemic) has the potential to have a significant impact on the Australian racing industry by disrupting scheduled thoroughbred and harness races (and hence the conduct of wagering activities). Another outbreak of equine influenza (or other equine pandemic) could have an adverse impact upon New Tabcorp's wagering division. This is a risk factor.

6.11.21 Employee matters

The New Tabcorp Group is reliant upon a number of key senior personnel and the loss of such personnel may have an impact on the performance of the New Tabcorp Group. The New Tabcorp Group's continued success also depends on its ability to attract and retain qualified and highly skilled management and personnel. As with most other businesses, from time to time it may be difficult for the New Tabcorp Group to hire and retain key personnel, and key New Tabcorp Group personnel may be sought and hired by competitors of the New Tabcorp Group. Tabcorp has sought to mitigate this risk by offering retention arrangements to a selection of key employees, comprising the payment of a percentage of the employee's fixed remuneration one year following implementation of the Demerger, provided that such key employees remain employees of New Tabcorp at that date.

6.11.22 Availability and servicing of debt finance

From time to time, the New Tabcorp Group will be required to refinance its debt facilities. There is no certainty as to the availability of debt facilities or the terms on which such facilities may be provided to the New Tabcorp Group in the future. The New Tabcorp Group's ability to refinance its debt on acceptable terms as it becomes due or to repay the debt, its ability to raise further finance on favourable terms for its businesses and to pursue opportunities, and its borrowing costs will depend on market conditions and the New Tabcorp Group's future operating performance. In particular, the New Tabcorp Group may incur higher interest rates and/or additional fees associated with future debt refinancing. If New Tabcorp is unable to refinance its debt obligations, or to do so on reasonable terms, this may have an adverse effect on the financial position and performance of the Tabcorp Group.

The New Tabcorp Group's ability to service its debt will depend on its future financial performance and if it is unable to do so, lenders to the New Tabcorp Group may act to enforce their rights against it, which may impact the New Tabcorp Group's financial or operating performance and impair its ability to pay dividends.

6.11.23 Current global economic environment

General economic factors may affect an investment in New Tabcorp or the performance of New Tabcorp. Some of these include:

- movements in Australian and international stock markets, changes in interest rates, inflation and inflationary expectations and overall economic and political conditions may affect the demand for and market price of shares in Tabcorp;
- changes in government legislation and policy, in particular taxation laws, may affect the relative attractiveness of investing in New Tabcorp; and
- the price of securities on ASX may rise or fall due to a diverse range of non-company specific influences which may affect the market performance of the New Tabcorp Group.

None of New Tabcorp, its directors or any other person guarantees the market performance of the New Tabcorp Group.

The Australian and global economies continue to experience challenging conditions which have been contributed to by the global financial crisis. Any further deterioration in the Australian or global economies may have an adverse effect on the financial position and performance of the New Tabcorp Group.

The operational and financial performance and position of the New Tabcorp Group may be adversely affected by the worsening of general economic conditions in Australia, as well as international market conditions and related factors. It is also possible new risks might emerge as a result of markets experiencing extreme stress or existing risks may manifest themselves in ways that are not currently foreseeable.

6. Information on New Tabcorp

6.11.24 Other risks

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

Should the Demerger not proceed, the risks set out in Section 5.11 (in respect of Echo) will also apply to the Tabcorp Group.

7. Australian and US taxation implications for shareholders

7. Australian and US taxation implications for shareholders

7.1 Australian taxation implications for shareholders

7.1.1 Scope

Below is a general guide to the Australian tax implications of the Demerger for Tabcorp Shareholders who are residents of Australia for income tax purposes and who hold their Tabcorp Shares on capital account.

The guide below does not apply to Tabcorp Shareholders who do not hold their Tabcorp Shares on capital account (for example, Tabcorp Shareholders who hold their Tabcorp Shares as trading stock or revenue assets), Tabcorp Shareholders who are non-resident of Australia for income tax purposes, Tabcorp Shareholders whose shares are subject to the employee share scheme tax rules or Tabcorp Shareholders who are trusts or superannuation funds.

The guide does not take account of the individual circumstances of particular Tabcorp Shareholders and does not constitute tax advice. It does not purport to be a complete analysis of the potential tax consequences of the Demerger and is intended as a general guide to the Australian tax implications only. Tabcorp Shareholders should seek advice from an appropriate professional adviser on the tax implications of the Demerger based on their own individual circumstances.

The comments below are based on the Australian tax law as it applies as at 9.00am (AEST) on 15 April 2011. The comments do not take into account or anticipate changes in Australian tax law or future judicial interpretations of law after this time, nor do they take into account tax legislation of any countries other than Australia.

7.1.2 Demerger tax relief

Tabcorp has applied to the Commissioner of Taxation for a Class Ruling confirming that Tabcorp Shareholders who are residents of Australia for income tax purposes and who hold their Tabcorp Shares on capital account will be able to choose demerger tax relief in relation to the Demerger.

In broad terms, under this demerger tax relief, resident Tabcorp Shareholders can choose to defer the CGT consequences of the CGT event that happens in respect of their Tabcorp Shares as a result of the transfer of Echo Shares in satisfaction of the Tabcorp Shareholders' Demerger Entitlements.

Where demerger tax relief is available, the tax implications for resident Tabcorp Shareholders who choose for demerger tax relief to apply will be as discussed in Sections 7.1.3 to 7.1.5 below. The tax implications for resident Tabcorp Shareholders who do not choose for demerger tax relief to apply are discussed in Section 7.1.6 below.

No formal election is required to be lodged in order to choose for demerger tax relief to apply. The choice will be evident from the way in which the Tabcorp Shareholders prepare their income tax returns.

The tax implications if demerger tax relief is not available are discussed in Section 7.1.7 below.

In the Class Ruling that has been applied for, Tabcorp has also sought confirmation that the Commissioner of Taxation will not deem any part of the Demerger Entitlements or the amount that is taken to be a demerger dividend for tax purposes as an assessable unfrankable dividend for Australian taxation purposes.

Tabcorp will make an announcement to ASX upon the Class Ruling being finalised with the ATO.

7.1.3 Treatment if demerger tax relief is available and chosen

(i) Treatment of Demerger Entitlements

Tabcorp Shareholders will be taken to have received a capital return in respect of each Tabcorp Share they hold at the Scheme Record Date. The receipt of this capital amount will constitute a CGT event. The demerger tax relief enables Tabcorp Shareholders to choose to disregard the CGT consequences of this CGT event.

If the Class Ruling is issued in accordance with the application made by Tabcorp, no part of the Demerger Entitlements will be treated as an unfranked dividend for Australian tax purposes. Tabcorp Shareholders will not be required to include any part of the Demerger Entitlements in their assessable income.

(ii) Treatment of demerger dividend

Tabcorp Shareholders will be taken to have received a demerger dividend for tax purposes in respect of each Tabcorp Share they hold at the Scheme Record Date.

Tabcorp will not elect for the demerger dividend to be assessable to the Tabcorp Shareholders. Accordingly, if the Class Ruling is issued in accordance with the application made by Tabcorp, the demerger dividend will not give rise to assessable income or exempt income for Tabcorp Shareholders. No franking credits will be attached to the demerger dividend.

(iii) Cost base of shares

The Demerger will impact the determination of the cost base and reduced cost base for CGT purposes of Tabcorp Shares and Echo Shares. Under the demerger tax legislation, irrespective of whether demerger tax relief is chosen, the cost base and reduced cost base of Tabcorp Shareholders' Tabcorp Shares and Echo Shares will be calculated on the following basis. The pre-Demerger cost base and reduced cost base of each Tabcorp Share held just before the Demerger will be reasonably apportioned between each Tabcorp Share and each Echo Share held after the Demerger. The apportionment is to be based on the relative actual market values of the Tabcorp Shares and the Echo Shares (or a reasonable approximation of those market values) just after the Demerger. Tabcorp will provide Tabcorp Shareholders with information to assist in determining the cost base of their Tabcorp Shares and Echo Shares. Specifically, after the Demerger, once the actual market values of the Tabcorp Shares and the Echo Shares have been determined, the Tabcorp website (www.tabcorp.com.au) will include a demerger tax calculator to assist with that determination.

The adjusted cost base and reduced cost base will be relevant for determining the capital gains/losses arising from a future disposal of the Tabcorp Shares and/or Echo Shares by Tabcorp Shareholders.

(iv) Subsequent disposal of Tabcorp Shares by Tabcorp Shareholders after the Demerger

On subsequent disposal of the Tabcorp Shares, Tabcorp Shareholders will have an assessable capital gain if the proceeds received on disposal exceed their cost base (the first element of the cost base is determined as set out in Section 7.1.3(iii) above). Certain Tabcorp Shareholders (such as individuals who have held their Tabcorp Shares for at least 12 months prior to the time of the relevant CGT event) may be entitled to reduce their capital gain (after taking into account any available capital losses) by the CGT discount. Alternatively, Tabcorp Shareholders who acquired their Tabcorp Shares prior to 11.45am (Australian Capital Territory time) on 21 September 1999 may (and, in the case of certain resident companies, must) apply indexation to their cost base (the first element of which is determined as set out in Section 7.1.3(iii) above) up until the September 1999 quarter.

Conversely, if the proceeds from the disposal of the Tabcorp Shares are less than the reduced cost base (the first element of which is determined as set out above), a capital loss will arise for the Tabcorp Shareholders. A capital loss can be offset against other capital gains but cannot otherwise be deducted from assessable income.

7.1.4 Subsequent disposal of Echo Shares by Tabcorp Shareholders after the Demerger

On subsequent disposal of the Echo Shares, Tabcorp Shareholders will have an assessable capital gain if the proceeds received on disposal exceed their cost base (the first element of the cost base is determined as set out in Section 7.1.3(iii) above). Certain Tabcorp Shareholders (such as individuals who are deemed to have held their Echo Shares for at least 12 months prior to the time of the relevant CGT event) may be entitled to reduce their capital gain (after taking into account any available capital losses) by the CGT discount. For the purposes of determining whether the CGT discount is available, each Echo Share will be deemed to have been acquired at the time the corresponding Tabcorp Share was acquired.

Conversely, if the proceeds from the disposal of the Echo Shares are less than the reduced cost base (the first element of which is determined as set out above), a capital loss will arise for the Tabcorp Shareholders. A capital loss can be offset against other capital gains but cannot otherwise be deducted from assessable income.

7.1.5 Treatment of dividends received from Echo after the Demerger

The tax rules applying to dividends received from Echo are the same as the rules applying to dividends received from Tabcorp. Accordingly, Echo Shareholders will be taxed on any dividends they receive from Echo in the same way as they are taxed on any dividends they receive from Tabcorp.

7.1.6 Australian taxation consequences for Tabcorp Shareholders who do not choose demerger tax relief

If the Class Ruling is issued in accordance with the application made by Tabcorp, Tabcorp Shareholders who do not choose demerger tax relief will have similar tax consequences as those outlined in Sections 7.1.3 to 7.1.5 above, with one exception to Section 7.1.3(i).

If the Demerger Entitlements exceed the Tabcorp Shareholders' original CGT cost base in their Tabcorp Shares, a capital gain will be made as a result of the capital return and this capital gain may be required to be included in calculating the Tabcorp Shareholders' taxable income. Certain Tabcorp Shareholders (such as individuals who have held their Tabcorp Shares for at least 12 months prior to the time of the relevant CGT event) may be entitled to reduce their capital gain (after taking into account any available capital losses) by the CGT discount.

7.1.7 Implications if Australian demerger tax relief is not available

In the event that the Commissioner of Taxation rules that demerger tax relief is not available for the Demerger then, unless a Tabcorp Shareholder successfully challenges that view in a court, instead of the implications outlined in Sections 7.1.3 to 7.1.6 above, the following implications will apply for resident Tabcorp Shareholders:

- If the Demerger Entitlements (less any amount determined by the Commissioner of Taxation to be an unfranked dividend – refer below) exceed the Tabcorp Shareholders' original CGT cost base in their Tabcorp Shares, Tabcorp Shareholders will make a capital gain as a result of the capital return and this capital gain may be required to be included in calculating the Tabcorp Shareholders' taxable income. Certain Tabcorp Shareholders (such as individuals who have held their Tabcorp Shares for at least 12 months prior to the time of the relevant CGT event) may be entitled to reduce their capital gain (after taking into account any available capital losses) by the CGT discount.
- Unless the Commissioner of Taxation makes a determination that all or part of the Demerger Entitlements should be treated as an unfranked dividend (refer below), the cost base and reduced cost base of the Tabcorp Shares will be reduced to the extent of the Demerger Entitlements.
- The amount that is a demerger dividend for tax purposes (to be advised by Tabcorp) will be assessable income of the Tabcorp Shareholder.
- For CGT purposes, Tabcorp Shareholders will be taken to have acquired their Echo Shares on the Demerger Date. Eligibility for the CGT discount will only be available after the Tabcorp Shareholder has held the Echo Share for at least 12 months from the date the Echo Shares are acquired. The first element of the cost base and reduced cost base of the Echo Shares will be determined in accordance with Division 110 and 112 of the *Income Tax Assessment Act 1997* (Cth).

7. Australian and US taxation implications for shareholders

The Commissioner of Taxation may also determine that the Demerger Entitlements or the amount referred to above as a demerger dividend for tax purposes may be treated (in whole or in part) as an assessable unfrankable dividend for Australian taxation purposes. In that case, Tabcorp Shareholders will be required to include the part of the Demerger Entitlements or demerger dividend determined to be an unfranked dividend in their assessable income.

7.1.8 Stamp duty

Tabcorp Shareholders will pay no Australian stamp duty on the transfer of Echo Shares to them under the Demerger.

7.1.9 Goods and Services Tax ("GST")

Tabcorp Shareholders will not be liable for (or be required to pay) GST on the receipt of Echo Shares or any other distributions received in connection with the Capital Reduction and the Scheme.

7.2 United States resident Tabcorp Shareholders

United States Internal Revenue Service Circular 230 Disclosure: To ensure compliance with requirements imposed by the Internal Revenue Service (**IRS**), Tabcorp informs Echo Shareholders that (i) any United States tax advice contained herein is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code; (ii) any such tax advice is written in connection with the promotion or marketing of the matters addressed; and (iii) Echo Shareholders should seek advice based on their particular circumstances from an independent advisor.

7.2.1 General

This Section describes certain material United States federal income tax consequences of the distribution of Echo Shares pursuant to the Demerger. The discussion does not purport to be a complete analysis of all the potential tax effects of the Demerger. It applies to Echo Shareholders only who are United States holders and who hold their Tabcorp Shares as capital assets for tax purposes. This Section does not apply to Echo Shareholders who are members of a special class of holders subject to special rules, including: a dealer in securities, a trader in securities that elects to use a mark-to-market method of accounting for securities holdings, a tax-exempt organization, a life insurance company, a person liable for alternative minimum tax, a person that actually or constructively owns 10% or more of Tabcorp's voting stock, a person that holds Tabcorp Shares as part of a straddle or a hedging or conversion transaction, or a person whose functional currency is not the United States dollar. This discussion addresses only United States federal income taxation.

If a partnership holds the Tabcorp Shares, the United States federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. If an Echo Shareholder is a partner in a partnership holding the Tabcorp Shares, they should consult their tax advisor with regards to the United States federal income tax treatment of the Demerger.

This Section is based on the Internal Revenue Code of 1986, as amended (the **Code**), its legislative history, existing and proposed regulations, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

An Echo Shareholder is a United States holder if they are a beneficial owner of Tabcorp Shares and they are: a citizen or resident of the United States, a domestic corporation, an estate whose income is subject to United States federal income tax regardless of its source, or a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorised to control all substantial decisions of the trust.

7.2.2 Receipt of Echo Shares pursuant to the Demerger

It is not clear whether the distribution of Echo Shares pursuant to the Demerger (the **Distribution**) will be treated as a tax-free spin-off under Section 355 of the Code. If Tabcorp is required to report the Distribution to the IRS, Tabcorp intends to take the view that the Distribution will not qualify as a tax-free spin-off under Section 355 of the Code, and the remainder of the disclosure assumes that the Distribution will not so qualify.

The amount received in the Distribution by a United States holder for United States federal income tax purposes will be the fair market value of the Echo Shares received. The amount received in the Distribution, to the extent paid out of Tabcorp's current or accumulated earnings and profits (as determined for United States federal income tax purposes), is subject to United States federal income taxation as a taxable dividend, and any excess will be treated as a non-taxable return of capital to the extent of the United States holder's basis in its Tabcorp Shares and thereafter as capital gain. Tabcorp intends to treat the entire amount received in the Distribution as a taxable dividend without calculating the portion that is paid out of Tabcorp's earnings and profits for United States federal income tax purposes. With respect to non-corporate United States holders, the Distribution will generally be eligible for the preferential rates in respect of "qualified dividend income", subject to applicable limitations.

For United States federal income tax purposes, the United States holder will acquire an initial tax basis in their Echo Shares equal to the United States dollar fair market value of the stock received by them as of the distribution date. The holding period for Echo Shares will begin on the day after the distribution date.

Unless a United States holder is an exempt recipient, payments to that United States holder that are made pursuant to the Demerger within the United States or through certain United States related financial intermediaries may be subject to information reporting and United States federal backup withholding tax if that United States holder fails to supply a correct taxpayer identification number or otherwise fails to comply with applicable United States information reporting or certification requirements. Any amount withheld from a payment to a United States holder under the

backup withholding rules is allowable as a credit against their United States federal income tax, provided that the required information is furnished to the IRS.

The preceding discussion is intended only as a summary of certain United States federal income tax consequences and does not purport to be a complete analysis or discussion of all potential tax effects relevant thereto. Accordingly, United States holders are urged to consult their own tax advisers concerning the specific tax consequences to them, including tax return reporting requirements, the applicable tax laws and the effect of any proposed changes in the tax laws.

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8. Investigating Accountant's Report





**Ernst & Young Transaction
Advisory Services Limited**
Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001
Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
www.ey.com/au

15 April 2011

The Board of Directors
Tabcorp Holdings Limited
5 Bowen Crescent
Melbourne VIC 3004

Dear Directors

Investigating Accountant's Report on Pro Forma Historical Financial Information

1. Introduction

We have prepared this Investigating Accountant's Report (the "Report") on the pro forma historical financial information of Tabcorp Holdings Limited ("New Tabcorp") and the Casinos business (Echo Entertainment Group Limited ("Echo")) for inclusion in the Scheme Booklet to be dated on or about 15 April 2011, and to be issued by Tabcorp Holdings Limited ("Tabcorp"), in respect of the demerger of Echo from Tabcorp ("Scheme of Arrangement").

Expressions defined in the Scheme Booklet have the same meaning in this report.

Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services") holds an Australian Financial Services Licence (AFS Licence Number 240585). Stephen Lomas is a Director and Representative of Ernst & Young Transaction Advisory Services Limited. We have included the Financial Services Guide as Part 2 of this Report.

2. Scope

Ernst & Young Transaction Advisory Services Limited has been requested to prepare this Report to cover the following financial information:

Pro Forma Historical Financial Information

The pro forma historical financial information, as set out in section 5.10 of the Scheme Booklet comprises:

- Echo's pro forma historical income statements before net financing costs and tax for the financial years ended 30 June 2008, 2009 and 2010 and the half year ended 31 December 2010;

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- Echo's pro forma historical net operating cash flows before net financing costs and tax and after capital expenditure for the years ended 30 June 2008, 2009 and 2010 and the half year ended 31 December 2010; and
- Echo's pro forma historical balance sheet as at 31 December 2010.

The pro forma historical financial information, as set out in section 6.8 of the Scheme Booklet comprises:

- New Tabcorp's pro forma historical income statements before net financing costs and tax, for the financial years ended 30 June 2008, 2009 and 2010 and the half year ended 31 December 2010;
- New Tabcorp's pro forma historical net operating cash flows before net financing costs and tax and after capital expenditure, for the years ended 30 June 2008, 2009 and 2010 and the half year ended 31 December 2010; and
- New Tabcorp's pro forma historical balance sheet, as at 31 December 2010.

(Collectively, the 'Pro Forma Historical Financial Information').

The Pro Forma Historical Financial Information assumes completion of the proposed transactions outlined in sections 5.10.6 and 6.8.5 of the Scheme Booklet.

The Pro Forma Historical Financial Information is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports.

We disclaim any assumption of responsibility for any reliance on this Report or on the Pro Forma Historical Financial Information to which this Report relates for any purposes other than the purpose for which it was prepared. This Report should be read in conjunction with the Scheme Booklet.

3. Directors' Responsibility for the Pro Forma Historical Financial Information

The directors of Tabcorp are responsible for the preparation and presentation of the Pro Forma Historical Financial Information. The directors are also responsible for the determination of the pro forma adjustments as set out in sections 5.10.6 and 6.8.5 of the Scheme Booklet.

4. Our Responsibility for the Pro Forma Historical Financial Information

Our responsibility is to express a conclusion on the Pro Forma Historical Financial Information based on our review.

We have conducted an independent review of the Pro Forma Historical Financial Information in order to state whether on the basis of the procedures described, anything has come to our attention that would cause us to believe that:

- a. The pro forma transactions and assumptions do not provide a reasonable basis for the Pro Forma Historical Financial Information;



- b. The Pro Forma Historical Financial Information has not been prepared on the basis of the transactions and assumptions set out in Sections 5.10 and 6.8 of the Scheme Booklet;
- c. The Pro Forma Historical Financial Information does not present fairly:
 - Echo's pro forma historical income statements before net financing costs and tax for the financial years ended 30 June 2008, 2009 and 2010 and the half year ended 31 December 2010;
 - Echo's pro forma historical net operating cash flows before net financing costs and tax and after capital expenditure for the years ended 30 June 2008, 2009 and 2010 and the half year ended 31 December 2010;
 - Echo's pro forma historical balance sheet as at 31 December 2010;
 - New Tabcorp's pro forma historical income statements before net financing costs and tax, for the financial years ended 30 June 2008, 2009 and 2010 and the half year ended 31 December 2010;
 - New Tabcorp's pro forma historical net operating cash flows before net financing costs and tax and after capital expenditure, for the years ended 30 June 2008, 2009 and 2010 and the half year ended 31 December 2010; and
 - New Tabcorp's pro forma historical balance sheet, as at 31 December 2010;

in accordance with the measurement and recognition requirements (but not all of the presentation and disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia as if the pro forma transactions had occurred at 31 December 2010.

Our independent review of the Pro Forma Historical Financial Information has been conducted in accordance with Australian Auditing and Assurance Standards applicable to review engagements. Our procedures consist of the reading of relevant Board minutes, reading of relevant contracts and other legal documents, inquiries of management personnel and the directors of Tabcorp, and analytical and other procedures applied to the Tabcorp's and Echo's accounting records. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Pro Forma Historical Financial Information.

5. Review conclusion on the Pro Forma Historical Financial Information

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

- a. The pro forma transactions and assumptions set out in Sections 5.10 and 6.8 of the Scheme Booklet do not provide a reasonable basis for the Pro Forma Historical Financial Information;
- b. The Pro Forma Historical Financial Information has not been prepared on the basis of the transactions and assumptions set out in Sections 5.10 and 6.8 of the Scheme Booklet;
- c. The Pro Forma Historical Financial Information does not present fairly:



- Echo's pro forma historical income statements before net financing costs and tax for the financial years ended 30 June 2008, 2009 and 2010 and the half year ended 31 December 2010;
- Echo's pro forma historical net operating cash flows before net financing costs and tax and after capital expenditure for the years ended 30 June 2008, 2009 and 2010 and the half year ended 31 December 2010;
- Echo's pro forma historical balance sheet as at 31 December 2010;
- New Tabcorp's pro forma historical income statements before net financing costs and tax, for the financial years ended 30 June 2008, 2009 and 2010 and the half year ended 31 December 2010;
- New Tabcorp's pro forma historical net operating cash flows before net financing costs and tax and after capital expenditure, for the years ended 30 June 2008, 2009 and 2010 and the half year ended 31 December 2010; and
- New Tabcorp's pro forma historical balance sheet, as at 31 December 2010;

is not in accordance with the measurement and recognition requirements (but not all of the presentation and disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia as if the pro-forma transactions set out above had occurred at 31 December 2010.

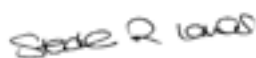
6. Independence or Disclosure of Interest

Ernst & Young Transaction Advisory Services Limited does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. Ernst & Young provides audit and other advisory services to Tabcorp. Ernst & Young Transaction Advisory Services Limited will receive a professional fee for the preparation of this Report.

7. 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 the ordinary business of Tabcorp subsequent to 31 December 2010 have come to our attention which require comment on or adjustments to the information referred to in our report or that would cause such information to be misleading or deceptive.

Yours faithfully



Stephen Lomas
Director and Representative
Ernst & Young Transaction Advisory Services Limited



**Ernst & Young Transaction
Advisory Services Limited**
Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001
Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

15 April 2011

**THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INVESTIGATING ACCOUNTANT'S
REPORT**

PART 2 – FINANCIAL SERVICES GUIDE

1. Ernst & Young Transaction Advisory Services

Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services" or "we," or "us" or "our") has been engaged to provide general financial product advice in the form of an Independent Accountant's Report ("Report") in connection with a financial product of another person. The Report is to be included in documentation being sent to you by that person.

2. Financial Services Guide

This Financial Services Guide ("FSG") provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- arranging to deal in securities.

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

Ernst & Young Transaction Advisory Services Limited, ABN 87 003 599 844
Australian Financial Services Licence No. 240585



5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report is \$350,000 (excluding of GST).

Ernst & Young Transaction Advisory Services is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits referred to above, Ernst & Young Transaction Advisory Services, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

6. Associations with product issuers

Ernst & Young Transaction Advisory Services and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of Ernst & Young Transaction Advisory Services is limited to the contents of this Financial Services Guide and the Report.

8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or the Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

9. Compensation Arrangements

The Company and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Company's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Company satisfy the requirements of section 912B of the Corporations Act 2001.

Contacting Ernst & Young Transaction Advisory Services	Contacting the Independent Dispute Resolution Scheme:
AFS Compliance Manager Ernst & Young 680 George Street Sydney NSW 2000 Telephone: (02) 9248 5555	Financial Ombudsman Service Limited PO Box 3 Melbourne VIC 3001 Telephone: 1300 78 08 08

This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572.

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9. Concise Independent Expert's Report

GRANT SAMUEL



GRANT SAMUEL & ASSOCIATES

LEVEL 6

1 COLLINS STREET MELBOURNE VIC 3000

T: +61 3 9949 8800 / F: +61 3 99949 8838

www.grantsamuel.com.au

15 April 2011

The Directors
 Tabcorp Holdings Limited
 5 Bowen Crescent
 Melbourne VIC 3004

Dear Directors

Proposed Demerger of Echo Entertainment Group Limited from Tabcorp Holdings Limited

1 Introduction

On 18 October 2010, Tabcorp Holdings Limited ("Tabcorp") announced a proposal to pursue a demerger of its casinos business from its wagering, gaming and keno businesses to create two separate companies listed on the Australian Securities Exchange ("ASX") (the "Proposed Demerger"). To facilitate the Proposed Demerger, Tabcorp incorporated a new public company Echo Entertainment Group Limited ("Echo") on 2 March 2011. For the purpose of this report, "New Tabcorp" has been used to refer to the ongoing Tabcorp, which will continue to hold the wagering, gaming and keno businesses following the Proposed Demerger, and "Echo" has been used to refer to the demerged company that will own and operate the casinos business.

In addition to the Proposed Demerger, Tabcorp announced a fully underwritten accelerated renounceable entitlement offer ("entitlement offer") to raise approximately \$430 million (which was completed in October 2010). The new equity will allow Tabcorp to establish appropriate capital structures for New Tabcorp and Echo at the point of demerger, and provide funding to finance growth opportunities for the demerged businesses.

The Proposed Demerger is to be effected by way of a capital reduction and a scheme of arrangement ("Scheme") between Tabcorp and its shareholders.

Prior to the implementation of the Proposed Demerger, Tabcorp will undertake an internal corporate restructure to ensure that all the entities constituting Tabcorp's casinos business are owned by Echo and all the entities constituting the wagering, gaming and keno businesses are owned by New Tabcorp.

The following steps will be implemented if the Proposed Demerger is approved:

- Tabcorp will reduce its share capital (by approximately \$2,220 million);
- instead of returning a cash amount equal to the capital reduction, the relevant amount will be applied on behalf of Tabcorp shareholders as consideration for the transfer by Tabcorp of shares in Echo, pursuant to the Scheme (no cash payment will be made to Tabcorp shareholders as a result of the capital reduction);

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- each eligible Tabcorp shareholder will receive one Echo share for every Tabcorp share they hold on the record date for the Proposed Demerger;
- New Tabcorp will continue to own the wagering, gaming and keno businesses and will retain its listing on the ASX; and
- Echo's shares will be separately listed on the ASX.

As a result of the implementation of the Proposed Demerger, Echo will cease to be a member of the Tabcorp group. Following the Proposed Demerger, there will be no cross-shareholding between New Tabcorp and Echo. New Tabcorp and Echo will operate independently from each other apart from certain transitional arrangements.

Tabcorp shareholders with registered addresses in certain jurisdictions outside Australia are "ineligible overseas shareholders". Following the Proposed Demerger, ineligible overseas shareholders will continue to be entitled to hold their New Tabcorp shares. However, they will not be entitled to receive Echo shares through the Proposed Demerger. The Echo shares to which ineligible overseas shareholders would otherwise have been entitled under the Proposed Demerger will be transferred to a sale agent appointed by Tabcorp and sold on the ASX as soon as practicable after the demerger date. Ineligible overseas shareholders will receive a cash payment equal to the average sale price of those shares multiplied by the number of shares to which they would otherwise have been entitled, after deducting a proportionate share of any applicable brokerage, stamp duty and other selling costs, taxes and charges.

The effect of the Proposed Demerger is that Tabcorp shareholders (other than ineligible overseas shareholders) will hold one Echo share for every Tabcorp share they hold. The ownership interests in New Tabcorp will not change as a result of the implementation of the Proposed Demerger. The ownership interests of eligible shareholders in Echo will be proportionate to their ownership interest in Tabcorp immediately prior to the Proposed Demerger.

The Proposed Demerger requires the following approvals:

- the approval by Tabcorp shareholders of the Scheme. Under Section 411 of the Corporations Act, 2001 (the "Corporations Act"), the Scheme must be approved by a majority in number (i.e. at least 50%) of Tabcorp shareholders present and voting (either in person or by proxy) at the meeting and by Tabcorp shareholders representing at least 75% of the votes cast on the resolutions;
- the approval by Tabcorp shareholders of the capital reduction, by way of ordinary resolution;
- the approval of the Victorian Supreme Court at a hearing following the shareholder votes referred to above;
- various New South Wales and Queensland regulatory approvals, including Queensland Ministerial approval and approval from the New South Wales Casino Liquor and Gaming Control Authority ("CLGCA"); and
- the approval of the admission of Echo to the official list of the ASX and official quotation of Echo shares.

The resolutions to approve the capital reduction and the Scheme are interdependent. The Proposed Demerger will not proceed if either of these resolutions is not approved.

The directors of Tabcorp have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in its opinion, the Proposed Demerger is in the best interests of Tabcorp shareholders and to state reasons for that opinion. Grant Samuel has also been requested to give its opinion as to whether the capital reduction associated with the Proposed Demerger materially prejudices Tabcorp's ability to pay its creditors.

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This concise report contains a summary of Grant Samuel's opinion and main conclusions and is extracted from Grant Samuel's full report. In Grant Samuel's opinion, this concise report contains all the material information contained in the full report. A copy of this concise report will be included in the Scheme Booklet to be sent to shareholders by Tabcorp. The full independent expert's report from which this summary has been extracted is available on the Tabcorp website and will be mailed to Tabcorp shareholders on request.

2 Summary of Opinion

Opinion

In Grant Samuel's opinion, the Proposed Demerger is in the best interests of Tabcorp shareholders.

Evaluation of the Proposed Demerger largely involves judgements about issues relating to strategic, financial and shareholder flexibility and the potential for corporate control activity, rather than analysis of quantitative or other verifiable factors. The question is whether the Proposed Demerger is likely to:

- improve the underlying performance of the demerged businesses in New Tabcorp and Echo;
- improve the market's perception of the demerged businesses (i.e. increase their market values even if their underlying performance does not improve); or
- increase the prospects for shareholders of realising full underlying value for Tabcorp's businesses through a change of control transaction.

The evaluation is inherently subjective. Nonetheless, in Grant Samuel's view Tabcorp shareholders are, on balance, likely to be better off if the Proposed Demerger is implemented than if it is not.

Background

Tabcorp's board and management have been considering a change in corporate structure for some time. The strategies and investment profiles of the wagering, gaming and keno businesses and the casinos business are increasingly diverging, creating internal conflicts and competing priorities. In addition, the current Tabcorp structure restricts corporate activity involving the most logical trade buyers of the wagering, gaming and keno businesses and the casinos business. Improving equity markets have allowed Tabcorp to complete a significant capital raising, which will make it possible to establish New Tabcorp and Echo with appropriate capital structures. Accordingly, Tabcorp believes that the timing is right to separate the businesses.

The Proposed Demerger does not affect the economic interests of Tabcorp shareholders (except ineligible overseas shareholders) in the businesses owned by Tabcorp. In essence, Tabcorp shareholders (except ineligible overseas shareholders) are splitting their current investment into two parts: a shareholding in New Tabcorp and a shareholding in Echo. There is no change of control of Tabcorp or its businesses. Accordingly, the evaluation of the Proposed Demerger involves an assessment of the overall impact of the Proposed Demerger on the shareholders of Tabcorp and a judgement as to whether the expected benefits outweigh any disadvantages, costs and risks that may result from the Proposed Demerger.

Benefits

The key benefits from the Proposed Demerger include:

- enhancing the ability of the wagering, gaming and keno businesses and the casinos business to pursue their respective strategies;
- increasing the focus of the board and management on the operations and strategies of the wagering, gaming and keno businesses and the casinos business;

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- providing the flexibility to establish more appropriate capital structures and financial policies for the wagering, gaming and keno businesses and the casinos business having regard to the operational and financial characteristics, strategic objectives and growth profile of each business;
- providing shareholders with increased flexibility in managing their relative investment exposures to the demerged businesses in New Tabcorp and Echo. Tabcorp shareholders will be able to make their own investment decisions in accordance with their investment, diversification and risk appetites, rather than being obliged to accept the business investment portfolio as defined by the current Tabcorp structure;
- enhancing the prospect of a change of control transaction involving New Tabcorp and/or Echo, thereby improving shareholders' ability to achieve full underlying value for these businesses; and
- potentially achieving an increase in the aggregate sharemarket valuation of New Tabcorp and Echo compared to Tabcorp (although any uplift would only be expected over time).

These benefits are not individually compelling but, together, they are meaningful. Several of these benefits would only be expected to be manifested over the medium to longer term.

Costs, Disadvantages and Risks

There are a number of costs and disadvantages associated with the Proposed Demerger many of which result from the smaller size and less diversified position of the demerged companies:

- the impact on the separated companies of any material adverse events will be intensified and have a greater relative impact;
- both companies (in particular Echo) will be required to pay higher interest margins on their banking facilities (although New Tabcorp is expected to retain an investment grade credit rating);
- both New Tabcorp and Echo are expected to be excluded from the S&P/ASX 50 Index, although both are expected to be included in the S&P/ASX 200 Index (which is the key index for institutional investors), and may possibly be included in the S&P/ASX 100 Index;
- there are one-off costs associated with the Proposed Demerger and incremental ongoing costs to operate two separately listed companies; and
- at least in the 2012 financial year, Tabcorp shareholders are likely to receive lower combined dividends from New Tabcorp and Echo, as a result of the lower expected dividend payout ratios of both New Tabcorp and Echo compared to the historical dividend payout ratio of Tabcorp.

In Grant Samuel's opinion, these costs and disadvantages are not major drawbacks.

Because Echo as a standalone listed company with its own board and management team has no track record, the Proposed Demerger does entail some risks. However, these risks are not considered material in the context of the overall transaction.

Conclusion

The evaluation of the Proposed Demerger is essentially subjective as the benefits are not quantifiable or testable. The benefits are, at least to some extent, a matter of perception. The Proposed Demerger is not a guarantee of future performance. The question is whether shareholders are likely to realise greater value over time through the Proposed Demerger than if Tabcorp's current structure is maintained, whether through an improvement in the performance

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of the demerged companies, a market re-rating of the demerged companies, or the promotion of change of control activity. In Grant Samuel's view the potential benefits of the Proposed Demerger outweigh the potential disadvantages, costs and risks. Shareholders are, on balance, likely to be better off if the Proposed Demerger proceeds. Accordingly, Grant Samuel has concluded that the Proposed Demerger is in the best interests of Tabcorp shareholders.

3 Key Conclusions

- **The Proposed Demerger will not affect the ownership or economic interests of Tabcorp shareholders.**

The Proposed Demerger does not affect the economic interests of Tabcorp shareholders (except ineligible overseas shareholders) in the businesses currently owned by Tabcorp. In essence, Tabcorp shareholders (except ineligible overseas shareholders) will hold the same investment interests that they currently hold in Tabcorp, although these interests will be split into two parts: a shareholding in New Tabcorp and a shareholding in Echo.

Accordingly, the Proposed Demerger is not a control transaction. It is therefore not appropriate to assess the Proposed Demerger using the "fair" and "reasonable" tests. Rather, Grant Samuel's evaluation of the Proposed Demerger involves an assessment of the overall impact on the shareholders of Tabcorp and a judgement as to whether the expected benefits outweigh any disadvantages, costs and risks that may result from the Proposed Demerger.

- **Tabcorp shareholders will have increased flexibility to manage their investment exposure to Tabcorp's businesses.**

The Proposed Demerger will provide shareholders with increased flexibility to manage their investment exposures to New Tabcorp and Echo.

Notwithstanding that both New Tabcorp and Echo operate in the gambling industry, the risk/return profiles of the two businesses have significant differences, particularly in the short to medium term. Given the different investment characteristics of New Tabcorp and Echo, it is likely that Echo and New Tabcorp will appeal to different sets of investors. Following the Proposed Demerger, shareholders will be able to make their own investment exposure decisions and shift their relative exposures between the stable yield of New Tabcorp (albeit its dividend paying ability is likely to decline in the 2013 financial year upon expiry of the Victorian Gaming Licence and Victorian Wagering Licence in August 2012) and the higher growth, capital intensive, Echo, as they see fit. The ability to make more precisely targeted investments into either the wagering, gaming and keno businesses or the casinos business should also be attractive to investors who wish to invest in specific sectors and may attract investors who would not choose to invest in Tabcorp in its current form.

The investment mandates of some Tabcorp shareholders may preclude their continued holding of New Tabcorp or Echo shares. Accordingly, there may be some short term selling pressure following the Proposed Demerger. Management of New Tabcorp and Echo will continue to undertake investor presentations to ensure that the market is fully informed as to the investment profile of each of company. This should help to provide buying support during any share register transition. However, the short term net effect of these factors is difficult to predict.

- **The Proposed Demerger enhances the ability for New Tabcorp and Echo to pursue separate strategies.**

The Proposed Demerger will enable New Tabcorp and Echo to pursue growth and strategic opportunities independently, whether by way of capital investment programs, new business and product innovation, pursuit of licences or acquisitions.

There is an increasing divergence in the strategies of the wagering, gaming and keno businesses and the casinos business. The wagering, gaming and keno businesses are primarily focussed on growth

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through the pursuit of new products and licences, whilst the casinos business is primarily focussed on growth through its substantial capital investment program. The fundamental differences in the strategies pursued by the wagering, gaming and keno businesses and the casinos business, and the changing nature of the regulatory environments in which they operate, increasingly lead to internal conflict between the businesses.

The Proposed Demerger will remove the potential for competing (and sometimes conflicting) strategies between the businesses. Whilst the strategic priorities to be pursued by New Tabcorp and Echo following the Proposed Demerger will be essentially the same as those currently pursued by the individual businesses within the existing Tabcorp structure, the Proposed Demerger will enable New Tabcorp and Echo to pursue growth opportunities independently and in a manner that best suits the strategy of each company.

- **Although the management of Tabcorp's businesses already operate reasonably autonomously, the Proposed Demerger may increase the focus of the boards and management on the separate businesses.**

The Proposed Demerger will result in the creation of two companies with separate boards and senior management teams focussed on their respective businesses. The board and management of each company will be able to focus on their business' strategic objectives, make decisions appropriate to each business' risk/return profile and address specific operational and regulatory issues in a timely manner.

The Proposed Demerger may also result in the imposition of increased financial and operational disciplines on the management of New Tabcorp and Echo. Separation of the businesses into two companies will make it easier for analysts and investors to benchmark their operating performance against comparable companies. Although the market is already reasonably informed as to the performance of the wagering, gaming and keno businesses and the casinos business, there is likely to be greater transparency of individual business performance following the Proposed Demerger. Therefore, the Proposed Demerger should increase the incentives for the boards and management of New Tabcorp and Echo to improve performance due to enhanced transparency and increased scrutiny. Each company will be forced to fund future growth from its own resources, providing additional discipline on capital and operating expenditure.

The Proposed Demerger will also provide the ability for each of the companies to more closely align management remuneration with the financial and share price performance within management control. This is expected to create a more transparent link between management performance and remuneration and better align the interests of shareholders and management.

Whilst, in theory, similar management focus and alignment should be able to be achieved within the current Tabcorp structure (at least in part), in Grant Samuel's view the Proposed Demerger will make it easier to achieve these benefits.

- **The Proposed Demerger provides flexibility to establish appropriate capital structures for New Tabcorp and Echo.**

The Proposed Demerger will give both New Tabcorp and Echo greater flexibility to manage their capital structures, allowing them to fund their existing operations and growth opportunities independently and in a manner that best suits their strategic, operational and financial profiles. Tabcorp's \$430 million entitlement offer allows Tabcorp to establish New Tabcorp and Echo with appropriate capital structures and provides a platform for them to pursue growth initiatives and independent strategies.

The appropriate gearing and financial structure for New Tabcorp is quite different from that appropriate for Echo. New Tabcorp's wagering, gaming and keno businesses are currently diversified across multiple products and geographies and generate strong operating cash flows with

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high margins and earnings growth, although its earnings are expected to be adversely impacted by the expiry of the Victorian Gaming Licence and the Victorian Wagering Licence¹ in August 2012. By contrast, whilst Echo also generates strong operating cash flows, it operates in a highly capital intensive industry, with significant growth expected from the substantial refurbishment and expansion program that is in the process of being implemented at its properties.

Consequently, it is appropriate for New Tabcorp and Echo to adopt different levels of gearing reflecting their different business and risk profiles. New Tabcorp and Echo will have the following pro forma capital structures following the Proposed Demerger:

New Tabcorp and Echo – Pro Forma Capital Structure and Gearing				
	New Tabcorp		Echo	
	Pro forma EBITDA ² year ended 30 June 2010	Pro forma forecast ³ EBITDA year ending 30 June 2011	Pro forma EBITDA ² year ended 30 June 2010	Pro forma forecast ³ EBITDA year ending 30 June 2011
Net borrowings as at 31 December 2010	701.0	701.0	1,003.0	1,003.0
Leverage ratio (gross debt) ⁴	1.4	1.3	3.1	2.9
Leverage ratio (net debt) ⁵	1.1	1.1	2.8	2.7
Gearing ⁶ as at 31 December 2010	34.2%	34.2%	31.6%	31.6%

Source: Scheme Booklet and Grant Samuel analysis

New Tabcorp will retain Tabcorp's \$600 million medium term notes and \$284 million Tabcorp Bonds. New Tabcorp intends to replace its existing bank debt facilities with a new syndicated \$800 million debt facility. It also intends to repay the \$939 million of notes raised in the United States private placement market ("US Notes") and cancel the associated cross-currency swaps with funds received by Echo. New Tabcorp's level of gearing is consistent with its investment grade credit rating. In the event New Tabcorp is awarded the Victorian Wagering and Betting Licence, it may be required to fund an upfront or annual licence fee. New Tabcorp does not currently anticipate that an equity raising will be required to fund a payment for the Victorian Wagering and Betting Licence or to fund the licence fee payable for the recently issued Victorian Keno Licence. However, New Tabcorp may seek to increase participation in the dividend reinvestment plan by offering a discount or underwriting.

Upon implementation of the Proposed Demerger, Echo will draw down on a new syndicated \$1,400 million bank debt facility. Echo will be more highly leveraged than New Tabcorp, reflecting significant historical capital investments in projects that are expected to yield strong earnings growth, and the fall in New Tabcorp earnings that will result following the expiry of the Victorian Gaming Licence and the Victorian Wagering Licence⁷ in August 2012. The high pro forma leverage

¹ If Tabcorp is successful in its application for the new Victorian Wagering and Betting Licence, it expects that the earnings generated from the new licence would be lower than from the current Victorian Wagering Licence. Alternatively, Tabcorp may be unsuccessful in its application for the new Victorian Wagering and Betting Licence.

² EBITDA is earnings before net interest, tax, depreciation, amortisation and impairment.

³ Forecast pro forma leverage ratio analysis has been calculated by reference to the median EBITDA for the year ending 30 June 2011 from broker's forecasts (adjusted for the impact of the Proposed Demerger) (refer to Appendix 2 for details).

⁴ Leverage ratio is gross borrowings (as at 31 December 2010) divided by EBITDA excluding significant items. In the case of Echo, normalised EBITDA has been adopted as the win rates in the VIP rebate business can fluctuate from period to period. Therefore the earnings are "normalised" at the theoretical win rate to provide a better representation of the underlying performance of the business.

⁵ Leverage ratio is net borrowings (as at 31 December 2010) divided by EBITDA excluding significant items. In the case of Echo, normalised EBITDA has been adopted as the win rates in the VIP rebate business can fluctuate from period to period. Therefore the earnings are "normalised" at the theoretical win rate to provide a better representation of the underlying performance of the business.

⁶ Gearing is net borrowings divided by shareholders' funds plus net borrowings. This measure is dependent on balance sheet asset valuations (e.g. whether carried at historical cost or recent valuation) and should be treated with caution.

⁷ If Tabcorp is successful in its application for the new Victorian Wagering and Betting Licence, it expects that the earnings generated from the new licence would be lower than from the current Victorian Wagering Licence. Alternatively, Tabcorp may be unsuccessful in its application for the new Victorian Wagering and Betting Licence.

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ratios for Echo based on EBITDA for the 2010 financial year reflect the poor performance of the casinos business during the year and do not include the benefit of earnings generated during the 2011 financial year that have resulted from the capital expenditure program (whilst Echo's pro forma debt as at 31 December 2010 includes debt associated with the program). The pro forma leverage ratio (gross debt) reduces to 2.9 times based on pro forma broker forecast earnings for Echo for the year ending 30 June 2011. To diversify its debt financing and extend its debt maturity profile, Echo intends to issue new US private placement notes to existing investors in Tabcorp's US Notes and to other investors. To the extent that new US private placement notes are issued, the proceeds would be used to reduce the size of Echo's bank debt facility. Any US private placement notes issued by Echo would be hedged via cross-currency swaps into fixed Australian dollar exposures until maturity.

Funding for Echo's investment program in Queensland (\$625 million) will be required when construction commences (approximately 6 to 12 months following the Proposed Demerger). It is possible that Echo may need to consider a dividend reinvestment plan to fund the proposed capital expenditure program.

■ **The Proposed Demerger should enhance the prospects of corporate activity involving New Tabcorp and/or Echo.**

The Proposed Demerger should improve the prospects of Tabcorp shareholders receiving a takeover offer for New Tabcorp and/or Echo.

Takeovers are an important mechanism by which shareholders can realise value in excess of sharemarket prices as bidders will typically pay a premium to acquire control. Impediments to a takeover are generally a negative for shareholders. Whilst the Proposed Demerger does not involve a change in control, as the same shareholders (except ineligible overseas shareholders) will own proportionally the same shares in New Tabcorp and Echo, it should increase the likelihood of shareholders achieving full underlying value pursuant to a change of control transaction:

- Victorian legislation prevents a single operator from owning more than one gaming licence or wagering licence, and the holder of a gaming or wagering licence from holding a casino licence, or vice versa. This restricts the acquisition of Tabcorp in its current structure by the most likely logical strategic buyers/merger partners, Tatts Group Limited ("Tatts Group") (the holder of the existing second Victorian gaming licence) and Crown Limited ("Crown") (the holder of the exclusive Victorian casino licence). The Proposed Demerger is likely to make possible a change of control transaction involving Echo and Crown. Corporate activity between New Tabcorp and Tatts Group would continue to be prohibited until expiry of the Victorian gaming licences in August 2012, at which time it will be possible to pursue some form of transaction;
- Tabcorp's mix of businesses may not have appealed to a single bidder, adding complexity to any potential transaction (whether by involving joint bidders or the need to dispose of the "unwanted" businesses). As a "pure" casinos business, Echo will potentially be an attractive target for a number of international casino operators that are not interested in Tabcorp in its current structure. As smaller, more focussed companies, New Tabcorp and Echo should appeal to a wider set of potential acquirers;
- immediately prior to the announcement that it would pursue the Proposed Demerger, Tabcorp was capitalised at approximately \$4.8 billion. Following the Proposed Demerger, New Tabcorp and Echo will individually have lower market capitalisations which will make them more affordable acquisition targets; and
- there will be no cross-shareholdings between New Tabcorp and Echo that would act as an impediment to a takeover or change of control transaction.

At the same time, there will continue to be certain regulatory and legislative restrictions following the Proposed Demerger that may inhibit corporate activity involving New Tabcorp and/or Echo:

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- any transaction involving either New Tabcorp or Echo would be subject to significant regulatory approvals. It is possible that such a transaction may be prevented by competition regulation (consistent with the Australian Competition and Consumer Commission's intervention in relation to the proposed takeover by Tabcorp of UNiTAB Limited);
 - Tabcorp's 10% shareholding cap, and other shareholder restrictions, will continue for each of the demerged companies (although approvals can be sought for a shareholding exceeding 10%); and
 - the highly regulated nature of the Australian gambling industry may be considered unattractive by potential acquirers (particularly international acquirers) of New Tabcorp and Echo.
- **The Proposed Demerger may improve investment transparency for the wagering, gaming and keno businesses and the casinos business. However, given that considerable information about the businesses is already available, the incremental benefits may be limited.**

One of the benefits typically associated with a demerger is an enhanced market valuation of the demerged company flowing from greater transparency about the demerged company's operations, strategy and future prospects than when it is part of a larger group.

Given Tabcorp's existing level of disclosure and analyst coverage, this potential benefit is arguably less clear in the case of the Proposed Demerger. Prior to the announcement on 18 October 2010 that it would pursue the Proposed Demerger, Tabcorp had a market capitalisation of approximately \$4.8 billion and it is ranked amongst the top 50 companies by market capitalisation listed on the ASX. As a result, it receives close scrutiny from investment analysts (Tabcorp is covered by around ten analysts) and fund managers. There is also a significant level of disclosure in relation to Tabcorp and its underlying businesses as Tabcorp discloses summary financial information (e.g. revenue, EBITDA and EBIT) for the wagering business, gaming business, keno business and casinos business.

In theory, Tabcorp's transparent segmental performance disclosure, combined with widespread analyst coverage, should allow the market and analysts to accurately determine values for both New Tabcorp and Echo, as a basis for attributing a value to the wider Tabcorp group.

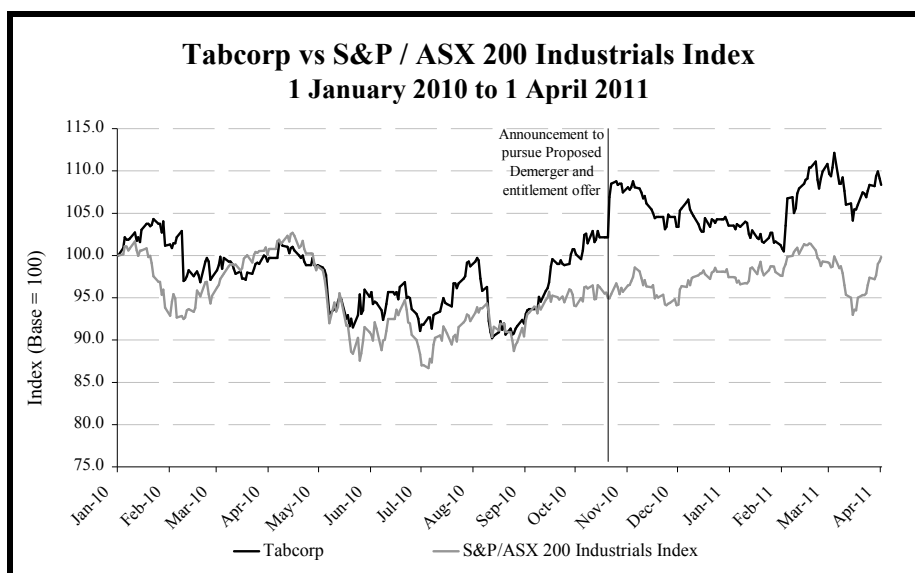
On the other hand, notwithstanding that significant financial and other information is already available, the Proposed Demerger is likely to result in increased transparency for each of New Tabcorp and Echo. Investors will be forced to consider the attributes and underlying performance of each company separately and in the context of their respective peer groups. Accordingly, there is some prospect that increased investment transparency resulting from the Proposed Demerger may over time result in improved valuations for the respective businesses. However, given that considerable information about the operations, strategies and prospects of both businesses is already available, the incremental benefits may be limited.

- **There may be some potential for New Tabcorp and Echo to be rated more highly by the market (in aggregate) following the Proposed Demerger.**

A demerger can result in an increased market valuation of the demerged companies through the promotion of enhanced investor flexibility, through improved investment transparency, through the anticipation of performance improvements, or an expectation that the demerged companies will become the subject of fully priced acquisition proposals.

Tabcorp's share price increased immediately upon the re-commencement of trading on 21 October 2010 following the announcement on 18 October 2010 that Tabcorp would pursue the Proposed Demerger and undertake the entitlement offer, although it subsequently declined to pre-announcement prices. The Tabcorp share price increased again on 3 February 2011 upon announcement of Tabcorp's results for the half year ended 31 December 2010, and has generally performed in line with the market since this time:

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Source: IRESS (unadjusted)

The initial increase in Tabcorp's share price is likely to have reflected a number of factors, including market anticipation of the benefits of the Proposed Demerger and the expectation of increased prospects of corporate activity involving Tabcorp's businesses. More recently, Tabcorp's share price strength appears to reflect the positive market reaction to Tabcorp's half yearly results.

It is not possible to isolate precisely the extent to which these different factors may have contributed to Tabcorp's overall share price outperformance since the announcement of the Proposed Demerger. While it appears that the post announcement share price increase represented market endorsement of the Proposed Demerger, the share price outperformance following the demerger announcement had fully reversed by the time of Tabcorp's profit announcement on 3 February 2011. There is no way of judging whether and to what extent the current Tabcorp share price incorporates any anticipation of the benefits of the Proposed Demerger. In these circumstances, there is clearly a need for caution in assessing the prospects of a further increase in market values following the Proposed Demerger. On the other hand, it appears reasonable to conclude that if the Proposed Demerger is not approved there would be a risk of a decrease in the Tabcorp share price, although it is difficult to predict the extent of any potential decline.

In addition, as with most demergers, there is a risk of a period of relative share price weakness in the short term until the registers for each company reach some degree of equilibrium and because the one-off cash transaction and incremental costs of the Proposed Demerger will be incurred immediately, while many of the benefits will take some time to translate into improved earnings and cash flow.

Ultimately, the actual price at which New Tabcorp and Echo will trade following the Proposed Demerger is dependent on a range of factors, including:

- regulatory conditions;
- equity market conditions;
- economic conditions;
- interest rates;
- factors specific to each of the companies, including:
 - the operating performance of New Tabcorp and Echo;

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- the success or otherwise of New Tabcorp in the application process for the new Victorian Wagering and Betting Licence upon expiry of the Victorian Wagering Licence in August 2012, and to launch new products, particularly online products;
 - the ability of Echo to increase earnings, particularly from the VIP market, through the successful completion of the capital investment program at its properties and improvements in the customer product and service offering;
 - market perceptions about the earnings prospects of New Tabcorp and Echo; and
 - the effectiveness of communication about New Tabcorp and Echo and its prospects to analysts, institutional investors and other market participants.
- **New Tabcorp and Echo will be smaller, less diversified companies than the current Tabcorp, which will have some adverse consequences.**

The Proposed Demerger will result in the splitting of Tabcorp into two smaller companies (although each will continue to be of a meaningful size), which will have some adverse consequences:

- there will be a loss of the diversification inherent in Tabcorp's current portfolio of businesses. Although Tabcorp's wagering, gaming and keno businesses and casinos business both operate in the highly regulated gambling sector, they have different risk profiles and growth outlooks.

Following the Proposed Demerger, a material unfavourable event impacting on the performance of one business will no longer be supported by the other business. Conversely, a strong performance in one business will not be hindered by the need to support an underperforming business. Shareholders will be able to replicate the diversification provided by Tabcorp in its current structure by retaining an investment in both New Tabcorp and Echo.

On the other hand, the smaller size of New Tabcorp and Echo as independent, standalone companies, will make them less able to readily absorb the financial and business impact of any significant adverse events as they will have a greater relative impact. In particular, the immediate real risk for New Tabcorp is the potential that it will not be awarded the Victorian Wagering and Betting Licence when the current licence expires in August 2012. Whilst the non-renewal of this licence would have an immediate adverse impact on the earnings of New Tabcorp, New Tabcorp would not be required to fund the upfront or annual licence fee(s) associated with this business, which may be substantial. Nonetheless, in this event, New Tabcorp would be a considerably smaller company than the existing wagering, gaming and keno businesses of Tabcorp given that the Victorian Gaming Licence will also expire (and has not been renewed) in August 2012. However, there is nothing to suggest that the absolute impact on shareholder value if New Tabcorp was unsuccessful in its application for the Victorian Wagering and Betting Licence would be affected by the Proposed Demerger;

- the split into two smaller companies will potentially reduce liquidity and therefore reduce the attractiveness of New Tabcorp and Echo for some investors. However, it should be recognised that New Tabcorp and Echo will both continue to be substantial companies (in the context of their respective peers). Whilst it is unlikely that New Tabcorp and Echo will be included in the S&P/ASX 50 Index, both companies are expected to be included in the S&P/ASX 200 Index (which is the key index for institutional investors), and may possibly be included in the S&P/ASX 100 Index. Both New Tabcorp and Echo will largely retain Tabcorp's (pre-Proposed Demerger) relatively open and diverse share register (at least initially) which will promote deep and liquid markets for their shares.

The impact of the Proposed Demerger on the liquidity of the shares in the demerged companies, and the consequent impact on investor interest, is difficult to predict with any confidence. However, in Grant Samuel's view, the adverse effect on investor interest of lower liquidity (if any) of the demerged companies is unlikely to be significant;

- following the Proposed Demerger, New Tabcorp and Echo will have to raise their own finance to fund growth and development without the financial support or credit profile associated with being part of the larger Tabcorp. Both companies (in particular Echo) will be required to pay higher interest margins on their banking facilities compared to Tabcorp's existing margins.

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Upon implementation of the Proposed Demerger, New Tabcorp expects to replace the existing Tabcorp external debt facilities with a new bank facility totalling \$800 million that has been established with a syndicate of domestic banks. In addition, New Tabcorp expects to repay the \$939 million US Notes and cancel the associated cross-currency swaps. New Tabcorp will retain the existing \$600 million medium term notes and \$284 million Tabcorp Bonds.

New Tabcorp expects to repay Tabcorp's US Notes and cancel the associated cross currency swaps with funds received from Echo (as settlement for intercompany loans). The pricing of external debt available to Echo following the Proposed Demerger is less attractive than currently available to Tabcorp. Accordingly, there is expected to be an incremental cost of funding associated with the repayment of the US Notes. This incremental cost is estimated to be approximately \$15 million per annum (before tax). On the other hand, the US Notes will ultimately require re-financing in any event (some of the US Notes mature in 2014 whilst the balance matures in 2016 and 2019) and so the incremental financing cost is to some extent limited in duration.

New Tabcorp is expected to have a BBB credit rating issued by Standard & Poor's, which is lower than Tabcorp's current credit rating of BBB+⁸. While New Tabcorp will maintain an investment grade credit rating, the decrease from BBB+ to BBB is likely to result in interest costs that are marginally (i.e. approximately 15 to 20 basis points) higher than the costs that the larger Tabcorp group would achieve longer term for the same amount of debt. However, the increased interest cost (approximately \$1.4 million to \$2.3 million) is not significant in the context of the assets and earnings of New Tabcorp.

A new bank facility for Echo totalling \$1,400 million has been established with a syndicate of domestic and international banks. Echo will not seek a public credit rating in the near term. Without the financial support or credit profile of being part of the investment grade credit rated Tabcorp, Echo will incur borrowing costs higher than Tabcorp's existing costs.

- **Whilst the one-off cash transaction and implementation costs associated with the Proposed Demerger are significant, the incremental ongoing costs are expected to be minimal.**

There are one-off costs associated with the Proposed Demerger and incremental ongoing costs to operate two separately listed companies:

- one-off cash transaction and implementation costs of the Proposed Demerger of approximately \$135 million (before tax) will be incurred. These cash transaction and implementation costs include debt restructuring costs, advisers' fees, restructure costs, information technology costs, fees associated with the ASX listing of Echo and other costs. In the event that the timing of the Proposed Demerger is delayed or Echo is unsuccessful in undertaking an issue of new US private placement notes to investors in Tabcorp's existing US Notes or to other investors, the cash transaction and implementation costs could be materially higher. Approximately \$40 million (before tax) of these costs will have been paid prior to the Tabcorp shareholders' meeting to approve the Proposed Demerger. Therefore, the additional cash transaction and implementation costs that will be incurred if the Proposed Demerger proceeds are approximately \$95 million (before tax). It is expected that \$115 million of the total cash transaction and implementation costs will be paid by New Tabcorp and the balance paid by Echo.

The total one-off cash transaction and implementation costs (pre-tax) of the Proposed Demerger are significant, representing around 2.6% of Tabcorp's current market capitalisation. The cash transaction and implementation costs exceed the transaction costs of many precedent demergers which have typically been around 1% of the market capitalisation of the company pursuing the demerger. On the other hand, a considerable proportion of these costs will have been committed to prior to the Tabcorp shareholders' meeting to approve the Proposed Demerger; and

⁸ Standard & Poor's has placed Tabcorp's credit rating on creditwatch until the Proposed Demerger is approved by shareholders and regulators and until there is certainty regarding the Victorian Wagering and Betting Licence.

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- the Proposed Demerger will result in the loss of the financial benefits that result from operating the two businesses under a single corporate structure. These benefits are largely derived from operating a single corporate head office and the central provision of a number of administrative functions on behalf of all Tabcorp businesses. Whilst certain services (primarily information technology, human resources and financial functions) will be covered by shared services arrangements for a transitional period, ultimately the demerged companies will each have to support these overheads from its own resources. Tabcorp has estimated that New Tabcorp will incur additional corporate costs of approximately \$4 million per annum as a result of the loss of cost synergies and Echo will incur additional corporate costs as a separately listed company of approximately \$4 million per annum.

■ **The other disadvantages and risks are not considered to be major drawbacks.**

There are other disadvantages and risks that flow from the Proposed Demerger, including:

- at least in the 2012 financial year, Tabcorp shareholders are likely to receive lower combined dividends from New Tabcorp and Echo, as a result of the lower expected dividend payout ratios of both New Tabcorp and Echo of 50% of normalised net profit after tax, compared to the historical dividend payout ratio of Tabcorp of approximately 60-70% of net profit after tax. Whilst New Tabcorp intends to target a higher dividend payout ratio of 80% of net profit after tax in the 2013 financial year, its dividend paying ability will be reduced by the expiry of the Victorian Gaming Licence and the Victorian Wagering Licence⁹ in August 2012, and by the potential need to fund upfront or annual payments for new licences. Echo is initially expected to continue to target a dividend payout ratio of 50% of normalised net profit after tax. On the other hand, external factors (e.g. the need to finance casino refurbishments and potential licence renewal costs) may have resulted in a short term reduction in Tabcorp's dividend payout ratio even in the absence of the Proposed Demerger. Dividends paid by New Tabcorp and Echo are expected to be fully franked;
- neither New Tabcorp nor Echo has a track record of operating as standalone companies.

Following the Proposed Demerger, three of the current Tabcorp directors will continue as directors of New Tabcorp and Tabcorp's current Managing Director and Chief Executive Officer ("CEO") will join the Tabcorp board as a non-executive director six months after ceasing his executive role. The current Managing Director of the wagering business will join the New Tabcorp board as Managing Director and CEO, and the senior management team will remain largely unchanged. Accordingly, New Tabcorp will benefit from considerable board and management continuity.

Echo will have a new board of directors, which will include the current Tabcorp Chair and two existing Tabcorp non-executive directors. The current Managing Director of the casinos business will join the Echo board as Managing Director and CEO. The current Chief Financial Officer of Tabcorp will join the Echo board as Chief Financial Officer and Executive Director. Whilst the current casinos business management team will largely remain in place, it will need to develop its own corporate and administrative functions. Transitional arrangements have been put in place between New Tabcorp and Echo to assist immediately following the Proposed Demerger. These organisational changes involve some degree of risk. However, change is a regular part of corporate development and any negative impact is unlikely to be material; and

- ineligible overseas shareholders will not be entitled to participate in the Proposed Demerger. The Echo shares that would otherwise have been transferred to those shareholders, will be transferred to a sale agent and sold on the ASX, with the proceeds remitted to the ineligible overseas shareholders after deducting any applicable brokerage, stamp duty and other selling costs, taxes and charges. The ineligible overseas shareholders may also pay tax on any profit on that disposal (in their country of residence). However, their Echo shares will be sold for

⁹ If Tabcorp is successful in its application for the new Victorian Wagering and Betting Licence, it expects that the earnings generated from the new licence would be lower than from the current Victorian Wagering Licence. Alternatively, Tabcorp may be unsuccessful in its application for the new Victorian Wagering and Betting Licence.

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market value and they can acquire Echo shares through the ASX following the listing if they wish to retain exposure. Shareholders representing approximately 0.03% of Tabcorp's listed capital are expected to be impacted by these provisions.

- **The Proposed Demerger is not expected to give rise to any adverse tax consequences for Australian resident shareholders.**

The Proposed Demerger is not expected to give rise to any adverse tax consequences for Australian resident shareholders that hold Tabcorp shares on capital account.

Tabcorp has applied for a class ruling from the Australian Taxation Office confirming that demerger tax relief is available for Tabcorp Australian resident shareholders. If demerger tax relief is available, Tabcorp Australian resident shareholders will be eligible for rollover relief to defer the capital gains tax consequences of the capital gains tax events relating to the capital reduction.

Shareholders should refer to Section 7 of the Scheme Booklet for more information regarding the taxation implications of the Proposed Demerger and should consult their own professional adviser if in any doubt as to their personal situation.

- **The alternatives to the Proposed Demerger are less attractive.**

The board and management of Tabcorp have considered a number of alternatives to the Proposed Demerger to maximise shareholder value from Tabcorp's mix of businesses. The board and management consider that the Proposed Demerger is preferable for shareholders than the alternatives, including the status quo.

Each of the alternatives which may be available to Tabcorp has attractions and drawbacks, including varying requirements for regulatory and legislative approvals or adverse tax consequences for Tabcorp or Tabcorp shareholders. For example, divestment of Echo by way of an IPO would almost certainly realise less than full underlying value and (to the extent that the IPO involved third party investors) would result in a dilution of the economic interests of Tabcorp shareholders. A partial divestment through some form of joint venture would not address the disadvantages from a market and investor perspective of holding two quite different businesses within the single corporate structure and, in fact, would be likely to exacerbate such disadvantages.

The Proposed Demerger has none of the disadvantages associated with the alternatives. There is no dilution of the economic interests of Tabcorp shareholders (other than ineligible overseas shareholders). Shareholders retain the prospect of realising full underlying value for the New Tabcorp and/or Echo through a future change of control transaction. In the absence of a fully priced offer to buy Echo on a trade sale basis (which would have to be assessed on its merits), in Grant Samuel's view, the Proposed Demerger is clearly preferable to alternative approaches to the divestment of Echo (whether by way of trade sale, IPO or joint venture).

- **In Grant Samuel's opinion, the Proposed Demerger is in the best interests of Tabcorp shareholders.**

Apart from the fact that the wagering, gaming and keno businesses and the casinos business operate in the gambling industry in Australia, there is no logical reason for the businesses to be owned as part of a single corporate entity:

- the wagering, gaming and keno businesses and casinos business operate largely independently from each other (apart from some limited shared services) and the existing combined structure offers few operational benefits or cross-selling opportunities;
- the strategic focus of the wagering, gaming and keno businesses and the casinos business are increasingly diverging and the businesses require different management capabilities; and
- the wagering, gaming and keno businesses and the casinos business have different risk/return profiles, which attract different types of investors.

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In Grant Samuel's view, it is reasonable to expect that the separation of New Tabcorp and Echo achieved by the Proposed Demerger will, over time, improve the underlying performance of the businesses. There is some prospect that improved investor perceptions of the demerged companies will over time result in a re-rating of New Tabcorp and Echo (in aggregate). At the same time, the Proposed Demerger should increase the prospects for shareholders of realising full underlying value for New Tabcorp and/or Echo through some form of corporate activity. Quantifying these benefits is not possible and their impact may only become apparent over the medium term. Whilst it is arguable that that none of the benefits on its own would justify the Proposed Demerger, in Grant Samuel's view the benefits are collectively compelling. The disadvantages, costs and risks of the Proposed Demerger principally relate to the adverse consequences in terms of size and diversification that result from splitting Tabcorp into two entities, a reduction in aggregate dividends (although this may be largely a short term issue and may in any event have occurred in the absence of the Proposed Demerger) and one-off cash transaction and implementation costs. These drawbacks are not considered significant in the overall context of the Proposed Demerger.

In Grant Samuel's view the benefits of the Proposed Demerger outweigh the potential disadvantages, costs and risks. Shareholders are, on balance, likely to be better off if the Proposed Demerger proceeds. Accordingly, Grant Samuel has concluded that the Proposed Demerger is in the best interests of Tabcorp shareholders.

- **In Grant Samuel's opinion, the capital reduction will not materially prejudice Tabcorp's ability to pay its creditors.**

Pursuant to the Proposed Demerger, Tabcorp will be split into two separate entities. Existing creditors of Tabcorp (and its subsidiaries) will either continue as creditors of New Tabcorp (and its subsidiaries) or become creditors of Echo (and its subsidiaries).

If the Proposed Demerger is approved, Tabcorp will undertake a capital reduction of approximately \$2,220 million. The capital reduction will be effected by the transfer of Echo shares to Tabcorp shareholders. There will be a reduction in Tabcorp's shareholders' funds as a result of the capital reduction and other impacts of the Proposed Demerger. The future earnings of New Tabcorp will be reduced by the removal of the contribution of the casinos business.

Any reduction in the equity base of a company disadvantages creditors as it reduces the company's capacity to meet the claims of creditors. The important test in this analysis is the relative position of Tabcorp prior to the Proposed Demerger compared to the positions of New Tabcorp and Echo if the Proposed Demerger is implemented. As creditors will have formed their own views about whether to extend credit to Tabcorp on the basis of Tabcorp's existing profile, and assuming that they have been comfortable to extend credit on this basis, the issue is whether this position changes materially as a result of the Proposed Demerger. In Grant Samuel's opinion, existing Tabcorp creditors will not be materially prejudiced by the capital reduction as:

- New Tabcorp and Echo will still each be of a meaningful size in the context of their respective sectors:

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Impact of Proposed Demerger on Key Pro Forma Financial Parameters (\$ millions)			
	Tabcorp actual	New Tabcorp pro forma ¹⁰	Echo pro forma ¹¹
<i>Financial Performance for year ended 30 June 2010</i>			
Revenue	4,232.0 ¹²	2,866.0	1,371.9 ¹²
EBITDA	1,008.9 ¹²	645.0	356.0 ¹²
EBIT	805.3 ¹²	530.0	267.0 ¹²
<i>Financial Position as at 31 December 2010</i>			
Total assets	6,922.0	2,837.0	3,636.0
Net borrowings	(1,348.8)	(701.0)	(1,003.0)
Net assets	4,014.6	1,350.0	2,172.0

Source: Scheme Booklet and Grant Samuel analysis

- New Tabcorp will have less leverage in its capital structure than Echo (and Tabcorp), reflecting the fall in New Tabcorp earnings that will result following the expiry of the Victorian Gaming Licence and the Victorian Wagering Licence¹³ in August 2012. By contrast, Echo's capital structure reflects significant historical capital investments in projects that are expected to yield strong earnings growth:

Impact of Proposed Demerger on Liquidity and Gearing Metrics						
	Tabcorp		New Tabcorp		Echo	
	Pro forma EBITDA year ended 30 June 2010	Pro forma forecast ¹⁴ EBITDA year ending 30 June 2011	Pro forma EBITDA year ended 30 June 2010	Pro forma forecast ¹⁴ EBITDA year ending 30 June 2011	Pro forma EBITDA year ended 30 June 2010	Pro forma forecast ¹⁴ EBITDA year ending 30 June 2011
Leverage ratio (gross debt) ¹⁵	1.7	1.7	1.4	1.3	3.1	2.9
Leverage ratio (net debt) ¹⁶	1.3	1.3	1.1	1.1	2.8	2.7
Current ratio ¹⁷ as at 31 December 2010	0.5	0.5	0.3	0.3	0.8	0.8
Gearing ¹⁸ as at 31 December 2010	25.1%	25.1%	34.2%	34.2%	31.6%	31.6%

Source: Scheme Booklet and Grant Samuel analysis

¹⁰ Earnings have been adjusted to reflect additional corporate costs of \$4 million for New Tabcorp reflecting a loss of annual cost synergies as a result of the Proposed Demerger.

¹¹ Earnings have been adjusted to reflect additional corporate costs of \$4 million for Echo to reflect the annual incremental costs to operate as a standalone entity.

¹² Win rates in the VIP rebate business of the casinos segment can fluctuate from period to period. Therefore the earnings are "normalised" at the theoretical win rate to provide a better representation of the underlying performance of the business.

¹³ If Tabcorp is successful in its application for the new Victorian Wagering and Betting Licence, it expects that the earnings generated from the new licence would be lower than from the current Victorian Wagering Licence. Alternatively, Tabcorp may be unsuccessful in its application for the new Victorian Wagering and Betting Licence.

¹⁴ Forecast pro forma leverage ratio analysis has been calculated by reference to the median EBITDA for the year ending 30 June 2011 from broker's forecasts (adjusted for the impact of the Proposed Demerger) (refer to Appendix 2 for details).

¹⁵ Leverage ratio is gross borrowings (as at 31 December 2010) divided by EBITDA excluding significant items. In the case of Tabcorp and Echo, normalised EBITDA has been adopted as the win rates in the VIP rebate business can fluctuate from period to period. Therefore the earnings are "normalised" at the theoretical win rate to provide a better representation of the underlying performance of the business.

¹⁶ Leverage ratio is net borrowings (as at 31 December 2010) divided by EBITDA excluding significant items. In the case of Tabcorp and Echo, normalised EBITDA has been adopted as the win rates in the VIP rebate business can fluctuate from period to period. Therefore the earnings are "normalised" at the theoretical win rate to provide a better representation of the underlying performance of the business.

¹⁷ Current ratio is current assets divided by current liabilities.

¹⁸ Gearing is net borrowings divided by shareholders' funds plus net borrowings. This measure is dependent on balance sheet asset valuations (e.g. whether carried at historical cost or recent valuation) and should be treated with caution.

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New Tabcorp has a pro forma gross debt to EBITDA ratio of 1.4 times EBITDA based on earnings for the 2010 financial year and 1.3 times pro forma broker forecast EBITDA for the 2011 financial year. The gearing of New Tabcorp (based on book values) is higher than Tabcorp's actual gearing as at 31 December 2010 primarily as a result of the impairment of goodwill relating to the wagering business of New Tabcorp and one-off cash transaction and implementation costs that will occur upon implementation of the Proposed Demerger.

Echo has a gross debt to EBITDA ratio of 2.9 times EBITDA based on pro forma broker forecast earnings for the 2011 financial year. The high pro forma leverage ratios based on earnings for the 2010 financial year reflect the poor performance of the casinos business during the 2010 financial year and do not include the benefit of earnings generated during the 2011 financial year that have resulted from the capital expenditure program (whilst Echo's pro forma debt as at 31 December 2010 includes debt associated with the program). Echo generates strong cash flows which will be available to reduce debt levels if required (subject to capital expenditure commitments);

- Tabcorp has an investment grade rating of BBB+ from Standard & Poor's. Standard & Poor's has placed Tabcorp's credit rating on creditwatch until the Proposed Demerger is approved by shareholders and regulators and until there is certainty regarding the Victorian Wagering and Betting Licence. It is expected that New Tabcorp will retain an investment grade credit rating (albeit downgraded to BBB) following the Proposed Demerger. Echo will not seek a public credit rating in the near term;
- following the Proposed Demerger, New Tabcorp will have a new syndicated bank facility totalling \$800 million which has been established with a syndicate of domestic banks. Echo will also have a new syndicated bank facility totalling \$1,400 million that has been established with a syndicate of domestic and international banks. The providers of these new facilities have made their own judgements as to the financial risk of New Tabcorp and Echo in full knowledge of their financial positions. The funding commitments of these parties suggest that the financial gearing of New Tabcorp and Echo is reasonable;
- to the extent creditors are exposed to the overall financial position of Tabcorp as a whole:
 - responsibility for liabilities associated with the Echo assets and entities will effectively transfer to Echo;
 - this transfer will reduce the level of liabilities in New Tabcorp (relative to Tabcorp); and
 - the points concerning the overall position of New Tabcorp and Echo will apply.

In any case, most trade creditors are short term in nature (i.e. repayable within, say 60 days at any point in time) and they will therefore have the opportunity to reassess for themselves whether they wish to continue to grant credit to New Tabcorp or Echo;

- certain subsidiaries of Tabcorp are party to a deed of cross guarantee for the purposes of Australian Securities and Investments Commission ("ASIC") Class Order 98/1418, pursuant to which each party guarantees the debts or claims of the other parties ("Star City Cross Guarantee"). Accordingly, creditors of these subsidiaries of Tabcorp are dependent on the financial wellbeing of other Tabcorp subsidiaries in addition to the financial position of the individual companies with which they trade. Revocation deeds will be lodged with ASIC to revoke the Star City Cross Guarantee, and will become effective six months after the date of lodgement (provided that no party to the Star City Guarantee goes into certain forms of liquidation during that six month period). Until the deeds of revocation become effective, the parties guarantee to external creditors of these companies the obligations of each other in the event of insolvency of any of the parties. Therefore, these creditors will be subject to the same risks as those to which they are currently exposed until the deeds of revocation become effective;
- the capital reduction is non-cash, so there is no net cash outflow (except for cash transaction and implementation costs) from Tabcorp as a whole as a consequence of the Proposed Demerger;

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- New Tabcorp and Echo both have strong market positions in their respective sectors of the Australian gambling market and generate strong operating cash flows. On the other hand, New Tabcorp will lose the majority of its Victorian gaming earnings in August 2012 (except for earnings generated by Tabcorp Gaming Solutions) and is at risk of losing its Victorian wagering earnings upon the expiry of the Victorian Wagering Licence in August 2012;
- New Tabcorp generally has lower capital expenditure requirements than Echo. However, if it is successful in the application process, New Tabcorp may be required to pay significant upfront and/or ongoing fees for the Victorian Wagering and Betting Licence (from August 2012). It will also be required to fund \$60 million for the recently issued Victorian Keno Licence by April 2011. New Tabcorp does not anticipate undertaking any capital raising to fund such licence fees. However, New Tabcorp may seek to increase dividend reinvestment plan participation by offering a discount or underwriting to assist in funding any payment;
- Echo has commenced an investment program to upgrade its properties. This will require substantial capital expenditure over the next six years. At Star City in Sydney, a \$960 million¹⁹ capital investment is underway and is expected to be completed in the 2012 calendar year. Tabcorp has also announced a proposed \$625 million expansion of its casinos in the Gold Coast, Brisbane and Townsville. Funding for the Queensland casinos proposed investment program will be required when construction commences (approximately 6 to 12 months following the Proposed Demerger). Echo may need to consider additional participation in the dividend reinvestment plan to fund the proposed capital expenditure program;
- as substantial listed companies, New Tabcorp and Echo would, if necessary, have access to the public equity markets to fund creditor payments (although there is absolutely no indication that this might be required); and
- the directors of Tabcorp have stated that, in their opinion, the Proposed Demerger and, in particular, the capital reduction, will not materially prejudice Tabcorp's ability to pay its creditors.

Grant Samuel makes no warranty, express or implied, as to the potential recoverability of existing or contingent debts owed by Tabcorp at the date of this report or at any subsequent time. Future creditors must rely on their own investigations of the financial position of New Tabcorp and Echo following the Proposed Demerger.

4 Other Matters

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Tabcorp shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Scheme Booklet issued by Tabcorp in relation to the Proposed Demerger.

Voting for or against the Proposed Demerger is a matter for individual shareholders, based on their own views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Proposed Demerger should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell securities in Tabcorp, New Tabcorp or Echo. This is an investment decision independent of a decision on whether to vote for or against the Proposed Demerger. Grant Samuel does not offer an opinion on this investment decision. Shareholders should consult their own professional adviser in this regard.

¹⁹ The \$960 million headline investment includes a \$100 million payment to the New South Wales Government and \$90 million for the acquisition of two private aircraft that will now be leased.

G R A N T S A M U E L



Advance drafts of this report were provided to Tabcorp and its advisers. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. There was no alteration to Grant Samuel's methodology, evaluation or conclusions as a result of issuing the drafts.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is included as an Appendix to this concise report.

This concise report is a summary of Grant Samuel's opinion. The full report from which this summary has been extracted is available on the Tabcorp website or to Tabcorp shareholders on request.

The opinion is made as at the date of this concise report and reflects circumstances and conditions as at that date.

Yours faithfully

GRANT SAMUEL & ASSOCIATES PTY LIMITED

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Appendix 1

Background on Demergers

1 Rationale

A “demerger” or “spin-off” is generally defined as a pro-rata transfer of shares in a wholly owned subsidiary to shareholders. The broad principle underlying demergers is that sharemarkets generally do not reward corporate diversification unless there are substantial synergies available to a corporate holder of a diversified portfolio of assets or some other strategic rationale. Investors can achieve diversification themselves and it is generally accepted that investors prefer the investment flexibility resulting from the separation of assets into separate companies that have relatively focussed businesses. Consequently, demergers have typically been undertaken to create investment opportunities with a single geographic focus, a single industry focus or a single product focus.

A pure demerger involves the transfer to existing shareholders of 100% of the shares in the subsidiary and there is no dilution of equity or transfer of ownership from the current shareholders. There are a number of variants that are also loosely referred to as demergers including:

- a majority demerger, where the parent distributes the bulk of the subsidiary’s shares to existing shareholders and either retains the remaining shares for a period or sells them immediately through an initial public offering (“IPO”) or other sale process;
- an equity carve-out, where the parent company sells a portion of a subsidiary’s shares through an IPO. The carved-out subsidiary has its own Board, management and financial statements while the parent company provides strategic direction and central resources; and
- a divestiture IPO, where 100% of the shares in the subsidiary are sold to the public.

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The use of demergers as a method of divesting a subsidiary has become a common feature of equity markets in recent years. Examples of demergers implemented in Australia since 2000 include:

Selected Recent Demergers in Australia					
Date	Parent	Business/ Market focus	Demerged entity	Business/ Market focus	% demerged
Mar 2011	Foster's Group Limited (pending)	Beer	Treasury Wine Estates Limited	Wine	100.0%
Jul 2010	Arrow Energy Limited	Coal seam gas (Australian)	Dart Energy Limited	Coal seam gas (International)	100.0%
Jul 2010	Orica Limited	Mining services, chemicals	DuluxGroup Limited	Coatings and home improvement products	100.0%
Jan 2010	Macquarie Infrastructure Group (renamed Intoll Group)	Toll roads	Macquarie Atlas Roads Group	Toll roads	100.0%
Dec 2007	Publishing and Broadcasting Limited (renamed Consolidated Media Holdings)	Media	Crown Limited	Gaming	100.0%
Jun 2007	Toll Holdings Limited	Logistics	Asciano Limited	Ports and rail	100.0%
Nov 2006	Tower Limited	Multi-line insurance (New Zealand)	Tower Australia Group Limited	Life insurance (Australia)	100.0%
Jul 2006	Macquarie Infrastructure Group	Toll roads (globally)	Sydney Roads Group	Toll roads (Sydney)	100.0%
Nov 2005	Mayne Group Limited (renamed Symbion Health Limited)	Healthcare	Mayne Pharma Limited	Pharmaceuticals	100.0%
Feb 2005	Tower Limited	Insurance (Australia/ New Zealand)	Australian Wealth Management Limited	Funds management (Australia)	100.0%
Oct 2003	AMP Limited	Life insurance, wealth management/Australia, New Zealand	HHG plc	Life insurance, wealth management/United Kingdom, Europe	85.0%
Mar 2003	CSR Limited	Building materials, aluminium, sugar	Rinker Group Limited	Heavy building materials	100.0%
Dec 2002	WMC Limited (renamed Alumina Limited)	Alumina	WMC Resources Limited	Resources	100.0%
Jul 2002	BHP Billiton Limited	Resources	BHP Steel Limited	Steel	94.0%
Oct 2000	The Broken Hill Proprietary Company Limited	Resources	OneSteel Limited	Steel	100.0%
Apr 2000	Amcors Limited	Packaging	PaperlinX Limited	Paper	82.0%
Feb 2000	Origin Energy Limited	Energy	Boral Limited	Building Materials	100.0%

Source: IRESS

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In addition, there has been a number of divestiture IPOs in Australia including:

Selected Recent Divestiture IPOs in Australia					
Date	Parent	Business/ Market focus	Demerged entity	Business/ Market focus	% demerged
Apr 2007	Transfield Services Limited	Infrastructure services	Transfield Services Infrastructure Fund	Energy and transport infrastructure	51.0%
Dec 2005	Burns, Philp & Company Limited	Food manufacture	Goodman Fielder Limited	Basic foods	80.0%
Oct 2005	Alinta Limited	Gas utilities	Alinta Infrastructure Holdings Limited	Gas pipelines and power stations	80.0%
Oct 2003	Foster's Group Limited	Alcohol beverages	Australian Leisure & Hospitality Group Limited	Hotels, liquor and gaming, property	100.0%
Aug 2001	Futuris Corporation Limited	Rural and automotive systems	Australian Agricultural Company Limited	Agriculture	60.0%
Mar 2001	Village Roadshow Limited	Media and entertainment	Austereo Limited	Radio	55.0%
Jun 2000	The Australian Gas Light Company	Energy	Australian Pipeline Trust	Gas pipelines	70.0%

Source: IRESS

The benefits typically cited for demergers largely reflect the focus of the demerged entity. However, there are a number of disadvantages and potential risks associated with demergers:

Benefits and Disadvantages/Risks of Demergers	
Benefits	Disadvantages/Risks
<ul style="list-style-type: none"> transparency investor attraction and interest enhanced flexibility to shareholders clarity in capital allocation flexibility in raising capital better targeted incentives and management focus independence and strategic flexibility to undertake growth initiatives 	<ul style="list-style-type: none"> loss of synergies transaction costs duplication of corporate costs increased financing costs loss of diversification reduced liquidity and rating in key indices

2 Market Evidence

There is little definitive evidence as to whether or not demergers have actually been successful in enhancing shareholder value, largely because it is not possible to reliably measure what the share prices would have been had the demergers not occurred. Some of the evidence and views which have emerged are summarised below:

- several studies¹ have found that there was a positive impact on the share price (of around 3-6%) at the time of the announcement. A similar rise occurred where there was a targeted share or equity carve-out. One study has shown that, in some circumstances, there is no decline even if the demerger is ultimately withdrawn²;

¹ See for example: P.L. Anslinger, S.J. Klepper and S. Subramaniam, "Breaking up is good to do", The McKinsey Quarterly, 1999 Number 1; Thomas Kirchmaier, "The Performance Effects of European Restructures", Centre for Economic Performance, London School of Economics and Political Science, May 2003; UBS Investment Research, "Q-Series: Spin-offs and restructures", UBS Limited, 14 April 2005.

² K. Alli, G. Ramirez and K. Yung, "Withdrawn Spin-offs: An Empirical Analysis", The Journal of Financial Research, Winter 2001.

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- several studies³ have also found significantly positive abnormal returns over an extended period (of up to three years) following the demerger for the demerged company, the parent and the demerged company/parent combination. Although, one study⁴ found that long term value creation only exists for the demerged subsidiary not the parent and another study⁵ found significant evidence that spin-offs create more value than carve-outs;
- some of the reasons found to be associated with positive abnormal returns have included:
 - corporate restructuring activity⁶. Both the demerged subsidiary and the parent experience an unusually high incidence of takeovers in comparison to their control group comparable companies. The abnormal performance is limited to companies involved in takeover activity. The findings suggest that demergers provide a low-cost method of transferring control of corporate assets to bidders who are able to create greater value;
 - mitigation of information asymmetry⁷. The hypothesis was that value would be enhanced if the demerged subsidiary is able to convey more information about its operating efficiency and future prospects when it is a separate entity than when it is part of a combined unit. The findings were that companies that engage in demergers have higher levels of information asymmetry compared to their industry and size matched counterparts and the information problems decrease significantly after the demerger as analyst scrutiny increases. The relationship is more pronounced for those companies that demerge related subsidiaries;
 - increased focus⁸ translating into better sharemarket and operating performance. The abnormal returns for focus-increasing demergers are significantly larger than the corresponding abnormal returns for the non-focus-increasing demergers. A focus-increasing demerger reduces the diversity of assets under management and thereby increases the efficiency of management. However, an analysis of non-focus increasing demergers showed that companies are likely to undertake these demergers to separate underperforming subsidiaries from their parents with efficiency not being a major motivating factor. Indeed, positive returns after the demerger have been found to be due to pre-announcement sharemarket weakness; and
 - improved financing decisions⁹. Conglomerates tend to divide resources evenly between divisions thus investing too little in strong industries and too much in weaker industries. The study showed that capital expenditure showed greater sensitivity to changes in growth opportunities after a division became independent; and
- one analyst report¹⁰ found that following a demerger, where the resulting entities are relatively similar in size, both entities generally underperform the market for a period of approximately six months. In the long term however, both stocks tend to outperform the market (implying that the market awaits a reporting period before committing to the new entities). In comparison, where the subsidiary is much smaller than the parent, the demerged entity is typically a strong outperformer while the parent moves with the market.

³ See for example: J. Wyatt, "Why Spinoffs Work for Investors", *Fortune*, October 16 1995, p72; P.J. Cusatis, J.A. Miles and J.R. Woolridge, "Restructuring Through Spin-outs, The Stock Market Evidence", *Journal of Financial Economics*, Volume 33 No. 3, June 1993, T.A. John, "Optimality of Spin-outs and Allocation of Debt" *Journal of Financial and Quantitative Analysis*, 1993.

⁴ Thomas Kirchmaier, "The Performance Effects of European Restructures", Centre for Economic Performance, London School of Economics and Political Science, May 2003.

⁵ Rodger Rüdisüli, "Value Creation of Spin-offs and Carve-outs", Doctoral Dissertation, University of Basel (Switzerland), May 2005.

⁶ P.J. Cusatis, J.A. Miles and J.R. Woolridge, "Restructuring Through Spin-outs, The Stock Market Evidence", *Journal of Financial Economics*, Volume 33 No. 3, June 1993.

⁷ S. Krishnaswami and V. Subramaniam, "Information asymmetry, valuation and the corporate spin-out decision" *Journal of Financial Economics*, Volume 53, No. 1, July 1999.

⁸ See for example: H. Desai and P.C. Jain, "Firm performance and focus: long-run stock market performance following spin-outs", *Journal of Financial Economics*, Volume 54, No. 1, October 1999 and L. Daley, V. Mehrotra and R. Sivarenmar, "Corporate Focus and Value Creation: Evidence from Spinoffs", *Journal of Financial Economics*, Volume 45, 1997.

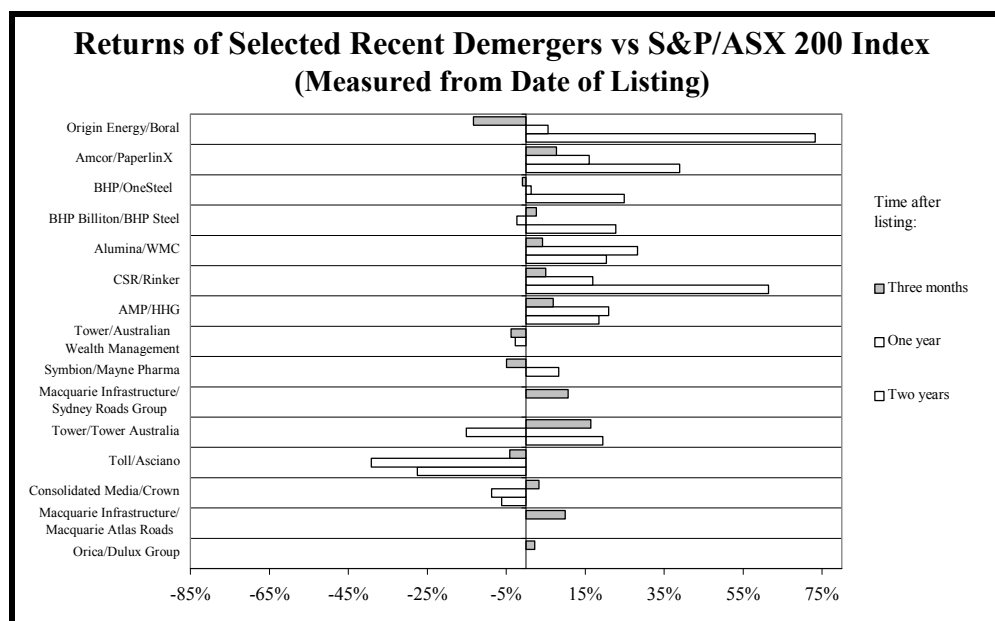
⁹ R. Gertner, E. Powers and D. Scharfstein, "Learning About Internal Capital Markets From Corporate Spinoffs", November 2000.

¹⁰ Macquarie Research Equities, "Australian Gas Light: Acquisitions, restructures and au revours", 1 November 2005.

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While an admittedly imperfect basis of analysis and somewhat crude (given the wide range of factors that influence share prices), studies of the relative performance of some of the Australian companies that undertook demergers would support this thesis, particularly looking at performance one to two years after the demerger. The following graph summarises the relative share price performance, in percentage terms, of the hypothetical combined sharemarket value of the parent company and the demerged entity three months, one year and two years after the date the demerged entity was listed on the ASX:



Source: IRESS

- Note: (1) No two year return is calculated for the Tower/Australian Wealth Management demerger as Tower demerged a second entity (Tower Australia) within the two year period.
 (2) Symbion/Mayne Pharma commenced trading separately on 21 November 2005. Mayne Pharma was acquired by Hospira Inc on 22 January 2007 while Symbion was acquired by Primary Healthcare in March 2008.
 (3) Macquarie Infrastructure Group ("MIG")/Sydney Roads Group commenced trading separately on the 31 July 2006. Sydney Roads Group was acquired by Transurban Group in April 2007.
 (4) Intoll Group/Macquarie Atlas Roads ("Intoll") commenced trading separately in January 2010. Intoll was acquired by Canada Pension Plan Investment Board prior to one year of demerger.

The above analysis indicates that there has been mixed combined performance of demerged entities immediately following a demerger, with evidence of both outperformance and underperformance to the general market. However, the evidence suggests that more recently demerged entities have outperformed the market within two years of listing. A review of large-cap ASX demergers¹¹ found that on average, the demerged entity significantly outperformed both the parent and the market over a period of one year, and underperformed the parent and market in the week and month post demerger. Evidence of significant underperformance can be explained by industry or operational features of either or both entities (e.g. Tower/Tower Australia were impacted by the underperformance of the insurance sector relative to the market during 2007. Consolidated Media/Crown were impacted by the underperformance of the media industry relative to the market following the global financial crisis in 2008/2009 and Toll/Asciano were impacted by Asciano's need to reduce high gearing levels following the global financial crisis in 2008/2009). Further, it should be noted that four of the above demerged entities (Sydney Roads Group, Mayne Pharma, Rinker and WMC Resources) were subject to corporate activity within 3-4 years of their respective demerger transactions.

¹¹ Goldman Sachs, "Equity Strategy: Reviewing Large Cap Demerger Strategies", 15 February 2011.

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On the other hand, some studies have found that demergers may negatively impact value and that conglomerates have outperformed the market over some periods¹². Conglomerate structures do have benefits including financial size and strength, better liquidity and higher index rating, lower earnings volatility and risk (if business units are not correlated in terms of economic cyclicality), greater depth of management and lower cost of capital (depending on other factors).

While the balance of evidence does favour demergers as adding value, the alternate views underline the fact that there is no universal structure for businesses. There are successful and unsuccessful conglomerates. While some demergers create substantial value, others do not. In the end, the success of demergers depends on the specific circumstances of each case.

¹² Boston Consulting Group, “Conglomerates Reports”, 2002. However, this study was based on share price performance up to 2000 and several of the conglomerates in the sample (e.g. Marconi, Vivendi Universal, Tyco) would now show a very different picture.

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Appendix 2

Broker Consensus Forecasts

Tabcorp has not publicly released earnings forecasts for the year ending 30 June 2011 or beyond. Accordingly, the forecast EBITDA¹³ utilised by Grant Samuel to calculate leverage ratios in the Grant Samuel report are based on median broker forecasts.

Set out below is a summary of forecasts prepared by brokers that follow Tabcorp in the Australian stockmarket:

Tabcorp – Broker Forecasts for the Year Ending 30 June 2011 (\$ millions)				
Broker	Date	EBITDA		
		New Tabcorp	Echo	Tabcorp
Broker 1	3 February 2011	671	378	1,049
Broker 2	3 February 2011	669	379	1,048
Broker 3	3 February 2011	673	377	1,050
Broker 4	3 February 2011	671	384	1,055
Broker 5	3 February 2011	675	385	1,060
Broker 6	3 February 2011	704	380	1,084
Broker 7	3 February 2011	671	378	1,049
Broker 8	4 February 2011	662	379	1,041
<i>Minimum</i>		662	377	1,041
<i>Maximum</i>		704	385	1,084
<i>Median</i>		671	379	1,050
<i>Pro forma median</i>		667	375	1,050
<i>Average</i>		675	380	1,056

Source: Brokers' reports, Grant Samuel analysis

When reviewing this data the following should be noted:

- the brokers presented are those who have published research on Tabcorp following Tabcorp's announcement of its half year results on 3 February 2011;
- not all brokers present a breakdown of EBITDA between the wagering, gaming and keno businesses and the casinos business. The forecasts presented above represent the latest available broker forecasts of EBITDA for Tabcorp and its businesses;
- the following adjustments have been made to arrive at the pro forma median EBITDA:
 - additional corporate costs of \$4 million for New Tabcorp reflecting a loss of annual cost synergies as a result of the Proposed Demerger; and
 - additional corporate costs of \$4 million for Echo to reflect the annual incremental costs to operate as a standalone entity; and
- the broker forecasts may not prepared on a consistent basis, particularly in relation to the treatment of the earnings of the casinos business. For some brokers, it is unclear whether earnings have been normalised at the theoretical rate to reflect the underlying performance of the business in respect of the six months ended 31 December 2010.

¹³ EBITDA is earnings before net interest, tax, depreciation, amortisation, investment income and significant and non-recurring items.

GRANT SAMUEL



GRANT SAMUEL & ASSOCIATES

LEVEL 6

1 COLLINS STREET MELBOURNE VIC 3000

T: +61 3 9949 8800 / F: +61 3 99949 8838

www.grantsamuel.com.au

Appendix 3

Financial Services Guide

Grant Samuel & Associates Pty Limited ("Grant Samuel") holds Australian Financial Services Licence No. 240985 authorising it to provide financial product advice on securities and interests in managed investments schemes to wholesale and retail clients.

The Corporations Act, 2001 requires Grant Samuel to provide this Financial Services Guide ("FSG") in connection with its provision of an independent expert's report ("Report") which is included in a document ("Disclosure Document") provided to members by the company or other entity ("Entity") for which Grant Samuel prepares the Report.

Grant Samuel does not accept instructions from retail clients. Grant Samuel provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Samuel does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

When providing Reports, Grant Samuel's client is the Entity to which it provides the Report. Grant Samuel receives its remuneration from the Entity. In respect of the Report in relation to the proposed demerger of Echo Entertainment Group Limited by Tabcorp Holdings Limited ("Tabcorp") ("the Tabcorp Report"), Grant Samuel will receive a fixed fee of \$450,000 plus reimbursement of out of pocket expenses for the preparation of the Report (as stated in Section 8.3 of the Tabcorp Report).

No related body corporate of Grant Samuel, or any of the directors or employees of Grant Samuel or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Report.

Grant Samuel is required to be independent of the Entity in order to provide a Report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 112 issued by the Australian Securities & Investments Commission on 30 October 2007. The following information in relation to the independence of Grant Samuel is stated in Section 8.3 of the Tabcorp Report:

"Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with Tabcorp that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Demerger."

Grant Samuel group executives hold less than 25,000 shares in aggregate in Tabcorp. This includes 5,695 Tabcorp shares held indirectly by a discretionary family trust of which one of the principal authors of this report is a beneficiary.

Grant Samuel had no part in the formulation of the Proposed Demerger. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of \$450,000 for the preparation of this report. This fee is not contingent on the outcome of the Proposed Demerger. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 October 2007."

Grant Samuel has internal complaints-handling mechanisms and is a member of the Financial Ombudsman Service, No. 11929. If you have any concerns regarding the Tabcorp Report, please contact the Compliance Officer in writing at Level 19, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000. If you are not satisfied with how we respond, you may contact the Financial Ombudsman Service at GPO Box 3 Melbourne VIC 3001 or 1300 780 808. This service is provided free of charge.

Grant Samuel holds professional indemnity insurance which satisfies the compensation requirements of the Corporations Act, 2001.

Grant Samuel is only responsible for the Report and this FSG. Complaints or questions about the Disclosure Document should not be directed to Grant Samuel which is not responsible for that document. Grant Samuel will not respond in any way that might involve any provision of financial product advice to any retail investor.

10. Additional information



10. Additional information

10.1 Introduction

This Section 10 sets out additional information required pursuant to the Corporations Act and the Corporations Regulations, and other additional information.

10.2 Tabcorp Directors

The Tabcorp Directors in office at the date of this Scheme Booklet are:

- (i) Mr John Story, Chairman and non-executive director;
- (ii) Mr Elmer Funke Kupper, Managing Director and Chief Executive Officer;
- (iii) Ms Paula Dwyer, non-executive director;
- (iv) Mrs Jane Hemstritch, non-executive director;
- (v) Mr John O'Neill AO, non-executive director;
- (vi) Mr Brett Paton, non-executive director; and
- (vii) Dr Zygmunt Switkowski, non-executive director.

10.3 Intention of Tabcorp Directors concerning the businesses of Tabcorp

Other than as disclosed in this Scheme Booklet, it is the present intention of the Tabcorp Board following the implementation of the Demerger that:

- (i) the businesses of Echo and New Tabcorp will continue and be conducted as set out in Sections 5 and 6;
- (ii) other than as set out in Sections 5 and 6, there will not be any major changes to the businesses of Echo or New Tabcorp or any redeployment of the fixed assets of Echo or New Tabcorp; and
- (iii) the future employment of the present employees of Tabcorp will be as set out in Sections 5.9 and 6.1.

However, the businesses of New Tabcorp and Echo will be the responsibility of their respective new boards of directors following the Demerger, and therefore beyond the control of the current Tabcorp Board.

10.4 Interests of Tabcorp Directors in Tabcorp securities

No marketable securities of Tabcorp are held by or on behalf of Tabcorp Directors and no such persons are otherwise entitled to such securities as at the date of this Scheme Booklet, other than as set out below.

The table below sets out the Tabcorp Directors' interests in Tabcorp Shares, Tabcorp Bonds and Performance Interests as at the date of this Scheme Booklet.

Name	No. of Tabcorp Shares	No. of Tabcorp Bonds	No. of Performance Options	No. of Performance Rights
John Story	58,194	0	0	0
Elmer Funke Kupper	97,863	1,500	0	1,120,734
Paula Dwyer	34,292	0	0	0
Jane Hemstritch	23,181	2,000	0	0
John O'Neill	0	0	0	0
Brett Paton	23,181	3,000	0	0
Zygmunt Switkowski	84,876	0	0	0

The table below sets out the interests of the future executive directors of Echo in Tabcorp Shares, Tabcorp Bonds and Performance Interests as at the date of this Scheme Booklet.

Name	No. of Tabcorp Shares	No. of Tabcorp Bonds	No. of Performance Options	No. of Performance Rights
Larry Mullin	90,931	0	0	192,089
Matt Bekier	17,883	0	0	319,918

The table below sets out the interests of the future executive directors of New Tabcorp in Tabcorp Shares, Tabcorp Bonds and Performance Interests as at the date of this Scheme Booklet.

Name	No. of Tabcorp Shares	No. of Tabcorp Bonds	No. of Performance Options	No. of Performance Rights
David Attenborough	52,758	0	0	24,362

10.5 Marketable securities of Echo

No marketable securities of Echo are held by or on behalf of Tabcorp Directors as at the date of this Scheme Booklet.

It should be noted that as Echo is, at the date of this Scheme Booklet, a wholly owned subsidiary of Tabcorp, all of the Tabcorp Directors collectively control all of the shares in Echo.

Tabcorp Directors who hold Tabcorp Shares will be entitled to vote at the Meetings and receive Echo Shares under the Scheme on the same terms as all other Tabcorp Shareholders.

10.6 Benefits and agreements

10.6.1 Appointment of Tabcorp Directors to the Echo Board

Mr John Story, Mr John O'Neill and Mr Brett Paton (currently Tabcorp Directors) will be Echo Directors if the Demerger is implemented. As non-executive directors of Echo, they will be entitled to receive non-executive director's remuneration

for their services and will be entitled to enter into a deed of access, indemnity and insurance with Echo as described in Section 5.12.3.

Echo will enter into arrangements with each of its non-executive directors setting out the terms of their engagement as non-executive Echo Directors. It is proposed that the terms of these arrangements will be identical to the terms of the existing arrangements between Tabcorp and its non-executive directors.

10.6.2 Agreements or arrangements connected with or conditional on the Demerger

Except as described below or elsewhere in this Scheme Booklet, there are no agreements or arrangements made between any Tabcorp Director and another person in connection with, or conditional on, the outcome of the Demerger other than in their capacity as a Tabcorp Shareholder.

Pursuant to deeds of access and indemnity entered into by Tabcorp with each of its directors, Tabcorp has agreed to indemnify each Tabcorp Director against liabilities incurred by such director in carrying out their duties as a director. This will include liabilities incurred by the director in connection with the Demerger and the Scheme and the director's involvement in the process that resulted in the Demerger, and legal costs reasonably incurred in defending an action for any such liability.

As set out in Section 5.9.3, Echo intends to establish employee share incentive plans. Those Echo Directors who will be Echo executive directors may elect to participate in that plan.

Brett Paton chaired the Due Diligence Committee and Paula Dwyer was a member of the Due Diligence Committee associated with the preparation of this Scheme Booklet. Brett Paton will receive a fee of \$40,000 and Paula Dwyer will receive a fee of \$40,000 for acting in their respective capacities on the Due Diligence Committee.

Other than as set out above or elsewhere in this Scheme Booklet, no director or proposed director of Echo, and no entity in which a director or proposed director of Echo is a member or partner in the last two years, holds, or held at any time during the last two years before the date of lodgement of this Scheme Booklet for registration by ASIC, any interest in:

- (i) the formation or promotion of Echo;
- (ii) any property acquired or proposed to be acquired by Echo in connection with its formation or promotion or the Demerger; or
- (iii) the Demerger,

and no amounts (whether in cash or securities or otherwise) have been paid or agreed to be paid, and no one has given or agreed to give a benefit, to any director or proposed director of Echo either to induce them to become, or to qualify them as, a director of Echo, or otherwise for services rendered by them in connection with the formation or promotion of Echo or the Demerger.

10.6.3 Payments and other benefits to Tabcorp Directors, secretaries and executive officers

Except as set out below or as otherwise described in this Scheme Booklet, it is not proposed that any payment or other benefit will be made or given to any Director, secretary or executive officer of Tabcorp (or any of its related bodies corporate) as compensation for the loss of, or as consideration for or in connection with his or her retirement from, office in Tabcorp or any of its related bodies corporate, where either:

- the relevant person will lose office or retire from office as a consequence of, or in connection with, the Demerger; or
- the amount of any payment or benefit which may be made to the relevant person upon their loss of office or retirement from office may be materially affected by the Demerger.

If the Scheme becomes Effective, Mr Funke Kupper will cease employment with Tabcorp shortly after the Effective Date.

In addition to his statutory entitlement to accrued leave, upon cessation of his employment, Mr Funke Kupper is entitled, under the terms of his 2007 employment agreement, to a payment equal to his base pay and the short term incentive payment he would receive based on performance at target, which payment aggregates to \$3 million.

Mr Funke Kupper is eligible to be considered for a short term incentive payment in relation to the year ending 30 June 2011. Mr Funke Kupper's incentive payment will be determined in accordance with the terms of Mr Funke Kupper's contract.

The proposed treatment of the Performance Rights held by Mr Funke Kupper are set out in Section 4.11.3.

Further, if the Scheme becomes Effective, Tabcorp executive Ms Louise Marshall, Executive General Manager, Human Resources, will cease employment with Tabcorp by approximately September 2011.

In addition to her statutory entitlement to accrued leave, upon cessation of her employment, Ms Marshall is entitled, under the terms of her 2007 employment agreement, to a payment equal to her base pay for a period of 9 months, which payment amounts to \$337,500.

10.7 Material changes in the financial position of Tabcorp

Within the knowledge of the Tabcorp Directors, and other than as disclosed in this Scheme Booklet or in announcements to ASX, the financial position of Tabcorp has not materially changed since 31 December 2010, being the balance date of the last half yearly accounts for Tabcorp lodged with ASX.

10.8 Other information material to the making of a decision in relation to the Demerger

Except as set out in this Scheme Booklet, there is no other information material to the making of a decision in relation to the Demerger, being information that is within the knowledge of any Tabcorp Director, or any director of any related body corporate of Tabcorp, which has not been previously disclosed to Tabcorp Shareholders.

10. Additional information

10.9 Disclosure of interests and fees of advisers

The persons named in Section 10.15.1 of this Scheme Booklet as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Scheme Booklet and the professional fees (exclusive of disbursements and GST) that Tabcorp has paid or agreed to pay or may be required to pay for services provided in connection with the Demerger to the date of this Scheme Booklet are set out in the table below. Further amounts may be paid to those persons in accordance with their normal time-based charges or, in the case of UBS AG, Australia Branch (and, to the extent relevant, its affiliates), for financing services.

Party	Fees
Ernst & Young Transaction Advisory Services Limited (AFSL 240585) (as the Investigating Accountant) and Ernst & Young (as auditor to Tabcorp)	\$1.3 million (approx)
Grant Samuel & Associates Pty Ltd (as the Independent Expert)	\$450,000
Allens Arthur Robinson (as legal adviser to Tabcorp in respect of Australian law)	\$5.5 million (approx)
UBS AG, Australia Branch (and, to the extent relevant, its affiliates) (as financial adviser to Tabcorp and for financing services)	Up to \$13 million (for financial advice and financing services)
Lazard Pty Ltd (as financial adviser to Tabcorp)	Up to \$5 million

Except as set out in the table above, each of the persons listed in the table do not have, and have not had in the two years before the date of lodgement of this Scheme Booklet for registration by ASIC, an interest in:

- the formation or promotion of Echo;
- any property acquired or proposed to be acquired by Echo in connection with its formation or promotion or the Demerger; or
- the Demerger,

and no amounts (whether in cash or securities or otherwise) have been paid or agreed to be paid, and no one has given or agreed to give a benefit, to any such person for services rendered in connection with the promotion or formation of Echo or the Demerger.

10.10 Overview of Echo Constitution

Echo is an Australian public company registered under the Corporations Act. Prior to the Effective Date, Echo will adopt a new constitution in substitution for its existing constitution. The constitution to be adopted by Echo is designed for an ASX-listed company and has regard to usual market practice for ASX-listed companies, as well as containing a number of provisions referable to the fact that Echo will be the holding company of Jupiters and Star City Holdings. Some important features of the Echo Constitution are summarised below.

The summary does not purport to be exhaustive nor to constitute a definitive statement of the rights and liabilities of shareholders of Echo, which can involve complex questions of law arising from the interaction of the Echo Constitution and statutory, common law and Listing Rule requirements. To obtain a definitive assessment of the rights and liabilities which attach to those shares in any specific circumstances, investors should seek their own advice.

10.10.1 Issue of further shares

Subject to the Corporations Act, the Listing Rules and the Echo Constitution, the issue of Echo securities is under the control of the Echo Board, which may issue and cancel securities and grant options over unissued securities, on any terms it considers appropriate.

Without affecting any special rights previously conferred on the holders of any securities, Echo may issue any securities with such preferred, deferred or other special rights, obligations or restrictions, whether in regard to dividends, voting, return of share capital, payment of calls or otherwise, as the Echo Board may determine and on any terms the Echo Board considers appropriate.

However, while Echo controls (or has a relevant interest in more than 25% of the shares in) Star City Holdings, Star City Pty Ltd is wholly-owned by Star City Holdings and Star City Pty Ltd is licensed to conduct the Star City Casino business (the **Relevant Period for NSW**), Echo must obtain the written approval of the NSW CLGCA before issuing shares in a new class of shares.

Further, while Echo controls (or has a relevant interest in more than 25% of the shares in) Jupiters and Jupiters (or one of its subsidiaries) holds a casino licence in Queensland (the **Relevant Period for Queensland**), Echo must obtain the written approval of the Queensland Minister before issuing shares in a new class of shares.

10.10.2 Transfer of ordinary shares

The Echo Shares, when quoted on the ASX, will be transferable by:

- a written transfer in the usual or common form or in any form the Echo Board may prescribe or in a particular case accept, duly stamped (if necessary), being delivered to Echo;
- a proper ASTC transfer, which is to be in the form required or permitted by the Corporations Act or the ASX Settlement Operating Rules; or
- any other electronic system established or recognised by the Listing Rules in which Echo participates in accordance with the rules of that system.

The Echo Board may, subject to the requirements of the Corporations Act and the Listing Rules, refuse to register any transfer of Echo Shares in the following circumstances:

- if the registration would infringe any applicable laws or the Listing Rules;
- if the relevant Echo Shares are subject to forfeiture;

- if permitted to do so under the Listing Rules;
- if the transfer is or might be in breach of the NSW Casino Control Act or the terms of the NSW Casino Licence or any associated agreement between Echo and the NSW CLGCA;
- if the transfer is or might be in breach of an Applicable Gaming Law of Queensland or the terms of a Queensland Casino Licence or any associated agreement between Echo and the State of Queensland; or
- if the transfer will or might breach the shareholder restrictions described below.

10.10.3 Forfeiture

If any shareholder fails to pay when due any sum payable in respect of any shares (including amounts payable on issue, calls, instalments, interest or expenses), the Echo Board may serve a notice on the shareholder requiring payment of the unpaid sum, together with interest accrued and all expenses incurred by Echo by reason of the non-payment. If the requirements of the notice are not complied with, any shares in respect of which the notice has been given may, at any time thereafter before payment of the sums due pursuant to the notice, be forfeited by a resolution of the Echo Board.

10.10.4 Alteration of share capital

Echo may alter its share capital in any manner provided by the Corporations Act, including reducing its share capital.

10.10.5 General meetings and notices

The Echo Board may convene a general meeting at any time. General meetings may also be convened by shareholders under, and in accordance with, the Corporations Act.

Subject to the shareholding restrictions described in Section 10.10.14, each shareholder is entitled to receive notice of general meetings of Echo and to receive all notices, financial statements and other documents required to be sent to shareholders under the Echo Constitution or the Corporations Act. Echo may serve a notice on a shareholder in the form and in the manner the Echo Board thinks fit, subject to the Corporations Act and the Listing Rules. The manner of service may include leaving the notice at the shareholder's registered address or sending it to the electronic address (if any) nominated by the shareholder or sending it by prepaid post or facsimile transmission addressed to the shareholder at their registered address.

10.10.6 Voting rights

At a general meeting, subject to the shareholding restrictions described in Section 10.10.14 and to some minor exceptions, on a show of hands each shareholder present in person or by proxy, attorney or corporate representative has one vote. On a poll, each shareholder present in person or by proxy, attorney or corporate representative will in respect of each share held by them:

- have one vote for each fully paid share; and
- have a vote in respect of each partly paid share equivalent to the proportion which the amount paid up bears to the total amount paid and payable for that share at the

date the poll is taken (with any amount paid on a share in advance of calls being disregarded).

The Echo Board may, subject to law, determine that shareholders may attend and vote at meetings by other means. In particular, the Echo Constitution includes provisions allowing the Echo Board to implement direct voting, by which shareholders may cast votes before a general meeting.

10.10.7 Echo Directors

The minimum number of Echo Directors is three. The maximum number of Echo Directors is fixed by the Echo Board, but cannot be more than twelve.

An Echo Director need not be a shareholder. However, the prior written approval of the NSW CLGCA (during the Relevant Period for NSW) and the Queensland Minister (during the Relevant Period for Queensland) is required to appoint any person as an Echo Director.

An Echo Director may at any time convene an Echo Board meeting. The quorum for an Echo Board meeting is two Echo Directors. Decisions of the Echo Board are made by majority vote. In the event of an equality of votes, the chairman of the Echo Board has a casting vote, unless there are only two Echo Directors voting in which case the resolution is taken as lost.

The Echo Directors must retire, in accordance with the Listing Rules, at the end of the third annual general meeting, or after three years, after their election or re-election, whichever is longer. If no Echo Director would otherwise be required to submit for election or re-election but the Listing Rules require that an election of directors be held, the Echo Director to retire will be the Echo Director who has been in office the longest since their last election or appointment. Retiring Echo Directors can stand for re-election. The Managing Director and Chief Executive Officer is not subject to retirement by rotation.

10.10.8 Remuneration of directors

The remuneration of non-executive directors is decided by the Echo Board, but the aggregate amount must not be more than that fixed by the Echo Board prior to Echo being admitted to the Official List (being \$2 million), or such greater amount as may be approved from time to time by Echo Shareholders in a general meeting.

The remuneration of executive directors is determined by the Echo Board.

The Echo Directors are entitled to be paid all travelling and other expenses properly incurred by them in connection with the business or affairs of Echo. Also, if any Echo Director performs extra services the Echo Board may approve the payment of additional remuneration (provided that the additional remuneration does not include a commission on or percentage of profits or operating revenue or turnover).

The Echo Board may, subject to the Corporations Act and the Listing Rules, provide for pensions, benefits or payments for the retirement, resignation, loss of office or death of Echo Directors.

10. Additional information

10.10.9 Dividends

Subject to any special rights or restrictions attached to any shares, dividends shall be payable on all shares in proportion to the least amount of capital credited as paid up in respect of those shares during the whole of the period in respect of which the dividend is to be paid, provided however that no amount paid on a share in advance of calls shall be treated as paid on that share.

Dividends may be paid wholly or partly in cash or by the distribution of specific assets, including securities of Echo or of another body corporate.

Any dividend payable in cash may be paid in any manner and by any means determined by the Echo Board. The Echo Board may require Echo Shareholders to receive dividends by electronic means to a nominated bank account and to credit dividends to a company account where a shareholder has not provided bank account details.

The Echo Board may establish a dividend reinvestment plan on terms specified by the Echo Board under which, among other things, amounts payable to shareholders may be satisfied by the issue of fully paid shares. The Echo Board may amend, suspend or terminate any dividend reinvestment plan at any time. See Section 5.12.1 regarding Echo's intention to establish such a plan.

10.10.10 Winding up

If Echo is wound up, the liquidator may distribute in specie the whole or any part of the company's property among its shareholders.

10.10.11 Indemnity and insurance

To the extent permitted by law, Echo indemnifies each person who is or has been a director, secretary or senior manager of Echo or any wholly-owned subsidiary of Echo (an **Officer**) against any liability incurred by the Officer in or arising out of the conduct of the business of Echo or of the wholly-owned subsidiary of Echo (as the case may be) or in or arising out of the discharge of the duties of the Officer.

Echo may make payments by way of premium in respect of any contract effecting insurance on behalf of or in respect of an Officer.

10.10.12 Sale of less than a minimum holding

Consistent with the Listing Rules, the Echo Board may, subject to a right by shareholders to opt out, periodically sell shares which constitute less than a marketable parcel at the price and on the terms determined by a secretary of Echo in the secretary's sole discretion. In some circumstances, a shareholder cannot opt out.

10.10.13 Proportional takeovers

Where a proportional takeover bid is made for securities in Echo (ie a bid for a specified proportion, but not all, of each holder's bid class securities), the Echo Board must convene a meeting of the relevant securityholders to vote on a resolution to approve the proportional takeover bid. The meeting must be held, and the resolution voted on, at least 15 days before the close of the bid. The resolution must be

approved by a majority of votes at the meeting, excluding votes by the bidder and its associates.

The Corporations Act stipulates that if the meeting is not held within the time required, the resolution approving the proportional takeover bid is deemed to have been passed.

If the resolution is passed or deemed to be passed, the relevant transfer of shares can be registered in accordance with the Corporations Act.

If the resolution is rejected, the registration of any transfer of shares resulting from the proportional takeover bid will be prohibited and the bid deemed to be withdrawn.

The rule relating to proportional takeovers will operate for three years from the date of adoption of the Echo Constitution (subject to being renewed).

10.10.14 Shareholding restrictions and divestiture provisions

There are a number of restrictions on shareholdings in Echo which arise under legislation or due to the requirements of regulatory authorities and are reflected in the Echo Constitution.

During the Relevant Period for NSW, a person must not have voting power in Echo of more than 10% without the written consent of the NSW CLGCA.

In addition, during the Relevant Period for Queensland, a person must not have voting power in Echo of more than 10% without the written consent of the Queensland Minister.

The term 'voting power' in the Echo Constitution has the same meaning as in the Corporations Act. In each of the above cases, for so long as Echo Shares are the only voting shares in Echo, a person's voting power will be determined in accordance with the following formula:

$$\text{Voting Power} = \frac{\text{Number of Echo Shares in which the person or the person's associates have a relevant interest}}{\text{Total number of Echo Shares}} \times 100\%$$

In general terms, a person will have a relevant interest in an Echo Share if the person has the power to control voting in respect of, or the power to control disposal of, the Echo Share, whether or not the person is the registered holder of the share. A relevant interest may exist even if a person has indirect control over voting or disposal of the Echo Share through interconnected shareholdings, company chains or shareholder agreements. A person's associates will be determined in accordance with the relevant provisions in the Corporations Act.

The Echo Board may, from time to time, send to a shareholder a pro-forma statutory declaration (in a form approved by the Echo Board). The statutory declaration is to make provision for the recipient to disclose certain information, including in relation to the person's voting power in Echo. When a person is sent a statutory declaration, that person must provide the required information to Echo within the specified time period (being seven calendar days after the declaration is sent to the person, unless the Echo Board sets a longer period).

Where a person who is required to provide a statutory declaration to Echo fails to do so as required, the voting rights in respect of all the shares in Echo registered in the name of that person (or that number of the shares as the Echo Board may specify) are suspended until that person has provided the statutory declaration or has ceased to be the registered owner of those shares (whichever is the earlier).

A shareholder who fails to provide a statutory declaration in the form required or within the specified time may be given a notice by the Echo Board. If the statutory declaration in the form required is not provided within 14 calendar days after the date of the notice, the Echo Board may give a further notice to the shareholder requiring the shareholder to dispose of some or all of their shares in Echo within three months, and giving notice that the dividend rights in respect of those shares are suspended until that person has provided the statutory declaration or has ceased to be the registered owner of those shares (whichever is the earlier).

If the shareholder does not dispose of the shares as required, the Echo Board is empowered to appoint a person to dispose of the shares at a fair market value, determined in accordance with the Echo Constitution, or at the best price Echo is able to obtain. In these circumstances, the net proceeds of the sale of the shares will be paid to the shareholder, provided that the shareholder has delivered to Echo documents or information as may be reasonably required by the Echo Board.

In addition to the foregoing, if Echo becomes aware that a person's voting power in Echo exceeds the voting power limits referred to above without the approval of the NSW CLGCA or the Queensland Minister (as relevant) during the Relevant Period for NSW or the Relevant Period for Queensland respectively, it must serve a notice on the holder of any relevant shares to dispose of the shares which give rise to the breach of the Echo Constitution. At that time, all dividend and voting rights attaching to the relevant shares will be suspended. That holder must dispose of all of their shares in Echo within 30 days after receiving such a notice. If the shareholder does not dispose of the shares as required, Echo is empowered to dispose of the relevant shares at a fair market value, determined in accordance with the Echo Constitution, or at the best price Echo is able to obtain.

Further, if during the Relevant Period for NSW the NSW CLGCA determines that a shareholder is a close associate of Echo within the meaning of the NSW Casino Control Act, and that that shareholder is not a suitable person to be concerned in or associated with the operation or management of a casino in New South Wales, the NSW CLGCA may notify Echo that it requires that person to dispose of all of their shares in Echo. Echo must then immediately notify the relevant person of this requirement. At that time, all dividend and voting rights attaching to the relevant shares will be suspended. That shareholder must dispose of all of their shares in Echo within 30 days after the date of the notice from Echo. If the shareholder does not dispose of the shares as required, Echo is empowered to dispose of the relevant shares at a fair market value, determined in accordance with the Echo Constitution, or at the best price Echo is able to obtain.

Broadly speaking, a person will be a close associate of Echo

if that person holds an interest, power or position in relation to the Star City Casino business such that the person can significantly influence the management or operation of the Star City Casino business.

Moreover, if during the Relevant Period for Queensland the Queensland Minister issues a notice to Echo, Jupiters or a subsidiary of Jupiters, setting out as a ground giving rise to its issue that a holder of shares in Echo is not or has ceased to be at any time a suitable person to be associated or connected with the ownership, administration or management of the operations or business of Echo, Jupiters or a subsidiary of Jupiters or a casino in Queensland, Echo must immediately serve that notice on the applicable holder. At that time, all dividend and voting rights attaching to the relevant shares will be suspended. The shareholder must dispose of all of their shares within 30 days after the date of the notice from Echo. If the shareholder does not dispose of the shares as required, Echo is empowered to dispose of the relevant shares.

Under the Echo Constitution, all Echo shareholders:

- acknowledge and recognise that the exercise by the Echo Board of the powers outlined above may cause individual shareholders disadvantage and that they have no right of action against the Echo Board or Echo for any loss or disadvantage incurred by them as a result of the Echo Board exercising these powers; and
- a statutory declaration provided to Echo by a shareholder in the circumstances described above may be provided by Echo to either or both of:
 - the NSW CLGCA; and
 - the Queensland Minister.

10.10.15 Amending the constitution

The Corporations Act provides that the constitution of a company may be modified or repealed by special resolution passed by the members of that company (ie passed by at least 75% of the votes cast by members entitled to vote on the resolution).

However, during the Relevant Period for NSW and the Relevant Period for Queensland, certain provisions of the constitution cannot be amended without the prior written approval of the NSW CLGCA or the Queensland Minister respectively.

10.11 ASIC and ASX waivers and consents

10.11.1 ASIC

Payments or benefits proposed to be made or given to Tabcorp Directors and officers

Clause 8302(d) of Part 3 of Schedule 8 to the Corporations Regulations requires an explanatory statement in relation to a scheme of arrangement to disclose particulars of any payment or benefit that is proposed to be made or given to any director, secretary or executive officer of the scheme company or of a related body corporate of the scheme company as compensation for loss of, or as consideration for or in connection with his or her retirement from, office in the scheme company or a related body corporate of the scheme

10. Additional information

company. ASIC has allowed Tabcorp to depart from those requirements.

The effect of this relief is that:

- (i) this Scheme Booklet is not required to disclose particulars of payments or benefits which may be made to a person referred to in Clause 8302(d) (**Relevant Person**) in relation to their loss of office or retirement from office, unless:
 - (A) the Relevant Person will lose office or retire from office as a consequence of, or in connection with, the Demerger; or
 - (B) the amount of any payment or benefit which may be made to the Relevant Person upon their loss of office or retirement from office may be materially affected by the Demerger;
 - (ii) this Scheme Booklet is not required to state the identity of any Relevant Person who will lose office or retire from office in connection with the Demerger, unless that person is a Tabcorp Director; and
 - (iii) this Scheme Booklet is not required to state particulars of payments or benefits to Relevant Persons, other than Tabcorp Directors, that would otherwise be required to be disclosed under paragraph (i), provided:
 - (A) such payments or benefits are disclosed on an aggregate basis; and
 - (B) this Scheme Booklet discloses the number of Relevant Persons who will receive a payment or benefit that is required to be disclosed under paragraph (i) and which falls within each successive \$10,000 band, commencing at nil, where the number of Relevant Persons is not less than one,
- (see Section 10.6.3).

Change in financial position

Clause 8302(h) of Part 3 of Schedule 8 to the Corporations Regulations requires an explanatory statement in relation to a scheme of arrangement to set out whether, within the knowledge of the directors of the scheme company, the financial position of the scheme company has materially changed since the date of the last balance sheet laid before the scheme company in general meeting or sent to its shareholders in accordance with section 314 or 317 of the Corporations Act.

ASIC has allowed Tabcorp to depart from complying with that requirement on the basis that:

- (i) this Scheme Booklet sets out whether, within the knowledge of the Tabcorp Directors, the financial position of Tabcorp has materially changed since the balance date of Tabcorp's financial report for the half-year ended 31 December 2010 (see Section 10.7);
- (ii) Tabcorp has disclosed in this Scheme Booklet or in announcements to ASX all material changes to Tabcorp's financial position, within the knowledge of the Tabcorp Directors, since the balance date of Tabcorp's financial

report for the half-year ended 31 December 2010 but prior to the date of lodgement of this Scheme Booklet for registration by ASIC;

- (iii) Tabcorp discloses in announcements to ASX any material changes to Tabcorp's financial position, within the knowledge of the Tabcorp Directors, that occur after the date of lodgement of this Scheme Booklet for registration by ASIC but prior to the Scheme being approved by the Court; and
- (iv) Tabcorp provides, free of charge, a copy of the financial report of Tabcorp and its controlled entities for the half-year ended 31 December 2010 to any Tabcorp Shareholder who requests them prior to the Scheme being approved by the Court (see Section 10.17).

Independent Expert's Report

Clause 8303 of Part 3 of Schedule 8 to the Corporations Regulations requires this Scheme Booklet to include a copy of a report by an expert who is not associated with Echo stating whether or not, in their opinion, the Scheme is in the best interests of Tabcorp Shareholders and setting out their reasons for that opinion.

Under Clause 8305 of Part 3 of Schedule 8 to the Corporations Regulations, ASIC has consented to the inclusion in the Independent Expert's Report of forecasts of profit or profitability of Tabcorp and statements that the market value of assets of Tabcorp and its related bodies corporate differ from their carrying value in the financial reports of Tabcorp and its related bodies corporate.

Secondary sales of Echo Shares

Section 707 of the Corporations Act provides for circumstances where an offer of securities for sale requires disclosure to investors, including where there is a resale of securities within 12 months of their issue (section 707(3), or sale by a controller (section 707(5))), if the purpose of the original issue or sale (as the case may be) was to enable the resale.

ASIC Class Order 04/671 provides relief from the resale provisions in section 707(3) of the Corporations Act in the case where the securities were issued (but not transferred) through a scheme of arrangement, and consequently, without disclosure to investors, as allowed for in section 708(17).

ASIC has granted an exemption from the resale provisions in sections 707(3), (4), (5) and (6) of the Corporations Act in the case where:

- (i) an Echo Shareholder makes an offer of Echo Shares for sale;
- (ii) the Echo Shares were transferred to a Tabcorp Shareholder or to the Sale Agent (or its related body corporate) under the Scheme within the previous 12 months; and
- (iii) the offer is not made within 12 months of a sale or transfer of the Echo Shares by a person (other than Tabcorp) who:
 - (A) controls Echo;

- (B) would have been required by subsection 707(2) of the Corporations Act to give disclosure to investors under Part 6D.2 of the Corporations Act but for section 708 of the Corporations Act; and
- (C) did not give disclosure to investors under Part 6D.2 of the Corporations Act because of section 708 of the Corporations Act.

Employee incentive schemes

ASIC has granted Echo certain exemptions in connection with the general operation of the employee incentive schemes described in this Scheme Booklet. The exemptions are broadly equivalent to those contained in ASIC Class Order 03/184 *Employee share schemes*, provided that Echo Shares have been quoted for at least three months (rather than 12 months, which is a condition of the exemptions in that class order).

10.11.2 ASX

ASX has confirmed that Echo may issue an information memorandum (which will incorporate parts of this Scheme Booklet) instead of a prospectus for the purposes of its application for admission to the Official List of ASX (and that information memorandum need only be released to ASX rather than being sent to all Tabcorp Shareholders).

ASX has granted waivers to Tabcorp or in principle approval to Echo to the waiver of the following Listing Rules:

- (i) Listing Rule 1.1, Condition 3 to the extent necessary to permit the information memorandum to be issued by Echo to comply with Appendix 1A to the Listing Rules, and in that regard has confirmed that the information to be provided in connection with Items 47 to 49 of Appendix 1A to the Listing Rules is the post-Demerger Date details for Echo (and that such information must be given in indicative form within 3 Business Days before the Effective Date, but need only be provided in final form after the Scheme Record Date) and that for the purposes of Items 81A to 87C of Appendix 1A (and Listing Rule 1.3.5) the pro forma historical financial information in Section 5.10 may be provided;
- (ii) Listing Rules 6.23.2 and 6.23.3, to the extent necessary to permit Tabcorp to deal with Performance Rights and Performance Options in the manner described in Section 4.11;
- (iii) Listing Rules 8.10 and 8.11 to the extent necessary to allow Echo to refuse to register a transfer of Echo Shares, or to require a person to provide a statutory declaration in connection with a proposed transfer of Echo Shares, in the circumstances described in Section 10.10.14. ASX has also, for the purposes of Listing Rules 6.10.5 and 6.12.3, approved the rules in the Echo Constitution requiring the divestment of Echo Shares, or the suspension of dividend and voting rights in respect of Echo Shares, in certain circumstances as being appropriate and equitable; and
- (iv) Listing Rule 10.14 to the extent necessary to allow Echo to permit Mr Mullin and Mr Bekier to acquire securities

under an employee incentive scheme without the approval of Echo Shareholders in the event that the Demerger is approved by Tabcorp Shareholders, on condition that this Scheme Booklet includes a summary of the terms of the relevant employee incentive schemes and the terms of the proposed issue of securities to Mr Mullin and Mr Bekier under such schemes (see Section 5.12.6).

10.12 Material arrangements relating to the Demerger

10.12.1 Restructure

Prior to the implementation of the Demerger, an internal corporate restructure will be undertaken by Tabcorp which will involve:

- (i) the transfer of all the shares in:
 - (A) Jupiters Gaming Pty Ltd (which holds a Queensland keno licence); and
 - (B) TAHAL Pty Ltd (and its subsidiary Jupiters Gaming (NSW) Pty Ltd which, together with ClubKeno Holdings Pty Ltd, holds a New South Wales keno licence),
 by Jupiters to another subsidiary of Tabcorp, so that these entities will form part of the New Tabcorp Group;
- (ii) the repurchase of reset preference shares issued by Jupiters Limited and held by a wholly owned subsidiary of Tabcorp;
- (iii) the transfer of all the shares in Jupiters to Echo, so that Jupiters and its subsidiaries and controlled entities (other than the keno division entities referred to above), which hold the Jupiters Group's interests in the Jupiters Hotel & Casino Gold Coast, Treasury Casino & Hotel and Jupiters Townsville Casino, form part of the Echo Group;
- (iv) the transfer of all the shares in Star City Holdings to Echo, so that Star City Holdings and its subsidiaries form part of the Echo Group;
- (v) the transfer of all the shares in certain other wholly owned subsidiaries of Tabcorp that form part of the Casinos Business to Echo;
- (vi) the recapitalisation of certain wholly owned subsidiaries of Tabcorp to facilitate their exit from the Tabcorp tax consolidated group or the future payment of dividends by the subsidiaries;
- (vii) the refinancing of intra-group debts owing by Echo Group members to other Tabcorp Group members and vice versa, and the issue of Echo Shares to Tabcorp in satisfaction of a portion of such debts; and
- (viii) the rationalisation of inter-company debt of members of the current members of the Tabcorp Group so that, following the Demerger Date, there will be no significant debts owing by members of the Echo group to members of the New Tabcorp Group (or vice versa).

10. Additional information

10.12.2 Demerger Implementation Deed

On 14 April 2011, Tabcorp and Echo entered into the Demerger Implementation Deed, pursuant to which each has agreed to do everything necessary to implement the Scheme and the Demerger (including implementing the Restructure and the Capital Reduction).

The obligations of Tabcorp and Echo under the Demerger Implementation Deed to implement the Scheme and the Demerger are subject to the satisfaction or waiver of certain conditions precedent, namely:

- (i) before 8am on the date of the Second Court Hearing, all Regulatory Approvals (as defined below) which, in the reasonable opinion of Tabcorp, are required to implement the Scheme and the Demerger (including the Restructure), including all Regulatory Approvals by or with the NSW CLGCA and the Queensland Office of Liquor, Gaming and Racing, are granted or obtained, and those Regulatory Approvals:
 - (A) are not subject to any conditions, other than a condition acceptable to Tabcorp in its absolute discretion; and
 - (B) are not withdrawn, cancelled or revoked;
- (ii) before 8am on the date of the Second Court Hearing, ASX provides approval for the admission of Echo to the Official List of ASX and official quotation of the Echo Shares, subject to any conditions that ASX may reasonably require, including customary pre-quotation conditions and conditions relating to the Scheme becoming Effective;
- (iii) the Scheme Resolution is approved by the requisite majorities of Tabcorp Shareholders under section 411(4)(a)(ii) of the Corporations Act;
- (iv) the Capital Reduction Resolution is approved by the requisite majority of Tabcorp Shareholders at the General Meeting;
- (v) the Court makes orders approving the Scheme under section 411(4)(b) of the Corporations Act, including with such alterations made or required by the Court under section 411(6) of the Corporations Act as are acceptable to Tabcorp and Echo, and such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to the Scheme as are acceptable to Tabcorp and Echo are satisfied; and
- (vi) no judgment, order, decree, statute, law, ordinance, rule or regulation, or other temporary restraining order, preliminary or permanent injunction, restraint or prohibition, entered, enacted, promulgated, enforced or issued by any court or other Governmental Agency (as defined below) of competent jurisdiction, remains in effect as at 8am on the date of the Second Court Hearing that prohibits, materially restricts, makes illegal or restrains the completion of a transaction contemplated by the Demerger Implementation Deed, the Demerger Deed, the Echo Deed Poll, the Transitional Services Agreement or the agreements relating to the Restructure.

For the purpose of the Demerger Implementation Deed, a **Regulatory Approval** means any approval, consent, authorisation, registration, filing, lodgment, permit, franchise, agreement, notarisation, certificate, permission, licence, direction, declaration, authority, waiver, modification or exemption from, by or with a Governmental Agency; or in relation to anything that would be fully or partly prohibited or restricted by law if a Governmental Agency intervened or acted in any way within a specified period after lodgment, filing, registration or notification, the expiry of that period without intervention or action; or any amendments to any legislation. A **Governmental Agency** means any government or representative of a government or any governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity.

The conditions precedent referred to in paragraphs 10.12.2(i) and 10.12.2(vi) may be waived by Tabcorp at any time before 8am on the date of the Second Court Hearing at its discretion. The other conditions precedent cannot be waived.

Tabcorp and Echo have agreed to use their respective best endeavours to satisfy, or procure the satisfaction of, the conditions precedent, to the extent that it is within their respective control.

The Demerger Implementation Deed may be terminated if any of the conditions precedent become incapable of satisfaction. In addition, Tabcorp may terminate the Demerger Implementation Deed at any time before 8am on the date of the Second Court Hearing.

If all of the conditions precedent to the Demerger Implementation Deed are satisfied or waived (as applicable), the Scheme will become Effective, and hence the Demerger will proceed, if:

- (i) as at 8am on the date of the Second Court Hearing, the Demerger Implementation Deed has not been terminated; and
- (ii) the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act approving the Scheme come into effect, pursuant to section 411(10) of the Corporations Act.

See Annexure A for a copy of the Scheme.

10.12.3 Demerger Deed

(i) Nature of deed

On 14 April 2011, Tabcorp and Echo entered into the Demerger Deed. The Demerger Deed deals with various transitional and other commercial and legal issues arising in connection with the legal and economic separation of Echo from Tabcorp.

(ii) Key terms

(A) Fundamental Demerger principle

The fundamental principle of the separation of Echo from Tabcorp is that, subject to limited exceptions and except to the extent that a risk arises independently of the prior relationship of Tabcorp and Echo as members of the same corporate group, on and from the Demerger Date, the Echo Group will have

the entire economic benefit and risk of the Casinos Business as if it had owned and operated that business at all times, and none of the economic benefit or risk of the New Tabcorp Businesses. Conversely, the Tabcorp Group will have the entire economic benefit and risk of the New Tabcorp Businesses as if it had owned and operated those businesses at all times, and none of the economic benefit or risk of the Casinos Business.

(B) Acknowledgement

Consistent with the fundamental Demerger principle outlined above, Tabcorp and Echo acknowledge that, once the Demerger is complete, Echo will not have any rights against Tabcorp, and Tabcorp will not have any rights against Echo, except in specified circumstances.

Neither Tabcorp nor Echo (nor their respective subsidiaries) will have any right to make a claim against the other for loss or damage arising directly or indirectly in relation to:

- the Restructure, the Scheme or the Capital Reduction;
- any dealings between members of the New Tabcorp Group and the Echo Group prior to the Demerger Date; or
- the operation of their respective businesses,

unless such claim arises independently of the prior relationship of Tabcorp and Echo as members of the same corporate group, or as expressly permitted by the Demerger Deed or any other document or agreement between the parties (such as the Transitional Services Agreement or other ongoing commercial arrangements).

(C) Restructure

Tabcorp's businesses and companies will be substantially restructured pursuant to a series of separate restructure agreements prior to the Demerger so that an identifiable corporate group will come into existence comprising the companies that own the Echo assets and constitute the Echo businesses. The Demerger Deed makes provision for:

- the practical, economic and legal effect of the separation of Echo from Tabcorp;
- the mechanism under which Tabcorp and Echo can transfer to the other group any asset or contract which a group member owns or holds after the Demerger Date but which at the Demerger Date was most directly used in the other group's business, or was incorrectly transferred as part of the Restructure; and
- the principles in accordance with which the parties will conduct their arrangements with respect to the assets to be transferred under the restructure pending each transfer, so as to ensure that, to the extent possible (and except to the extent otherwise provided for in the Demerger Deed), each transferee gets the benefit and all risks of the asset or company being transferred as from the Demerger Date.

(D) Acceptance of liabilities

Subject to limited exceptions, each of Tabcorp and Echo accepts (and agrees to assume and indemnify the other in respect of) any liabilities that relate to the New Tabcorp

Businesses (or former businesses of Tabcorp which would likely have formed part of the New Tabcorp Businesses had they not been disposed of by Tabcorp) and the Casinos Business (or former businesses of Tabcorp which would likely have formed part of the Casinos Business had they not been disposed of by Tabcorp) respectively.

(E) Access to records

Non-electronic records held by each of Tabcorp and Echo at the Demerger Date that relate to the other, and a copy of which has not been provided to the other, must be maintained. Each of Tabcorp and Echo must allow the other to access those records and must notify the other prior to any destruction of those records so that they can be copied or retrieved.

The Demerger Deed also provides for a regime whereby certain electronic records of the Tabcorp Group will be cloned and made available to the Echo Group, subject to appropriate confidentiality arrangements in relation to those records that are not related to the Echo Group (and vice versa).

(F) Financial and tax assistance

Tabcorp and Echo will, for a period of four years after the Demerger Date, assist each other in relation to the preparation of tax returns and any tax audit of, or statutory demand for information on, either a member of the Echo Group or a member of the Tabcorp Group, and for such purposes each will allow the other access to financial and other records within their custody or control and will be entitled to recover any reasonable costs incurred in providing such access.

(G) Employees and superannuation

The Demerger Deed addresses matters relating to the transfer of certain employees of Tabcorp to Echo. In accordance with the fundamental Demerger principle, from the Demerger Date, each of Tabcorp and Echo are required to meet all costs arising out of any aspect of the employment of their respective employees, including salary, superannuation entitlements and redundancy, retrenchment or termination entitlements.

(H) Use of intellectual property

The Demerger Deed sets out the general principles that determine ownership of intellectual property by Tabcorp and Echo (other than intellectual property which has expressly been identified as being owned by one of the other parties), based on which entities the intellectual property was primarily developed for the benefit of, or which entities funded that development. In certain cases, these principles may result in intellectual property being jointly owned. The Demerger Deed also sets out restrictions on the use of jointly-owned intellectual property.

The Demerger Deed allows Tabcorp to use certain names relating to the Echo businesses and Echo to use certain names relating to the Tabcorp businesses for a period of 3 months following the Demerger Date. The Demerger Deed also provides for appropriate licensing arrangements of other intellectual property between the parties where there has been common use of that intellectual property or it is jointly owned.

10. Additional information

(I) Litigation management

Tabcorp and Echo will assist each other in relation to the management of current and new litigation matters involving both companies. Certain matters will be managed by one party alone, but with restrictions to cater for the interests of the other party, while other matters will be managed jointly. The Demerger Deed also provides for the manner in which any liabilities or proceeds associated with such litigation is to be apportioned between Tabcorp and Echo, based on the relative relationship of the litigation to their respective businesses and corporate groups.

Subject to limited exceptions, each of Tabcorp and Echo indemnifies the other in respect of liability or loss suffered in connection with a claim to the extent that liability relates to the business of the other.

(J) Insurance

Echo must provide its own group business insurance and insurance for the Echo Directors and officers from the Demerger Date (or such later date as any insurance policies maintained by Tabcorp cease to provide coverage to Echo).

However, Tabcorp must use reasonable endeavours to continue to maintain for the benefit of Echo and the Echo Directors and officers, directors' and officers' insurance policies and crimes insurance policies, in respect of matters which occurred on or before the Demerger Date, for periods of seven years and two years respectively.

(K) Guarantees

Each of Tabcorp and Echo must use its best endeavours to procure, as soon as possible, the removal of certain guarantees by a member of one group in favour of a member of the other (including the Star City Cross Guarantee). Each of Tabcorp and Echo indemnifies the other in respect of liability or loss suffered in connection with a claim under any guarantee not removed.

(L) Indemnities

Tabcorp and Echo each give certain indemnities to the other, including the specific indemnities referred to elsewhere in this Section, consistent with the fundamental Demerger principle outlined above, to ensure that the intended economic effect of the Demerger is achieved.

(M) Protection of information

The Demerger Deed imposes obligations on each of Tabcorp and Echo to keep confidential all information, records, reports and other data or documents relating to the other.

(N) Costs

Under the Demerger Deed, Tabcorp agrees to bear all costs associated with implementing the Demerger other than capital expenditure incurred in establishing new, or restructuring existing, IT infrastructure and arrangements for Echo in connection with the Demerger (subject to certain exceptions) and certain other costs. The costs attributable to Tabcorp and Echo are reflected in the pro forma financial information in Sections 5.10 and 6.8.

(O) Liability in relation to Scheme Booklet

Echo agrees to indemnify the members of the Tabcorp Group and their respective directors, officers and employees against any liability incurred by them arising from any claim made against them arising from a failure of this Scheme Booklet or the information memorandum to be issued by Echo for the purposes of its application for admission to the Official List of ASX to comply with any applicable legal requirement to the extent that the failure relates to information regarding the Casinos Business and except to the extent the failure is, or was, a result of any act or omission of any Tabcorp Group member (or any of their directors, officers or employees) involving fraud or wilful misconduct.

Tabcorp agrees to indemnify the members of the Echo Group and their respective directors, officers and employees against any liability incurred by them arising from any claim made against them arising from a failure of this Scheme Booklet or the information memorandum to be issued by Echo for the purposes of its application for admission to the Official List of ASX to comply with any applicable legal requirement except to the extent the failure relates to information regarding the Casinos Business or is, or was, a result of any act or omission of any Echo Group member (or any of their directors, officers or employees) involving fraud or wilful misconduct.

(P) Tax

With the exception of income tax (including capital gains tax) and GST, all other taxes imposed on Tabcorp or Echo on and from the Demerger Date will be borne by the company on which the tax is imposed, except to the extent that such taxes constitute Demerger costs which Tabcorp is required to bear. This is regardless of whether the tax relates to the New Tabcorp Businesses or the Casinos Business.

In the case of income tax (including capital gains tax) and GST, the general position is that such taxes are to be borne by, and any refund for such taxes is for the benefit of:

- Tabcorp, to the extent the taxes relate to the New Tabcorp Businesses; and
- Echo, to the extent the taxes relate to the Casinos Business.

To achieve this, Tabcorp has indemnified Echo for income tax and GST borne by Echo referable to the New Tabcorp Businesses and Echo has indemnified Tabcorp for income tax and GST borne by Tabcorp referable to the Casinos Business. Further, Tabcorp has agreed to pay Echo the amount of any refund for such tax received by Tabcorp referable to the Casinos Business and Echo has agreed to pay Tabcorp the amount of any refund for such tax received by Echo referable to the New Tabcorp Businesses.

A party's right to claim a payment from the other does not arise unless the net amount of all the elements which make up the claim (ie a party's entitlement to indemnity payments less that party's obligations to make indemnity payments) is at least \$2 million. In determining whether the \$2 million threshold is met, the elements which make up the claim can only be taken into account for that particular claim and cannot be taken into account again for future claims.

For example, if the net amount of a party's claim is \$3 million, being the difference between combined \$4 million indemnifiable tax costs and combined \$1 million indemnity obligations to the other party, the \$4 million tax costs and \$1 million indemnity obligations cannot be taken into account again in determining either party's net amount for future claims.

A party who is liable to indemnify the other has the right to challenge the imposition of the tax, subject to bearing all costs associated with the challenge. A party who is not liable to indemnify the other (eg because the party's net amount of a claim is less than \$2 million) will only have the right to challenge the imposition of the tax if the other party decides not to challenge.

10.12.4 Echo Deed Poll

In accordance with the Demerger Implementation Deed, Echo has also executed the Echo Deed Poll in favour of Scheme Shareholders, pursuant to which it undertakes to perform its relevant obligations under the Scheme.

A copy of the Deed Poll is contained in Annexure B.

10.12.5 Transitional services agreements

Tabcorp and Echo will enter into a Transitional Services Agreement (the **Transitional Services Agreement**). Under that agreement, Tabcorp will provide, or will procure the provision of, the following services to the Echo Group:

- general corporate services;
- accounting, finance and tax;
- IT support; and
- human resources.

The initial term for which the transitional services are to be provided is one year, with Echo having the option to extend the term for a further year. If Echo exercises the option to extend the term, during the second year of the agreement, the agreement may be terminated by Tabcorp or Echo with at least 60 days' notice.

Tabcorp will charge Echo monthly fees for providing, or procuring the provision of, the services described above, on a cost recovery basis. In the event of a change of control of Echo, Tabcorp will be obliged to continue to provide the services but will be entitled to charge for the services on an arms length basis (subject to any fee increase not exceeding 25%).

Separately, the Echo Group will provide, or procure the provision of, systems to Tabcorp in the period following the Demerger Date, in accordance with a transitional services agreement. The Echo Group will also provide, or will procure the provision of, certain technology and other services to certain Tabcorp Group members, for a transitional period, following the Demerger in connection with the Tabcorp Group's current keno operations.

10.13 Sales of Echo Shares

No securities of Echo have been sold in the three months immediately before the date of this Scheme Booklet.

10.14 Regulatory and legal

10.14.1 Foreign exchange controls

There are currently Australian exchange controls which restrict the remittances of dividends, interest or other payments by Tabcorp or Echo to non-resident holders of Tabcorp Shares or Echo Shares outside of Australia, if they are: (i) supporters of the former government of the Federal Republic of Yugoslavia; (ii) Ministers or senior officials of the Government of Zimbabwe; (iii) certain entities associated with the Democratic People's Republic of Korea (North Korea); (iv) certain individuals associated with the Burmese regime; (v) certain Iranian entities and persons who contribute to Iran's proliferation activities; or (vi) certain individuals associated with the Libyan regime.

The Australian Government has also implemented certain financial sanctions made by the United Nations Security Council (which prevent dealing with financial resources owned by or giving financial resources to designated persons), in relation to: Al-Qaeda, Osama bin Laden and the Taliban, Côte d'Ivoire, the Democratic People's Republic of Korea, the Democratic Republic of the Congo, Eritrea, Iran, Iraq, Lebanon, Libya, Liberia, Somalia, Sudan, and terrorism.

10.14.2 Restrictions on foreign ownership

There are no limitations under Australian law on the right of non-residents to hold or vote Echo Shares other than as set out below.

The *Foreign Acquisitions and Takeovers Act 1975* (Cth) (**FATA**) and the Australian Government's foreign investment policy may affect the right of certain persons to hold or control Echo Shares. Acquisitions of shares in Australian companies by foreign interests are subject to review and approval by the Treasurer of the Commonwealth of Australia under the FATA or the Government's policy. The FATA applies to any acquisitions by a foreign person (and its associates) which would result in a holding of 15% or more of the issued shares of, or control of 15% or more of the voting power in, an Australian company. Further, it applies to any acquisition by two or more non-associated foreign persons (and their associates) which would result in a holding by those persons of 40% or more of the issued shares of, or control of 40% or more of the voting power in, an Australian company. Stricter rules apply to foreign governments or governmental entities.

In addition, there are certain shareholding restrictions which apply to Echo Shares and certain of its subsidiaries. In particular, as set out in Section 10.10.14, during the Relevant Period for NSW and the Relevant Period for Queensland a person must not have voting power in Echo of more than 10% without the written consent of the NSW CLGCA and the Queensland Minister respectively.

10. Additional information

10.14.3 Foreign selling restrictions

(i) General

The distribution of this Scheme Booklet outside of Australia may be restricted by law and persons who come into possession of it should seek advice and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. Tabcorp disclaims all liabilities to such persons. Eligible Shareholders who are nominees, trustees or custodians are therefore advised to seek independent advice as to how they should proceed.

No action has been taken to register or qualify this Scheme Booklet, the Demerger or the Echo Shares, or otherwise permit a public offering of the Echo Shares, in any jurisdiction outside of Australia and New Zealand.

(ii) Bahamas

This Scheme Booklet is not registered as a prospectus with the Securities Commission of The Bahamas, nor has it been reviewed by any regulatory authority in The Bahamas.

This Scheme Booklet does not constitute an offer or invitation to the public in The Bahamas to subscribe for or purchase securities. Accordingly, no person in The Bahamas may be issued, receive or otherwise obtain this Scheme Booklet in The Bahamas save and except in circumstances which do not constitute an offer to the public within the meaning of the Securities Industry Act and Securities Industry Regulations of The Bahamas. Only the person to whom a copy of this Scheme Booklet has been issued may take action in response to this Scheme Booklet. No person to whom this Scheme Booklet is issued may issue, circulate or distribute this Scheme Booklet in The Bahamas or make or give a copy of this Scheme Booklet to any other person in The Bahamas.

No persons deemed resident in The Bahamas for exchange control purposes by the Central Bank of The Bahamas (the **Central Bank**) may acquire shares without the prior written permission of the Central Bank for such acquisition.

(iii) Hong Kong

WARNING: The contents of this Scheme Booklet have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this Scheme Booklet, you should obtain independent professional advice.

This Scheme Booklet does not constitute a prospectus (as defined in section 2(1) of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong)) or notice, circular, brochure or advertisement offering any securities to the public for subscription or purchase or calculated to invite such offers by the public to subscribe for or purchase any securities, nor is it an advertisement, invitation or document containing an advertisement or invitation falling within the meaning of section 103 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong). Accordingly, unless permitted by the securities laws of Hong Kong, no person may issue or cause to be issued this Scheme Booklet in Hong Kong, other than to persons who are 'professional investors' as defined in the Securities and Futures Ordinance and any rules made thereunder or in other circumstances which do not result

in this Scheme Booklet being a 'prospectus' as defined in the Companies Ordinance or which do not constitute an offer to the public within the meaning of that Ordinance; and no person may issue or have in its possession for the purposes of issue, this Scheme Booklet or any invitation or document relating to these securities, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to securities which are or are intended to be disposed of only to persons outside Hong Kong or only to 'professional investors' as defined in the Securities and Futures Ordinance and any rules made thereunder.

This Scheme Booklet is for the exclusive use of Tabcorp Shareholders in connection with the Demerger, and no steps have been taken to register or seek authorisation for the issue of this Scheme Booklet in Hong Kong.

This Scheme Booklet is confidential to the person to whom it is addressed and must not be distributed, published, reproduced or disclosed (in whole or in part) by Tabcorp Shareholders to any other person in Hong Kong or used for any purpose in Hong Kong other than in connection with the Tabcorp Shareholders' consideration of the Demerger.

(iv) New Zealand

The Echo Shares being offered under the Scheme are being offered to Tabcorp Shareholders with registered addresses in New Zealand in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand). This Scheme Booklet is not an investment statement or prospectus under New Zealand law, and may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

This Scheme Booklet has not been registered, filed with or approved by any New Zealand regulatory authority under or in connection with the Securities Act 1978 (New Zealand).

(v) Singapore

This Scheme Booklet has not been registered as a prospectus with the Monetary Authority of Singapore. This Scheme Booklet and any other document or material in connection with the offer, sale or distribution, or invitation for subscription, purchase or receipt of the Echo Shares may not be offered, sold or distributed, or be made the subject of an invitation for subscription, purchase or receipt, except pursuant to exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 (the **SFA**), or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Any offer is not made to you with a view to the Echo Shares being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to on-sale restrictions in Singapore and comply accordingly.

(vi) United Kingdom

Any invitation or inducement to engage in investment activity (within the meaning of s.21 of the Financial Services and Markets Act 2000 as amended (**FSMA**)) received in

connection with the issue of the Echo Shares has only been communicated, and will only be communicated, in the United Kingdom in circumstances in which s.21(1) FSMA does not apply to Echo. In the United Kingdom, this Scheme Booklet is being distributed only to, and is directed at, persons to whom it may lawfully be made within the circumstances described in Article 62 of the FSMA (Financial Promotion) Order 2005 (**FPO**) and/or any other persons to whom it may lawfully be communicated (all such persons being referred to as **Relevant Persons**).

The investments to which the Scheme Booklet relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, Relevant Persons. Any person who is not a Relevant Person should not act or rely on this Scheme Booklet or any of its contents.

(vii) United States

This Scheme Booklet is neither an offer to sell nor a solicitation of an offer to buy securities as those terms are defined under the US Securities Act of 1933, as amended (the **US Securities Act**). The Echo Shares to be transferred under the Scheme have not been and will not be registered under the US Securities Act and may not be offered, sold or resold in, or to persons in, the United States except in accordance with an available exemption from registration under the US Securities Act.

None of the US Securities and Exchange Commission, any US state securities commission or any other US regulatory authority has passed comment upon or endorsed the merits of the Scheme or the accuracy, adequacy or completeness of this Scheme Booklet. Any representation to the contrary may be a criminal offence.

10.15 Consents and disclaimers

10.15.1 Consent to be named

The following persons have given and have not, before the date of this Scheme Booklet, withdrawn their written consent to be named in this Scheme Booklet in the form and context in which they are named:

- (i) Ernst & Young Transaction Advisory Services Limited (AFSL 240585) as the Investigating Accountant;
- (ii) Ernst & Young as auditor to Tabcorp;
- (iii) Grant Samuel & Associates Pty Ltd as the Independent Expert;
- (iv) Allens Arthur Robinson as legal adviser to Tabcorp in respect of Australian law;
- (v) UBS AG, Australia Branch as financial adviser to Tabcorp;
- (vi) Lazard Pty Ltd as financial adviser to Tabcorp; and
- (vii) Link Market Services Limited as the Tabcorp Share Registry.

10.15.2 Consent to the inclusion of statements

The following persons have given and have not, before the date of this Scheme Booklet, withdrawn their written consent to the inclusion of the following statements and reports in this Scheme Booklet in the form and context in which they are included, and to all references in this Scheme Booklet to such statements and

reports in the form and context in which they appear:

- (i) Ernst & Young Transaction Advisory Services Limited (AFSL 240585) in respect of its role as Investigating Accountant and in respect of the Investigating Accountant's Report in Section 8 of this Scheme Booklet;
- (ii) Ernst & Young in respect of any references in this Scheme Booklet, expressly or impliedly, to the Tabcorp historical income statement, historical net operating cash flow and historical balance sheet, and figures included in those statements, as being audited or reviewed, as appropriate, by Ernst & Young; and
- (iii) Grant Samuel & Associates Pty Ltd in respect of its role as Independent Expert and in respect of the Independent Expert's Report and the concise version of the Independent Expert's Report in Section 9 of this Scheme Booklet.

10.15.3 Disclaimers of responsibility

Each person named in Sections 10.15.1 and 10.15.2:

- (i) has not authorised or caused the issue of this Scheme Booklet;
- (ii) does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based, other than a statement or report (if any) as specified in Section 10.15.2; and
- (iii) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Scheme Booklet other than a reference to its name and the statement or report (if any) that has been included in this Scheme Booklet with the consent of that person as specified in Section 10.15.2.

10.16 Demerger costs

Total cash transaction and implementation costs in relation to the Demerger are estimated to be approximately \$135 million (on a pre-tax basis). These costs include debt restructuring costs, advisers' fees, restructuring costs, IT costs, fees associated with the ASX listing of Echo and other costs. Some of these costs are capital in nature.

It is expected that approximately \$115 million of the total pre-tax cash costs will be incurred and paid by Tabcorp and a further approximately \$20 million of the total pre-tax cash costs will be incurred and paid by Echo following the Demerger. Approximately \$40 million of these costs will have been paid prior to the Meetings when Tabcorp Shareholders will vote on the Demerger. The remaining post Demerger costs are expected to be paid prior to 30 June 2012.

Tabcorp has estimated cash transaction and implementation costs that arise as a result of the Demerger as outlined above. The actual cash costs incurred may be different to these estimated costs. In particular, should the timing of the Demerger be delayed or Echo be unsuccessful in undertaking an issue of new US private placement notes to investors in Tabcorp's existing US Notes or other investors, as outlined in Sections 4.1.5, 5.10.6 and 5.10.8, transaction and implementation costs could be higher than estimated.

10. Additional information

Tabcorp will also incur non-cash costs in relation to the Demerger, mainly as a result of writing-off some fixed assets (refer to Section 6.8.4). Set out below is a breakdown of these costs.

Approximate pre-tax Cash Transaction Costs (\$m)		
	Tabcorp	Echo
Advisory and expert's fees, restructure costs, IT costs, financing and other costs	\$75	-
Costs relating to the establishment of Echo as a standalone entity	\$40	\$20
Total	\$115	\$20

10.17 Half-yearly accounts

Tabcorp will give a copy of the following documents free of charge to anyone who asks for them before the Scheme is approved by order of the Court (expected to occur on Friday, 3 June 2011):

- Tabcorp's financial report for the half-year ended 31 December 2010;
- the auditor's review report on Tabcorp's financial report for the half-year ended 31 December 2010;
- the Tabcorp Directors' declaration on Tabcorp's financial report for the half-year ended 31 December 2010; and
- Tabcorp's Directors' report for the half-year ended 31 December 2010.

Copies of these documents can be obtained by contacting the Tabcorp shareholder relations department by email on investor@tabcorp.com.au or by phone on +61 3 9868 2779.

10.18 Supplementary disclosure

Tabcorp will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration by ASIC and the Scheme Meeting:

- a material statement in this Scheme Booklet being misleading or deceptive;
- a material omission from this Scheme Booklet;
- a significant change affecting a matter included in this Scheme Booklet; or
- a significant new circumstance arising which would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC.

The form which the supplementary document may take, and whether a copy will be sent to each shareholder, will depend on the nature and timing of the new or changed circumstances. Any such supplementary document will be made available on Tabcorp's website (www.tabcorp.com.au) and released to the ASX (and, accordingly, available from the ASX's website (www.asx.com.au)).

11. Regulatory framework and key agreements relevant to the Echo Group

11. Regulatory framework and key agreements relevant to the Echo Group

11.1 Regulatory background to the Echo Group

A number of licences held by the Echo Group are discussed in this Section 11. For further details of the operations conducted pursuant to these licences, see Sections 5.5 and 5.6 of this Scheme Booklet.

11.1.1 NSW Casino Licence

Nature

The NSW Casino Licence was granted to Star City Pty Ltd by the NSW Casino Control Authority (the relevant authority now being the New South Wales Casino, Liquor and Gaming Control Authority (**NSW CLGCA**)) pursuant to the NSW Casino Control Act on 14 December 1994. The NSW Casino Licence was granted for a period of 99 years and is not transferable.

The NSW Casino Licence permits Star City Pty Ltd to conduct approved games and gaming machines within the Star City Casino in accordance with the terms of the NSW Casino Licence and the provisions of the NSW Casino Control Act.

Pursuant to an agreement with the NSW CLGCA, if, during the period up to 13 November 2019, the State of New South Wales grants a licence, permission or authorisation or enacts legislation which has the effect of allowing another licensed casino to open in New South Wales, the NSW CLGCA shall procure that the State of New South Wales pays to Star City Pty Ltd an amount equal to all damages, costs and expenses suffered or incurred by Star City Pty Ltd (including lost profits) as a result of that event, provided that such amount does not include consequential, special or indirect damages.

Restrictions

Restrictions which apply to the operation of Star City Casino include:

- the NSW CLGCA must approve all games to be played in Star City Casino and the rules under which such games are played;
- Star City Casino must open for gaming at the hours and times specified by the NSW CLGCA (and at no other times). Presently, Star City Casino is required to be open for gaming at all times;
- the NSW CLGCA must approve the plans, diagrams and specifications of the casino facilities relating to the conduct and monitoring of casino operations;
- Star City Pty Ltd must provide, on request, each participant in any loyalty scheme with statements setting out information concerning their wins from expenditure on, and time spent playing, gaming machines; and
- subject to certain exceptions, Star City Pty Ltd must not publish any advertisement in relation to gaming machines or permit such an advertisement to be published. There are also certain restrictions on casino advertising by Star City Pty Ltd.

Disciplinary action and cancellation

The NSW CLGCA may, in certain circumstances, require Star City Pty Ltd to show cause why disciplinary action should not be taken against it within 14 days after receiving a notice to that effect. The relevant circumstances include where the NSW CLGCA is satisfied that:

- there has been a breach of the NSW Casino Control Act or the NSW Casino Licence;
- the Star City Casino premises are no longer suitable for the conduct of casino operations;
- Star City Pty Ltd is no longer a suitable person to give effect to the NSW Casino Licence; or
- it is no longer in the public interest that the NSW Casino Licence should remain in force.

If the NSW CLGCA determines to take disciplinary action, it may cancel or suspend the NSW Casino Licence, impose a fine (not exceeding \$1 million), amend the terms of the NSW Casino Licence or reprimand Star City Pty Ltd.

Investigation, supervision and audit

The NSW CLGCA may investigate the operations of Star City Casino, Star City Pty Ltd or any person who is, in the opinion of the NSW CLGCA, an associate of Star City Pty Ltd or in a position to affect the exercise of functions in or in relation to Star City Casino. The NSW CLGCA may report the results of its investigations to the Minister responsible for administering the NSW Casino Control Act. The NSW CLGCA may require Star City Pty Ltd or any persons directly or indirectly associated with Star City Pty Ltd to provide information in connection with such investigations.

Inspectors appointed under the *Casino, Liquor and Gaming Control Authority Act 2007* (NSW) also exercise investigative and supervisory powers over the operations of Star City Casino.

Pursuant to section 31 of the NSW Casino Control Act, not later than 3 years after the grant of a casino licence, and thereafter at intervals not exceeding 5 years, the NSW CLGCA is required to investigate and form an opinion as to whether or not:

- the casino operator is a suitable person to continue to give effect to the casino licence and the NSW Casino Control Act; and
- it is in the public interest that the casino licence should continue in force.

The NSW CLGCA is required to report its findings and opinion to the Minister, giving reasons for its opinion, and is required to take whatever action under the NSW Casino Control Act it considers appropriate in light of its findings. Such action may involve (among other things) one or more of the following:

- the cancellation or suspension of the casino licence;
- the imposition of a pecuniary penalty;
- the amendment of the terms or conditions of the licence; or
- the issue of a letter of censure to the casino licensee.

The next investigation pursuant to section 31 of the NSW Casino Control Act in relation to Star City Pty Ltd and the NSW Casino Licence must be completed, and a report submitted to the responsible Minister, by 15 December 2011.

Major changes (including in relation to associates)

It is a condition of the NSW Casino Licence that, except with the prior written approval of the NSW CLGCA, Star City Pty Ltd must not allow a major change in the state of affairs existing in relation to it if it is within Star City Pty Ltd's power to prevent that change. Star City Pty Ltd must also notify the NSW CLGCA in writing of the likelihood of any change in such state of affairs.

A major change in the state of affairs existing in relation to Star City Pty Ltd includes, among other things, any change in the state of affairs which results in a person becoming a close associate of Star City Pty Ltd. Broadly speaking, a person will be a close associate of Star City Pty Ltd if that person holds an interest, power or position in relation to the Star City Casino business such that the person can significantly influence the management or operation of the Star City Casino business.

11.1.2 Queensland Casino Licences

Nature

The casino licence in relation to Jupiters Hotel & Casino was granted to Jupiters Custodian Pty Ltd on 20 November 1985. The casino licence in relation to Jupiters Townsville was granted to Breakwater Island Limited on 14 May 1986. Each of these casino licences is a perpetual licence and remains in force until cancelled or surrendered under the Queensland Casino Control Act.

The casino licence in relation to Treasury Casino & Hotel commenced on 11 April 1995 and is a perpetual licence, though, in effect, it continues for the duration of the special lease relating to the Treasury Casino & Hotel site. The special lease commenced on 11 April 1995 and has a term of 75 years.

The relevant members of the Echo Group holding these licences have also entered into the Queensland Casino Agreements with the State of Queensland in relation to those casinos (see Section 11.2.2). Certain casino games listed in the Queensland Casino Agreements with the State of Queensland can only be played in Queensland in a licensed casino. These games include blackjack, roulette, baccarat, craps, two up, mini dice, wheel of fortune and the machine derivative forms of these games. The Queensland Casino Agreements also permit other gaming machine operations at Jupiters Hotel & Casino, Treasury Casino & Hotel and Jupiters Townsville.

Regulation of the licences

The Queensland Casino Control Act governs the licensing and regulation of casinos in Queensland. This statute requires the State of Queensland to enter into an agreement with the holder of a casino licence that sets out the terms on which the licence is granted. The Queensland Parliament ratifies the agreement, which carries the force of law. It was in accordance with this requirement that the relevant members of the Echo Group and the State of Queensland entered into the Queensland Casino Agreements referred to above and discussed in Section 11.2.2.

The Queensland Casino Control Act sets out various grounds for suspension or cancellation of a casino licence, including:

- breach by the licence holder of the relevant Queensland Casino Agreement;
- the licence holder knowingly providing false information to State regulatory authorities or the Queensland government;
- the licensee, a director or other person associated with the casino operations being judged as not being a suitable person to be associated with the casino; or
- the licensee being insolvent.

Where grounds for suspension or cancellation exist and they are of such a serious and fundamental nature that the integrity of the operation of the casino is jeopardised, or the interest of the public is adversely affected, the licence can be suspended or cancelled. In such circumstances, the relevant licence holder would have an opportunity to show cause why the licence should not be suspended or cancelled. If the licence is not suspended or cancelled, other action can be taken (including the censure of the licensee or the appointment of an administrator to take control of the casino operations).

The Queensland Casino Control Act also contains provisions regulating the operation of casinos which deal with matters such as casino layout, surveillance and security, hours of operation, gaming equipment, internal controls and accounting procedures, and the conduct of games.

Investigation and supervision

Under the Queensland Casino Control Act, the Minister may undertake investigations at any time to satisfy the Governor in Council that Jupiters, the relevant members of the Jupiters Group that hold the Queensland Casino Licences, or any person associated with the Queensland Casino Licences (among others), are suitable persons to be associated or connected with the management and operations of a hotel-casino complex or casino operated pursuant to a Queensland Casino Licence.

A ground for suspension or cancellation will arise in respect of a Queensland Casino Licence if the Governor in Council, following the investigation, concludes that a person associated with that Queensland Casino Licence is not a suitable person to be so associated.

Inspectors appointed under the Queensland Casino Control Act also exercise investigative and supervisory powers over the operations of the casinos operated pursuant to the Queensland Casino Licences.

11. Regulatory framework and key agreements relevant to the Echo Group

11.2 Key regulatory agreements relevant to the Echo Group

11.2.1 Key New South Wales Casino Agreements

Echo Deed (NSW)

In connection with seeking the regulatory approvals necessary to implement the Demerger, it is envisaged that Echo will be required to enter into an agreement with the NSW CLGCA (**Echo Deed (NSW)**) which sets out certain terms and conditions that will apply should the relevant regulatory approvals be forthcoming. In particular, it is envisaged that under the Echo Deed (NSW):

- Echo will agree to adopt a constitution, which contains certain 'entrenched provisions', relating to Echo's interest in the Star City Holdings Group, as described generally in Section 10.10;
- while Echo controls Star City Holdings and Star City Pty Ltd holds a casino licence, Echo will covenant, warrant, represent and undertake to and with the NSW CLGCA in respect of certain matters, including that:
 - Echo will not knowingly permit, without the prior written consent of the NSW CLGCA, a person's voting power in Echo to exceed 10%;
 - Echo will obtain the prior written consent of the NSW CLGCA to the appointment of a director or alternate director of Echo; and
 - Echo will not dispose of any of its interest in the shares of Star City Holdings other than to a person approved in writing by the NSW CLGCA; and
- the NSW CLGCA will direct that the 'controlled contract' provisions of the NSW Casino Control Act are to apply to Echo.

It is also envisaged that the Echo Deed (NSW) will include provisions setting out Echo's right of remedy in respect of a breach of the Echo Deed (NSW) and the NSW CLGCA's rights of termination in respect of the Echo Deed (NSW) (which include requiring Star City Holdings to dispose of shares in itself held by Echo in accordance with the procedures set out in the constitution of Star City Holdings).

Casino Operations Agreement

The NSW CLGCA and Star City Holdings, Star City Pty Ltd and Sydney Harbour Casino Properties Pty Ltd (collectively, the **SCH Group**, and each an **SCH Group Member**) are (among others) parties to the Casino Operations Agreement, dated 14 December 1994 (as amended and restated) (the **COA**).

The COA governs the relationship between the NSW CLGCA and the other parties to the COA during the operation of the Star City Casino.

In particular, the COA sets out certain obligations on the contracting parties in respect of the operation and management of the Star City Casino. It imposes obligations on the contracting parties with respect to their ownership and financial and reporting obligations.

Under the COA (among other things):

- the SCH Group covenants and undertakes to the NSW CLGCA that they shall use their best endeavours to conduct and manage the operations of the Star City Casino at a first class international standard for casinos and casino complexes in general, having regard to the best operating practice, and that the Star City Casino will be conducted in an efficient and commercially fair and reasonable manner and to the standards of highest integrity;
- the SCH Group covenants and undertakes to operate and conduct the Star City Casino in accordance with Star City Holdings' application for a licence under the NSW Casino Control Act and to provide all features, facilities, attractions and services described in that application; and
- Star City Pty Ltd provides certain undertakings in respect of the provision of gaming equipment and to play only games permitted in accordance with the provisions of the NSW Casino Control Act.

Further, the COA contains various restrictions on the ownership and control of each SCH Group Member, including:

- that the NSW CLGCA has the right to approve the appointment of directors of companies in the SCH Group and require their removal;
- that no person shall be entitled to more than 5% of the total number of shares in Star City Holdings on issue at any time without the prior written approval of the NSW CLGCA (in broad terms, a person's 'entitlement' will include shares in which the person has a relevant interest within the meaning of the Corporations Act);
- restrictions regarding the disposal of shares in Star City Pty Ltd by Star City Holdings, without the consent of the NSW CLGCA;
- that the constitutions of the SCH Group cannot be amended without the prior written approval of the NSW CLGCA;
- that the SCH Group cannot, without the prior written approval of the NSW CLGCA, carry on or conduct any business other than the businesses contemplated by or authorised under the COA or any business incidental or complementary with those businesses;
- subject to certain exceptions, Star City Holdings will not in any given 12 month period, issue shares totalling more than 10% of the total number of shares on issue at the commencement of that 12 month period, without the prior written approval of the NSW CLGCA; and
- that, where required by the NSW CLGCA, Star City Holdings will, in accordance with the procedures set out in its constitution, enforce the disposal of shares held by a 'close associate' who is not a suitable person to be concerned with the operation or management of a casino.

CCA Charge

Under a deed of charge dated 21 April 1994 (the **CCA Charge**), each SCH Group Member has given a fixed and floating charge over all its assets and undertaking in favour of the NSW CLGCA.

The CCA Charge secures the payment of all money and the performance of all obligations which the SCH Group Members owe to the NSW CLGCA.

It imposes numerous restrictions on the use to which the charged property can be put, without the NSW CLGCA's prior consent.

In the event that an SCH Group Member does not perform its obligations to the NSW CLGCA, the CCA Charge contains customary enforcement rights exercisable on the occurrence of a defined set of events of default including (without limitation) the right to appoint a receiver, the right to take possession of the charged property, the right to carry on the business of the SCH Group Member and the right to sell all or any of the charged property.

CCA Cross Guarantee

Under a deed of guarantee and indemnity dated 22 April 1994 (the **CCA Cross Guarantee**), each SCH Group Member agrees to irrevocably and unconditionally guarantee to the NSW CLGCA the performance of obligations under certain 'Project Documents' and 'Security' of each of the other SCH Group Members.

The 'Project Documents' include, among others, the COA, the Casino Duty and Responsible Gambling Levy Agreement and certain leases in relation to the Star City Casino premises.

'Security' includes any guarantee, indemnity or contract of suretyship given to the NSW CLGCA to secure the obligations of each SCH Group Member to the NSW CLGCA, including the CCA Charge referred to above.

Liability under the CCA Cross Guarantee is joint and several and the CCA Cross Guarantee continues while any of the obligations and liabilities of an SCH Group Member to the NSW CLGCA remains unsatisfied.

Star City Casino site leases

Sydney Harbour Casino Properties Pty Limited is the registered tenant under a lease granted in its favour by the NSW CLGCA. The lease terminates on 13 December 2093. The land in respect of the lease comprises 5 lots, which together comprise the main site for the Star City Casino (the **Star City Casino Site**).

Sydney Harbour Casino Properties Pty Limited is also the registered tenant of a neighbouring site (the **Switching Station Site**) for the same remaining term as the lease for the Star City Casino Site, upon which a new hotel (including some additional casino space) is being built. The lease, currently registered on title, for the Switching Station Site is called the Switching Station Construction Lease, which annexes the Switching Station Freehold Lease. The Switching Station Construction Lease outlines when and how the Switching Station Freehold Lease will be registered and become the operating lease for the Switching Station Site. The Switching Station Construction Lease is currently the operating lease for the Switching Station Site.

Once the Switching Station Freehold Lease becomes the operating lease, Sydney Harbour Casino Properties Pty Limited will be required to (among other things) pay certain outgoings. The Switching Station Freehold Lease will terminate on 13 December 2093, aligning with the end date of the main site lease.

Under the COA, Sydney Harbour Casino Properties Pty Limited is obliged to refurbish gaming areas at intervals of not more than five years and non-gaming areas at intervals of not more than ten years.

On termination of the leases, improvements need to be demolished if directed by NSW CLGCA at the cost of Sydney Harbour Casino Properties Pty Limited, and to the extent not so directed then title to the improvements made upon the premises reverts to the NSW CLGCA without payment or compensation.

Continuity and Co-operation Agreement

Tabcorp Investments Pty Ltd, each SCH Group Member and the NSW CLGCA are parties to the Continuity and Co-operation Agreement, dated 14 December 1994 (as amended and restated) (the **COCO Agreement**), which, broadly, regulates certain matters in relation to the financing and security structure in respect of the Star City Casino.

The COCO Agreement provides that, among other things:

- Until the CCA Charge has been discharged and all money due or owing by Star City Holdings to the NSW CLGCA has been fully and finally repaid, Tabcorp Investments Pty Ltd (the **Intra-Group Lender**) is not permitted to advance intercompany loans if to do so would exceed an intercompany loan cap that has been agreed with the NSW CLGCA. The Intra-Group Lender is also not permitted to take a number of specified actions, including requiring, demanding or accepting payment of any part of an intercompany loan where to do so would, or would be likely to, give rise to an event of insolvency in relation to Star City Pty Ltd.
- If an SCH Group Member fails to perform an obligation under the COCO Agreement, the agreement provides a mechanism for the notification of such a failure by the NSW CLGCA. Following such notification, the relevant SCH Group Members must rectify the failure in the manner required by the NSW CLGCA. If the relevant SCH Group Members do not adequately rectify the failure, the NSW CLGCA may amend, suspend or cancel the NSW Casino Licence. If the NSW CLGCA elects to suspend or cancel the NSW Casino Licence, Star City Pty Ltd and Sydney Harbour Casino Properties Pty Ltd, respectively, are deemed to have granted the NSW CLGCA the option to acquire:
 - all of the assets and undertaking of Star City Pty Ltd; and
 - the right, title and interest in the Star City Casino site leases held by Sydney Harbour Casino Properties Pty Ltd,

11. Regulatory framework and key agreements relevant to the Echo Group

for a total purchase price equal to the market value of those assets. The COCO Agreement also provides for the NSW CLGCA to appoint a person to manage the Star City Casino.

- In the event Star City Holdings proposes to sell the issued capital in Star City Pty Ltd or Sydney Harbour Casino Properties Pty Ltd, or Sydney Harbour Casino Properties Pty Ltd proposes to sell its interest in the Star City Casino site leases, the NSW CLGCA must be satisfied that the purchaser, in either case, is a suitable person. The SCH Group Members also acknowledge that if the Star City Casino site leases are validly terminated by the NSW CLGCA, the NSW CLGCA shall become the absolute owner of any casino premises on those sites. Additionally, Sydney Harbour Casino Properties Pty Ltd will forfeit all right, title, interest and property in the casino premises on those sites.

Finally, the COCO Agreement sets out a regime for the application of any insurance proceeds received by an SCH Group Member or the NSW CLGCA under an insurance policy taken out as required under arrangements with the NSW CLGCA.

As part of the regulatory approval process in connection with the Demerger, it is envisaged that the COCO Agreement will be further amended so that Tabcorp Investments Pty Ltd will be released from any further obligations under the COCO Agreement and a member of the Echo Group will take the place of Tabcorp Investments Pty Ltd under the COCO Agreement and (together with any other member of the Echo Group who may lend money to Star City Pty Ltd from time to time) will agree to be bound by the COCO Agreement. Further, it is envisaged that the NSW CLGCA will require that certain amendments be made to the COCO Agreement to include certain additional covenants, including restrictions on the ability of Star City Holdings and its subsidiaries to guarantee the financial indebtedness of members of the Echo Group (who are not members of the Star City Holdings Group).

Taxation and levies applicable to Star City Pty Ltd

The State of New South Wales and Star City Pty Ltd are parties to a Casino Duty and Responsible Gambling Levy Agreement and a Casino Taxes Agreement, under which the parties have agreed the manner in which the casino duty and casino responsible gambling levy (previously known as the community benefit levy) is to be paid by Star City Pty Ltd under Part 8 of the NSW Casino Control Act.

The agreements were first entered into on 14 December 1994 and were amended and restated on 26 June 2008 to set out the manner in which the casino duty and casino responsible gambling levy would be calculated and paid during the period of 12 years commencing on 1 July 2008.

The key terms of these agreements are described below.

(A) Casino Duty and Responsible Gambling Levy Agreement

Under the Casino Duty and Responsible Gambling Levy Agreement the parties have agreed that, during the period of 12 years commencing on 1 July 2008, the rates at which the casino duty and responsible gambling levy would be charged would be determined in accordance with the scale set out in the Casino Duty and Responsible Gambling Levy Agreement. By way of exception, however, the State of New South Wales can elect to change the rate of the responsible gambling levy provided there is also a corresponding and 'offsetting' change in the rate of the casino duty. The calculations of the casino duty are also subject to adjustments to reflect changes in the consumer price index.

The Casino Duty and Responsible Gambling Levy Agreement also provides that the New South Wales Treasurer shall review the casino duty and responsible gambling levy applying to Star City Pty Ltd on 1 July 2020. In conducting that review, the Treasurer of New South Wales is required to (among other things):

- provide Star City Pty Ltd with an opportunity to make representations and submissions and give due regard to those representations and submissions;
- give due regard to the financial viability of Star City Pty Ltd and Star City Pty Ltd earning a fair return on capital;
- ensure that any casino duty is calculated by reference to and dependent on receipt of gross revenue; and
- ensure that the duty to be paid under Part 8 of the NSW Casino Control Act does not exceed the equivalent rates of taxes paid by any other holder of a casino licence at a site which is:
 - within 200 kilometres of the Sydney GPO; or
 - anywhere else in New South Wales unless the Treasurer of New South Wales in his absolute discretion decides that the other casino licence holder does not compete, in a material way, with Star City Pty Ltd for customers.

(B) Casino Taxes Agreement

The Casino Taxes Agreement regulates certain matters arising in connection with the Casino Duty and Responsible Gambling Levy Agreement. Pursuant to the Casino Taxes Agreement:

- Star City Pty Ltd is required to insure against loss of anticipated casino duty or responsible gambling levy should Star City Pty Ltd not be able to pay the duties or levies due to loss or destruction of the Star City Casino premises, breakdown or failure of equipment or an outbreak of an infectious disease;
- Star City Pty Ltd provides an indemnity in favour of the NSW CLGCA for any unpaid moneys under the Casino

Duty and Responsible Gambling Levy Agreement or any other moneys not paid by, or which are irrecoverable from, Star City Pty Ltd but which are due under the NSW Casino Control Act;

- Star City Pty Ltd acknowledges that the fixed and floating charge provided to the NSW CLGCA (that is, the CCA Charge) secures, among other things, Star City Pty Ltd's obligations under Part 8 of the NSW Casino Control Act and the Casino Duty and Responsible Gambling Levy Agreement;
- Star City Pty Ltd is required to pay default interest in the event that Star City Pty Ltd defaults in making payment of moneys payable to the NSW CLGCA; and
- a mechanism is established whereby any default under the Casino Taxes Agreement can be considered a breach of a condition of the NSW Casino Licence, thereby giving the NSW CLGCA the rights that apply in the case of a breach of the NSW Casino Licence.

11.2.2 Key Queensland Casino Agreements

Echo Deed (Queensland)

In connection with seeking the regulatory approvals necessary to implement the Demerger, it is envisaged that Echo (and possibly Jupiters) will be required to enter into an agreement with the State of Queensland (**Echo Deed (Queensland)**) which sets out certain terms and conditions that will apply should the relevant regulatory approvals be forthcoming. In particular, it is envisaged that under the Echo Deed (Queensland):

- Echo will agree to adopt a constitution which includes certain 'entrenched provisions' relating to Echo's interest in the Jupiters Group, as described generally in Section 10.10; and
- while Echo controls Jupiters, and Jupiters or a wholly-owned subsidiary of Jupiters holds a Queensland casino licence, Echo will covenant, warrant, represent and undertake to and with the State of Queensland in respect of certain matters, including that:
 - Echo will enforce the disposal of shares in itself held by any person who, in accordance with 'applicable gaming laws of Queensland', is deemed to be an unsuitable person to be associated or connected with the ownership, administration or management of a casino in Queensland;
 - Echo will use reasonable endeavours to procure that a person's voting power in Echo will not exceed 10% without the written consent of the Queensland Minister; and
 - Echo will obtain the prior approval of the Queensland Minister to any appointment of a director or alternate director of Echo.

Queensland Casino Agreements

Jupiters and other relevant members of the Jupiters Group (that hold the Queensland Casino Licences) and the State of Queensland are parties to the Queensland Casino Agreements, which regulate the holding of the Queensland Casino Licences and certain matters concerning the corporate structure of the Jupiters Group.

The Queensland Casino Agreements require Jupiters to, among other things:

- provide copies of its financial accounts to the State of Queensland on a half yearly basis;
- obtain the prior approval of the State of Queensland before:
 - a director is appointed to Jupiters;
 - Jupiters enters into any loan agreement;
 - Jupiters issues any voting shares, non-voting shares or securities convertible into voting shares, except in certain limited circumstances;
 - Jupiters appoints independent auditors; or
 - Jupiters alters its constitution;
- provide or obtain information concerning its shareholders as required by the State of Queensland;
- ensure that no person's voting power (within the meaning of the Corporations Act) in Jupiters exceeds 5% without the prior written approval of the State of Queensland; and
- enforce the disposal of shares held by persons in Jupiters in accordance with Jupiters' constitution, and the vacation of office of any director or associate director of Jupiters in accordance with any direction by the State of Queensland.

Under the Queensland Casino Agreement in respect of the Jupiters Hotel & Casino, Jupiters Custodian Pty Ltd is required to refrain from registering any transfer of units in the Jupiters Trust without the prior approval of the State of Queensland. Jupiters Custodian Pty Ltd (in its capacity as trustee of the Jupiters Trust) owns the Jupiters Hotel & Casino property. Similarly, under the Queensland Casino Agreement in relation to Jupiters Townsville, Breakwater Island Limited is required to refrain from registering any transfer of units in the Breakwater Island Trust without the prior approval of the State of Queensland. Breakwater Island Limited (a wholly owned subsidiary of Jupiters), in its capacity as responsible entity of the Breakwater Island Trust, owns the property on which Jupiters Townsville is situated.

Gold Coast Convention and Exhibition Centre Management Agreement

The key agreement in respect of the Gold Coast Convention and Exhibition Centre is a management agreement between Jupiters and the State of Queensland, under which Jupiters is appointed to manage the Gold Coast Convention and Exhibition Centre as the exclusive agent of the State of Queensland for a term of ten years from the opening of the

11. Regulatory framework and key agreements relevant to the Echo Group

Gold Coast Convention and Exhibition Centre (which occurred in June 2004) with an option for a further ten year term. Jupiters is entitled to receive 1.1% (inclusive of GST) of the Gold Coast Convention and Exhibition Centre's total revenue and 11% (inclusive of GST) of gross operating profit in each year as management fees. Jupiters is also obliged to cover any operating shortfalls. However, if shortfalls occur, they may be recovered out of future operating profits.

Taxes and levies applicable to the Queensland casinos

Each of Jupiters Hotel & Casino, Treasury Casino & Hotel and Jupiters Townsville must pay a casino tax to the Chief Executive (Gaming Regulation) pursuant to Part 5 of the Queensland Casino Control Act.

The amount of casino tax payable is set out in each associated casino agreement that has been entered into by the relevant Jupiters Group entities in connection with each Queensland Casino Licence. The Queensland Government can, under the provisions of the Queensland Casino Control Act, vary the amount of casino tax payable notwithstanding the terms of the associated Queensland Casino Agreements. No compensation is payable by the State of Queensland to the Jupiters Group entities in the event that the amount of casino tax payable is increased.

11.3 Regulatory restrictions relevant to the Echo Group

11.3.1 Shareholding restrictions in Echo

There are a number of restrictions on shareholdings in Echo, and divestiture provisions relating to Echo Shares, which arise due to the requirements of regulatory authorities. These are reflected in the constitution to be adopted by Echo, and are described in Section 10.10.

11.3.2 Additional shareholding restrictions and divestiture provisions relating to the Star City Casino

Due to New South Wales regulatory requirements, there are certain restrictions on shareholdings in Star City Holdings, the immediate parent company of Star City Pty Ltd.

In addition, if the NSW CLGCA determines that a person who holds shares in Star City Holdings or Star City Pty Ltd is not a suitable person to be concerned in or associated with the operation or management of a casino, the NSW CLGCA may notify the relevant shareholder that it requires that shareholder to dispose of all of their shares in Star City Holdings or Star City Pty Ltd (as the case may be), and the applicable company is empowered under the terms of its constitution to enforce, and must enforce, the disposal of the shares in question.

If Echo were to cease to be a suitable person to be concerned in or associated with the operation or management of a casino (for example, by reason of a change in its shareholders, directors or circumstances) the NSW CLGCA could notify Echo that it required it to dispose of shares it held in Star City Holdings, and Star City Holdings would be empowered under its constitution to enforce the disposal.

11.3.3 Additional shareholding restrictions and divestiture provisions relating to the Jupiters Casinos

Due to Queensland regulatory requirements, there are certain restrictions on shareholdings in Jupiters and various subsidiaries of Jupiters.

In addition, if the Queensland Minister issues a notice to one of those companies under applicable Queensland legislation indicating that the member of the Echo Group which holds shares in that company is not or has ceased to be at any time a suitable person to be associated or connected with the ownership, administration or management of the company receiving the notice, that company is empowered under the terms of its constitution to enforce, and must seek to enforce, the disposal of the shares in question.

If Echo were to cease to be a suitable person to be associated or connected with the ownership, administration or management of a member of the Jupiters Group (which is subject to provisions of the type outlined above), by reason (for example) of a change in the shareholders, directors or circumstances of Echo, the Queensland Minister could notify a relevant company in the Jupiters Group and require it to enforce divestiture provisions in its constitution to enforce the disposal of shares held in it by another member of the Echo Group.

12. Regulatory framework and key agreements relevant to the Tabcorp Group

12. Regulatory framework and key agreements relevant to the Tabcorp Group

12.1 Regulatory background applicable to the Tabcorp Group (post Demerger)

A number of licences held by the Tabcorp Group are discussed in this Section 12. For further details of the operations conducted pursuant to these licences, see Sections 6.5, 6.6 and 6.7 of this Scheme Booklet.

12.1.1 Victorian Wagering Licence and Victorian Gaming Licence

Nature

Tabcorp was granted the Victorian Wagering Licence and the Victorian Gaming Licence under the Gaming and Betting Act (which has since been replaced by the Gambling Regulation Act) by the Governor in Council of Victoria on 28 June 1994. Both licences are for a term of eighteen years and are neither transferable nor separable. They are subject to a number of conditions, and will expire on 15 August 2012, unless cancelled.

The Victorian Wagering Licence issued to Tabcorp is the sole licence issued under the Gambling Regulation Act to conduct wagering and approved betting competitions in Victoria (though on-course wagering permits are available and the proprietor of Crown Casino is able to conduct such activities at that venue in limited circumstances and subject to Ministerial approval).

Wagering is defined under the Gambling Regulation Act as pari-mutuel (that is, totalisator) betting on thoroughbred, harness or greyhound races. Approved betting competitions means fixed odds or totalisator betting competitions on any event or contingency approved by the Victorian Minister.

The Victorian Gaming Licence authorises Tabcorp (as one of two authorised licensed participants) to conduct, among other things:

- gaming using electronic gaming machines in licensed clubs and hotels; and
- Club Keno games in licensed clubs and hotels in Victoria, which are conducted through a joint venture arrangement with Tatts Group Limited.

Disciplinary action and cancellation

If the VCGR is satisfied that there has been a breach of:

- a condition of the Victorian Wagering Licence or the Victorian Gaming Licence;
- the betting rules (being rules made in accordance with the Gambling Regulation Act for wagering or approved betting competitions);
- the Gambling Regulation Act or its regulations; or
- any other law relating to wagering or gaming,

and Tabcorp does not remedy the breach or satisfy the VCGR that steps have been taken to ensure that the breach does not occur again, the VCGR may reprimand or impose a fine on Tabcorp.

The Victorian Wagering Licence and Victorian Gaming Licence may only be cancelled by the Supreme Court of Victoria on

an application to it (made with the consent of the Victorian Minister) by the VCGR. Grounds for cancellation include:

- a material breach, or persistent breaches, of any of the items listed in the paragraph above;
- Tabcorp being convicted of an offence which is of sufficient magnitude to warrant cancellation;
- Tabcorp being involved in a scheme or arrangement to avoid paying tax under the Gambling Regulation Act;
- the Supreme Court being satisfied that, on an application under the Corporations Act, it would be required to presume that Tabcorp is insolvent; and
- Tabcorp being an externally administered body corporate within the meaning of the Corporations Act.

The authority to conduct and promote Club Keno games in Victoria may be revoked by the Supreme Court of Victoria (on application by the Victorian Minister) on the ground that the participants (who are Tabcorp and Tatts Group Limited) have wilfully contravened or failed to comply with the applicable provisions of the Gambling Regulation Act or with the applicable authorisation granted by that Act.

Investigation, supervision and audit

While Tabcorp holds the Victorian Wagering Licence and the Victorian Gaming Licence, the VCGR may investigate the conduct of operations under the licences from time to time and report the results of its investigations to the Victorian Minister. The VCGR and inspectors appointed under the Gambling Regulation Act also exercise supervisory powers over the conduct of operations under the Victorian Wagering Licence and the Victorian Gaming Licence.

12.1.2 NSW Totalizator Licences (NSW wagering)

The following describes certain wagering licences held by Tab (which was acquired by and became a member of the Tabcorp Group in the second half of the 2004 calendar year).

(i) NSW Off-Course Totalizator Licence

The NSW Off-Course Totalizator Licence was acquired by Tab on 6 March 1998. It is valid for a period of 99 years, expiring on 6 March 2097. Under the NSW Totalizator Act, no other off-course totalizator licence may be granted to anyone, except Tab, until 2013, unless Tab's licence is cancelled or ceases to have effect before that date. Tab is not required to pay any ongoing licence fees to the New South Wales government in respect of the licence.

The NSW Off-Course Totalizator Licence is not transferable, and is subject to various conditions, including:

- that totalizators may not be conducted in respect of a thoroughbred, harness or greyhound race held in New South Wales if that race is not held on a licensed racecourse;
- that all totalizators and totalizator wagering must be conducted in accordance with the NSW Totalizator Act and other laws regulating wagering activities, the terms of the licence, any directions by the Minister under the NSW

Totalizator Act and the rules of wagering approved under the NSW Totalizator Act; and

- the conditions discussed in Section 12.1.2(iii).

(ii) NSW On-Course Totalizator Licence

The NSW On-Course Totalizator Licence (together with the NSW Off-Course Totalizator Licence, the **NSW Totalizator Licences**) was acquired by Tab on 6 March 1998. It is valid for a period of 99 years, expiring on 6 March 2097. Tab is not required to pay any ongoing licence fees to the New South Wales government in respect of the licence.

The NSW Totalizator Act prevents an on-course totalizator licence being granted to anyone except Tab or a racing club until 2013, unless Tab's licence is cancelled or ceases to have effect before that date. Any on-course totalizator licence granted to a racing club during that period may only authorise the conduct of totalizators on thoroughbred, harness or greyhound races and may not authorise the conduct of totalizators on other sporting events.

The NSW On-Course Totalizator Licence is subject to substantially the same conditions as the NSW Off-Course Totalizator Licence (including those discussed in Section 12.1.2(iii)), as well as certain additional conditions which include that:

- Tab's NSW On-Course Totalizator Licence may be cancelled if Tab ceases to hold the NSW Off-Course Totalizator Licence; and
- prior to conducting an on-course totalizator on any racecourse, Tab must have commercial arrangements in place with the racing club conducting the races at that racecourse.

(iii) Other conditions

Under the NSW Totalizator Act, each of the NSW Totalizator Licences are subject to the following additional conditions:

- that no person has a 'prohibited shareholding interest' (within the meaning of Division 3 of Part 3 of the NSW Totalizator Act) in Tabcorp, Tabcorp being the ultimate holding company of the nominated company within the meaning of section 37A of the NSW Tab Privatisation Act, and therefore the ultimate holding company of Tab (see Section 12.3.3) (the **NSW Totalizator Licences Shareholder Restrictions Condition**). In this regard, a person will have a prohibited shareholding interest in Tabcorp in certain circumstances, including if they hold more than 10% of the total number of voting shares in Tabcorp; and
- that both Tab and Tabcorp have in place, and give effect to, commercial arrangements with NSW Racing (the **NSW Racing Arrangements**) in respect of the NSW Totalizator Licences and the conduct of activities authorised by them. For this condition to be satisfied, NSW Racing must have acknowledged in writing to the NSW Racing Minister that the arrangements are to the satisfaction of NSW Racing. In this regard, Tabcorp, Tab and NSW Racing (amongst other parties) have entered into the Racing Distribution Agreement in satisfaction of this requirement (see Section 12.2.1).

(iv) Disciplinary action in respect of the NSW Totalizator Licences

The NSW Racing Minister may take disciplinary action in respect of a NSW Totalizator Licence if (among other things):

- Tab has contravened (or not taken reasonable precautions to ensure that its contractors do not contravene) a provision of the NSW Totalizator Act or regulations, Tab's rules of wagering, a condition of the licence or a direction by the NSW Racing Minister;
- Tab becomes an externally administered corporation as defined in the Corporations Act; or
- the NSW Racing Minister considers that Tab is no longer a suitable person to give effect to the licence and the NSW Totalizator Act or that it is no longer in the public interest that the licence should remain in force.

Disciplinary action which the NSW Racing Minister could take in these circumstances includes one or more of cancelling or suspending the relevant licence, imposing a fine or issuing a letter of censure. Possible disciplinary action is also discussed in Section 6.11.3 of this Scheme Booklet.

12.1.3 New South Wales keno licence

The keno licence for New South Wales was granted to Jupiters Gaming (NSW) Pty Ltd (a wholly-owned subsidiary of Tabcorp) under the *Public Lotteries Act 1996* (NSW) on 27 June 2007. The licence is jointly held with ClubKeno Holdings Pty Ltd (a wholly owned subsidiary of the Registered Clubs Association of New South Wales (which also uses the name 'Clubs NSW')) and authorises the conduct of games of keno within clubs registered under the *Registered Clubs Act 1976* (NSW), NSW hotels and Star City Casino, provided that those clubs, NSW hotels and Star City Casino have been approved in accordance with the terms of the licence. The licence is due to expire on 1 July 2022.

12.1.4 Queensland keno licence

The licence for Tabcorp's keno operations in Queensland, held by Jupiters Gaming Pty Ltd (**Jupiters Gaming**) (a wholly-owned subsidiary of Tabcorp), was granted in 1997 for a period of 25 years. It authorises the operation of keno in Queensland casinos, clubs, bars/pubs and TAB outlets. Those keno operations are regulated by the *Keno Act 1996* (Qld), the terms of the keno licence and an agreement with the State of Queensland.

The State of Queensland may terminate the licence at the end of the first 10 years of its term, or at the end of the first 20 years of its term, on giving six months' notice of termination. It may also terminate the licence at any time from year ten to year 17 of the licence by giving three years' notice of termination. In each case, upon such termination, the State of Queensland will be liable to pay compensation to Jupiters Gaming.

There are also provisions in the licence which allow the State of Queensland to terminate the keno licence (without paying compensation) following certain defaults. However, in general, Jupiters Gaming will have an opportunity to cure any such defaults.

12. Regulatory framework and key agreements relevant to the Tabcorp Group

There are substantially similar restrictions on Jupiters Gaming in terms of its ability to alter its constitution or have directors appointed to its board, to those restrictions imposed on Jupiters (or other Jupiters Group entities) under the Queensland Casino Agreements (see Section 11.2.2).

See also Sections 12.2.3 and 12.3.1 in relation to arrangements which Tabcorp envisages it will be required to enter into with the State of Queensland in connection with obtaining certain regulatory approvals relevant to the Restructure and the Demerger.

12.1.5 Northern Territory Sports Bookmaking Licence

Luxbet Pty Ltd was granted its 'Licence to Conduct Business of Sports Bookmaker' under the *Racing and Betting Act 1983* (NT) on 17 September 2008. The licence, issued by the Northern Territory Racing Commission (**NTRC**), will expire on 30 June 2015, unless cancelled or suspended before that date.

The licence, which is not transferable, is subject to various standard and special conditions, including:

- Luxbet Pty Ltd is authorised to accept bets on approved sporting events only;
- Bets may be accepted by the telephone, internet, facsimile or any other electronic means approved by the NTRC;
- Luxbet Pty Ltd must comply with the provisions of all laws in force in the Northern Territory including the *Racing and Betting Act 1983* (NT) and the *Racing and Betting Regulations 1984* (NT), the *Unlawful Betting Act 1989* (NT) and the licence conditions; and
- Luxbet Pty Ltd must not make any changes to its share capital and ownership structure without the NTRC's prior approval.

The NTRC may impose sanctions on Luxbet Pty Ltd as the holder of the licence (including by imposing fines, suspending or cancelling the licence) if they are satisfied, among other things, that an offence has been committed against the *Racing and Betting Act 1983* (NT) or if there has been a failure to comply with a licence condition.

12.1.6 Broadcast licences

(i) Sky Channel Pty Ltd

Sky Channel Pty Ltd operates its satellite subscription television service for broadcast in commercial premises (such as hotels, clubs and TAB outlets) under a subscription television narrowcasting licence pursuant to the provisions of the *Broadcasting Services Act 1992* (Cth) (**BSA**). Under the BSA, an individual licence is not issued; rather, the licence operates as a general authority under the BSA for subscription narrowcasting (with no fixed term) according to the licence conditions set out in the BSA. The conditions include compliance with certain program standards and various advertising restrictions and regulations.

The ultimate penalty for breach of the licence is an order that the relevant licence holder cease providing the particular service.

Sky Channel Pty Ltd also holds a number of apparatus/transmitter licences under the *Radiocommunications Act 1992* (Cth) which allow it to operate certain transmitter equipment in association with the service.

(ii) 2KY Broadcasters Pty Limited

2KY Broadcasters Pty Limited (**Sky Sports Radio**) holds a (commercial) broadcasting services bands licence for the Sydney metropolitan area. This licence is renewable with the Australian Communication and Media Authority (**ACMA**) every 5 years.

Sky Sports Radio also retransmits its service on 106 narrowcast licences throughout NSW, 18 of which are leased from third parties and are subject to agreements between those third parties and Sky Sports Radio. All narrowcast licences are renewed annually with ACMA for payment of a licence fee.

There are various content and technical conditions attached to the licences.

12.2 Key regulatory agreements relevant to the Tabcorp Group (post Demerger)

12.2.1 Racing Distribution Agreement

(i) General

Pursuant to section 43(2) of the NSW Totalizator Act, it is a condition of the NSW Totalizator Licences that Tab must have in place, and must give effect to, commercial arrangements with Racingcorp Pty Limited (**NSW Racing**) in respect of the NSW Totalizator Licences and the conduct of activities authorised by them.

The Greyhound Racing Authority, Harness Racing New South Wales and Racing New South Wales (together, the **NSW Racing Controlling Bodies**), Tab and NSW Racing entered into the Racing Distribution Agreement, dated 11 December 1997 in satisfaction of this condition.

As a result of the acquisition of Tab by the Tabcorp Group in 2004, it also became a condition of the NSW Totalizator Licences that both Tab and Tabcorp put in place and give effect to such commercial arrangements as NSW Racing considered necessary to ensure that it was in no less favourable a position under the relevant arrangements in force under section 43(2) of the NSW Totalizator Act than it was under the arrangements that were in force immediately before Tabcorp acquired Tab.

Consequently, following the acquisition of Tab by Tabcorp in 2004, certain amendments were made to the Racing Distribution Agreement to reflect the fact that Tab had become a subsidiary of Tabcorp, including among other things, to make Tabcorp a party to the agreement so that it could assume certain obligations, and receive the benefit of certain covenants, under the agreement. The terms of the Racing Distribution Agreement (as amended) between Tab, Tabcorp, NSW Racing and the NSW Controlling Bodies are described below.

The Racing Distribution Agreement, among other things, provides for:

- NSW Racing to make available to Tab information regarding races to be held in New South Wales; and
- Tab to pay NSW Racing a share of its wagering revenue and wagering earnings (as described below).

Subject to the express terms of the Racing Distribution Agreement, each party has the right to conduct and manage its business as it thinks fit.

(ii) Requirement to act and make decisions in interest of NSW Racing

Under the Racing Distribution Agreement, each of Tab and Tabcorp undertakes to NSW Racing and the NSW Racing Controlling Bodies that it will act and make decisions (to take actions or not to take actions) with the intent of maximising total payments of certain fees payable by Tab to NSW Racing, although this will not oblige Tab or Tabcorp to make or continue to make capital investments if such investments would not provide it with appropriate commercial returns for a business or activity of a similar kind.

In addition, each of Tab and Tabcorp undertakes to NSW Racing and the NSW Racing Controlling Bodies that it will not take any action, or make any decision (to take any action or not to take any action), which could reasonably be expected to materially reduce the total amount of certain fees that otherwise could reasonably have been expected to have been payable by Tab to NSW Racing but for such action or decision, or which could reasonably be expected to materially adversely affect the development of the racing codes in New South Wales.

If any action or decision of Tab or Tabcorp results in a material reduction in the total payments of certain fees that could reasonably have been expected to have been payable to NSW Racing but for such actions or decisions, or results in a material adverse effect on the development of racing in New South Wales that otherwise could reasonably have been expected, Tab and Tabcorp are required, at their cost, to take all steps necessary to alleviate such effect.

Tab and Tabcorp are required to procure that their 'related bodies corporate' and 'associates' from time to time comply with the various obligations to which they are subject.

(iii) NSW racing and coverage program

The Racing Distribution Agreement sets out the minimum number of:

- race meetings that are required to be held in New South Wales for each financial year; and
- annual race meetings in respect of which Tab is required to conduct off course totalizators,

which may, subject to limited exceptions, be varied only by agreement.

The Racing Distribution Agreement also contains a procedure for NSW Racing to determine the New South Wales racing program, and for Tab to determine its coverage for that programme (**Tab Coverage Programme**), for each financial year, over and above the minimum requirements set by the agreement.

NSW Racing is required to supply Tab with certain information in relation to races in New South Wales that form part of the Tab Coverage Programme.

(iv) Fees and other amounts payable by NSW Racing

In broad terms, Tab is required to pay to NSW Racing in accordance with the Racing Distribution Agreement:

- a 'product fee' of 21.9965% of net wagering revenue (calculated as the sum of off-course race receipts, on-course race receipts and other totalizator receipts, in each case less dividends payable to the public (after rounding));
- a wagering incentive fee, being, in any six month period, an amount calculated by reference to 25% of 'wagering earnings' (as defined in the Racing Distribution Agreement),

in each case, where the revenue or earnings are received by Tab under the NSW Totalizator Licences (or under any other New South Wales licence relating to wagering activities (as defined in the Racing Distribution Agreement)).

In addition, the Racing Distribution Agreement provides:

- For an annual fixed product fee to be payable by Tab to NSW Racing. The amount of the annual fixed product fee payable to NSW Racing is \$12 million, indexed to CPI (Sydney), based on dividing the CPI (Sydney) number last published prior to the start of the relevant year by that last published prior to 30 June 2007.
- That any fixed odds wagering on racing by Tab will be subject to NSW Racing's approval and will be subject to a product fee equal to 21.9965% of fixed odds revenue or as otherwise agreed between Tab and NSW Racing.
- For the payment of certain other fees in respect of particular products.

Tab is entitled to deduct both the "product fee" and the "annual fixed product fee" from "wagering earnings" when calculating the wagering incentive fee and therefore Tab will only bear 75% of each of those product fees.

(v) Liability for racing clubs' losses caused by Tab or Tabcorp breach

If Tab or Tabcorp breaches the Racing Distribution Agreement it will be liable to pay damages for any loss or damage incurred by NSW Racing or a NSW Racing Controlling Body as a result of that breach. Each of Tab and Tabcorp has agreed that any such damages will include any loss or damage suffered by racing clubs as a result of any breach of the Racing Distribution Agreement by Tab or Tabcorp (as the case may be) and any compensation payable by a NSW Racing Controlling Body to racing clubs under arrangements they enter into from time to time, including (without limitation) for the distribution of monies paid by Tab or Tabcorp to NSW Racing under the Racing Distribution Agreement.

There is no limit on the potential liability of Tab or Tabcorp in damages in respect of any breach of the Racing Distribution Agreement or on the amount which Tab or Tabcorp (as the case may be) may be required to incur to comply with undertakings it has provided under the Racing Distribution Agreement. Further, Tabcorp can be liable (on an unlimited basis) for any liability

12. Regulatory framework and key agreements relevant to the Tabcorp Group

of Tab under the Racing Distribution Agreement under the guarantee referred to in Section 12.2.1(vii).

(vi) Termination

The Racing Distribution Agreement will continue in force and effect for as long as Tab holds the licences granted under the NSW Totalizator Act.

If Tab ceases to hold a NSW Totalizator Licence, the Racing Distribution Agreement will cease to have any further effect to the extent that it related to the activities which Tab conducted under that licence.

NSW Racing is also entitled to terminate the Racing Distribution Agreement if:

- Tabcorp ceases to be admitted to the official list of the ASX;
- Tabcorp (or one of its wholly owned subsidiaries) ceases to have control of Tab or hold more than 50% of the issued voting shares in Tab;
- Tabcorp (or one of its wholly owned subsidiaries) ceases to be the 'nominated company' for the purposes of section 37A of the NSW Tab Privatisation Act and Tabcorp (or a wholly owned subsidiary of Tabcorp) ceases to be exempt from the application of the NSW Totalizator Act and the NSW Tab Privatisation Act to the extent that it prohibits certain shareholding interests in Tab, including a shareholding in Tab of more than 10% of the total number of voting shares in Tab;
- the NSW Racing Minister serves a suspension notice on Tabcorp or one of its subsidiaries pursuant to section 37A(2) of the NSW Tab Privatisation Act and the period specified in that notice for the relevant event to be cured expires without that notice being revoked in accordance with section 37A(3) of the NSW Tab Privatisation Act;
- the exception in section 37A of the NSW Tab Privatisation Act (and any equivalent provision in any replacement legislation) ceases to be in force and there is no provision in the constitution of, or other legislation applicable to, Tabcorp which would preclude a person from acquiring more than 20% of the voting shares in Tabcorp; or
- certain insolvency-related events occur in relation to Tab or Tabcorp.

(vii) Guarantee

Tabcorp and Tabcorp Investments No.4 Pty Ltd have provided a financial and performance guarantee in respect of Tab's obligations under the Racing Distribution Agreement.

12.2.2 Victorian Joint Venture Agreement and associated arrangements

The Victorian Joint Venture Agreement establishes an unincorporated joint venture between Tabcorp Participant Pty Ltd, a wholly-owned subsidiary of Tabcorp, and VicRacing, and entitles VicRacing to a 25% interest in the income generated from, and the expenses incurred in, Tabcorp's conduct of the activities under the Victorian Wagering Licence

and the Victorian Gaming Licence (which relate to Victorian operations).

A wholly-owned subsidiary of Tabcorp carries out the day to day management of the joint venture in accordance with the terms of the Victorian Joint Venture Agreement, approved operating plans and budgets and the directions of a management committee established under the Victorian Joint Venture Agreement.

Certain assets of the Tabcorp Group are made available for the conduct of the joint venture and the Tabcorp Group employs the employees engaged in the conduct of the joint venture. The actual costs to the Tabcorp Group of providing such assets and the services of the employees are charged to the joint venture.

The Victorian Joint Venture Agreement and the joint venture will terminate automatically if Tabcorp ceases to hold the Victorian Wagering Licence and the Victorian Gaming Licence. In addition, the Victorian Joint Venture Agreement and the joint venture may be terminated:

- by agreement between the joint venturers;
- by a joint venturer on 60 days' notice, if certain insolvency events occur in relation to the other joint venturer; or
- by Tabcorp Participant Pty Ltd on 60 days' notice, if any one or more of the Victoria Racing Club, Moonee Valley Racing Club Inc or the Melbourne Racing Club ceases for at least 90 days to have the right to conduct races and as a result the racing program (see below) is materially affected.

The Victorian Racing Program Agreement and the Victorian Product Supply Agreement are agreements whereby the major Victorian racing bodies have undertaken to provide services and information to the Tabcorp Group, including an annual program of race meetings in Victoria and information required to conduct totalisators in Victoria on racing within the state, interstate and overseas.

Fees payable to Racing Products Victoria Pty Limited for the services under the Victorian Product Supply Agreement are calculated as 18.8% of turnover (less refunds) less dividends paid to bettors (that is, revenue) on totalisator betting on thoroughbred, harness and greyhound racing.

Under the Victorian Racing Program Agreement, Racing Products Victoria Pty Limited receives a minimum payment of \$50 million per annum for the supply of the racing program in Victoria. Under the Victorian Product Supply Agreement, it also receives a minimum of \$2.5 million per annum for developing a marketing program. Both of these payments to Racing Products Victoria Pty Limited are indexed to the growth in off-course net wagering revenue from the 1996/97 financial year. The aggregate Program and Marketing fees total \$89.6 million (including indexation amounts) for the year ended 30 June 2010.

The Victorian Racing Program Agreement and the Victorian Product Supply Agreement will terminate upon termination of the Victorian Joint Venture Agreement.

12.2.3 Proposed agreement with the State of Queensland

In connection with seeking the regulatory approvals necessary to implement the Demerger, it is envisaged that Tabcorp and certain subsidiaries will be required to enter into an agreement with the State of Queensland (**Tabcorp Deed (Queensland)**) which sets out certain terms and conditions that will apply should the relevant regulatory approvals be forthcoming. In particular, it is envisaged that under the Tabcorp Deed (Queensland):

- Tabcorp will agree to use its best endeavours to amend the Tabcorp Constitution to include certain 'entrenched provisions' relating to the Tabcorp Group's interest in Jupiters Gaming Pty Ltd. In essence, these 'entrenched provisions' are expected to replicate the provisions that currently apply in the Tabcorp Constitution in relation to the Tabcorp Group's interests in the Queensland casinos, but will be limited to the keno operations in Queensland; and
- while Tabcorp, or a subsidiary of Tabcorp, holds a Queensland keno licence, Tabcorp will covenant, warrant, represent and undertake to and with the State of Queensland in respect of certain matters, including that (to the extent that it has the capacity to do so):
 - Tabcorp will enforce the disposal of shares in itself held by any person who, in accordance with the *Keno Act 1996* (Qld) (or other applicable laws of Queensland), is deemed to be an unsuitable person to be associated with the ownership or management of Tabcorp or the relevant subsidiary;
 - Tabcorp will use reasonable endeavours to procure that a person's voting power in Tabcorp will not exceed 10% without the written consent of the appropriate decision maker under the *Keno Act 1996* (Qld); and
 - Tabcorp will obtain the prior approval of the appropriate decision maker under the *Keno Act 1996* (Qld) to any appointment of a director or alternate director of Tabcorp.

It is envisaged that a resolution to approve appropriate amendments to the Tabcorp Constitution to address the requirements of the proposed Tabcorp Deed (Queensland) will be put to Tabcorp Shareholders at Tabcorp's next annual general meeting later in 2011. See Section 12.3 for further discussion of those proposed amendments.

12.3 Regulatory restrictions relevant to the New Tabcorp Group

12.3.1 Shareholding restrictions in Tabcorp

There are a number of restrictions on shareholdings in Tabcorp which arise under legislation or due to the requirements of regulatory authorities.

The Gambling Regulation Act contains a regime in relation to approvals that are required before a person becomes an "associate" of a "gambling industry participant". Tabcorp, as

the holder of the Victorian Wagering Licence and the Victorian Gaming Licence, is currently a gambling industry participant. Any Tabcorp Group member that in the future acquires a specified gambling or related licence under the Gambling Regulation Act, will also be a gambling industry participant.

A person will be an associate of a gambling industry participant where (among other things) that person has a share in the capital of that participant and, by virtue of that shareholding, is able to exercise a significant influence over the management or operation of the participant's business. A person may also be an associate if they are a director or secretary of, or other person who takes part in the management of, the gambling business of the gambling industry participant.

The Gambling Regulation Act requires that a gambling industry participant must notify the VCGR in writing if a person is likely to become an associate of the gambling industry participant as soon as practicable after the gambling industry participant becomes aware of the likelihood (or, if a person has become an associate of the gambling industry participant (in respect of whom no approval has been granted), within 7 days after becoming aware that the person has become an associate). The Gambling Regulation Act provides that gambling industry participants must seek prior approval from the VCGR before a person becomes an associate. The VCGR will then make a determination as to whether that person is suitable to be concerned in, or associated with, the gambling business of the gambling industry participant.

The Tabcorp Constitution also requires that a person must not have voting power in Tabcorp of more than 10% without the written consent of the Tab (NSW) Ministers. This requirement only applies during the period (the **Relevant Period for Tab (NSW)**) while Tabcorp or a wholly-owned subsidiary of Tabcorp:

- is the nominated company within the meaning of section 37A of the NSW Tab Privatisation Act (see below); and
- has a relevant interest in more than 10% of the voting shares in Tab or has such relevant interests in voting shares in Tab or such circumstances exist which, in the absence of Tabcorp or a wholly-owned subsidiary of Tabcorp being the nominated company within the meaning of section 37A of the NSW Tab Privatisation Act, would result in Tabcorp having a prohibited shareholding interest (within the meaning of the NSW Totalizator Act) in Tab (see below).

Tabcorp must not knowingly permit a contravention of these prohibitions.

For so long as Tabcorp Shares are the only voting shares in Tabcorp, a person's voting power will be determined in accordance with the following formula:

$$\text{Voting Power} = \frac{\text{Total number of Tabcorp Shares in which the person or the person's associates have a relevant interest}}{\text{Total number of Tabcorp Shares}} \times 100\%$$

12. Regulatory framework and key agreements relevant to the Tabcorp Group

In general terms, a person will have a relevant interest in a Tabcorp Share if the person has the power to control voting in respect of, or the power to control disposal of, the Tabcorp Share, whether or not the person is the registered holder of the share. A relevant interest may exist even if a person has indirect control over voting or disposal of the Tabcorp Share through interconnected shareholdings, company chains or shareholder agreements. A person's associates will be determined in accordance with the relevant provisions in the Gambling Regulation Act, the Corporations Act and the Tabcorp Constitution (as applicable).

There are also restrictions on shareholdings in Tabcorp which relate to the suitability of persons to be associated with particular aspects of the Tabcorp Group's activities. These are discussed below in the context of certain associated divestiture and suspension powers.

As discussed in Section 12.2.3, it is also expected that Tabcorp will be required to use its best endeavours to include certain 'entrenched provisions' in the Tabcorp Constitution, relating to the Tabcorp Group's interest in Jupiters Gaming Pty Ltd. It is expected that these amendments will include a requirement that a person must not have voting power in Tabcorp of more than 10% without the written consent of the appropriate decision maker under the *Keno Act 1996* (Qld). This requirement is only expected to apply while Tabcorp or a subsidiary of Tabcorp holds a keno licence under the *Keno Act 1996* (Qld). It is expected that this requirement will be applied in a similar manner to that which applies in relation to Tab and the Relevant Period for Tab (NSW), as discussed above.

12.3.2 Divestiture of Tabcorp Shares and suspension of voting rights

In order to control persons who are or become "unsuitable" associates of Tabcorp, the Gambling Regulation Act confers certain powers on the Victorian Minister and the Tabcorp Constitution confers certain powers on the Tabcorp Board, an appropriate decision maker for the purposes of the *Keno Act 1996* (Qld) and the Tab (NSW) Ministers, including the following.

(i) Gambling Regulation Act

Under the Gambling Regulation Act, if the VCGR considers that an associate is or has become at any time unsuitable to be concerned in or associated with the gambling business of a gambling industry participant (an **unsuitable associate**), or that the associate has engaged or is engaging in conduct that, in the VCGR's opinion, is unacceptable for a person who is concerned in or associated with that gambling business, then the VCGR may require the associate to terminate their association. If they do not do so, the gambling industry participant may be directed to take all reasonable steps to terminate the association.

The Gambling Regulation Act also provides that, where the Victorian Minister considers that a person is an unsuitable associate of a listed gambling industry participant, the Victorian Minister has the power to declare that that person dispose of the number of shares held that would need to be disposed of in order to cause that person to cease to be an "associate".

If a person fails to dispose of the relevant shares within the period set by the Victorian Minister, the specified shares are forfeited to the State of Victoria. Where Tabcorp Shares are forfeited to the State of Victoria, the VCGR must sell the shares and is not bound by any restriction on the sale of shares contained in the Tabcorp Constitution. It must distribute the net proceeds of the sale to the person from whom the shares were forfeited.

Under the Gambling Regulation Act, the Victorian Minister can require a gambling industry participant or a person who in the opinion of the VCGR is an associate of a gambling industry participant (a **regulated person**) to provide the VCGR with certain information that is relevant to the regulated person, relevant to the gambling business of the gambling industry participant or otherwise required by the VCGR.

(ii) Tabcorp Constitution

Power to obtain information relating to shareholding interests

The Tabcorp Board may, from time to time, and must if directed to do so by a Tab (NSW) Minister, send to a shareholder a pro-forma statutory declaration (in a form approved by the Tabcorp Board). The statutory declaration is to make provision for the recipient to disclose certain information, including in relation to the person's voting power in Tabcorp. When a person is sent a statutory declaration, that person must provide the required information to Tabcorp within the specified time period (being seven calendar days after the declaration is sent to the person, unless the Tabcorp Board sets a longer period).

Where a person who is required to provide a statutory declaration to Tabcorp fails to do so, the voting rights in respect of all the Tabcorp Shares registered in the name of that person (or other Tabcorp Shares as the Tabcorp Board may specify) are suspended until that person has provided the statutory declaration or has ceased to be the registered owner of those shares (whichever is the earlier).

A shareholder who fails to provide a statutory declaration in the form required or within the specified time may be given a notice by the Tabcorp Board. If the statutory declaration in the form required is not provided within 14 calendar days after the date of the notice, the Tabcorp Board may give a further notice to the shareholder requiring the shareholder to dispose of some or all of their Tabcorp Shares within three months.

If the shareholder does not dispose of the Tabcorp Shares as required, the Tabcorp Board is empowered to appoint a person to dispose of the shares. In these circumstances, the net proceeds of the sale of the shares will be paid to the shareholder, provided that the shareholder has delivered to Tabcorp documents or information as may be reasonably required by the Tabcorp Board.

Divestiture provisions relating to breach of shareholding restrictions

In addition to the foregoing, if Tabcorp becomes aware that a person's voting power in Tabcorp exceeds 10% without the approval of the Tab (NSW) Ministers during the Relevant Period for Tab (NSW), it must serve a notice on the holder of

any relevant shares to dispose of the shares which give rise to the breach of the Tabcorp Constitution. At that time, all dividend and voting rights attaching to the relevant shares will be suspended. That holder must dispose of all of the relevant Tabcorp Shares within 30 days after the date of the notice from Tabcorp. If the shareholder does not dispose of the shares as required, Tabcorp is empowered to dispose of the relevant Tabcorp Shares.

As discussed in Section 12.2.3, it is also expected that Tabcorp will be required to use its best endeavours to amend the Tabcorp Constitution to include a requirement (among others) that Tabcorp must take the same action as set out above if Tabcorp becomes aware that a person's voting power in Tabcorp exceeds 10% without the written consent of the appropriate decision-maker under the *Keno Act 1996* (Qld) (if this occurs while Tabcorp or a subsidiary of Tabcorp holds a keno licence under the *Keno Act 1996* (Qld)).

Divestiture provisions relating to the NSW Totalizator Licences

If at any time the Tabcorp Board is of the opinion that the holding of Tabcorp Shares by a shareholder may prejudice the ability of Tabcorp or a subsidiary of Tabcorp to be granted a NSW Totalizator Licence, or result in any NSW Totalizator Licence held by Tabcorp or a subsidiary of Tabcorp being revoked, suspended or made subject to a condition or conditions that would have a material adverse effect on the operations of the relevant licensee, the Tabcorp Board may serve notice on that shareholder requiring the shareholder to dispose of all of its Tabcorp Shares (or such number as the Tabcorp Board may specify) within 30 days after the date of the notice from Tabcorp. The shareholder must dispose of all of the relevant Tabcorp Shares within 30 days after the date of the notice from Tabcorp. If the shareholder does not dispose of the shares as required, Tabcorp is empowered to dispose of the relevant Tabcorp Shares.

Acknowledgements by shareholders

Under the Tabcorp Constitution, all shareholders of Tabcorp acknowledge and recognise that the exercise by the Tabcorp Board of the powers outlined above may cause individual shareholders disadvantage and that they have no right of action against the Tabcorp Board or Tabcorp for any loss or disadvantage incurred by them as a result of the Tabcorp Board exercising these powers.

12.3.3 Additional shareholding restrictions and divestiture provisions relating to Tab

(i) Shareholding restrictions

Subject to the exemption referred to below relating to Tabcorp Investments No.4 Pty Ltd and its related bodies corporate, the NSW Totalizator Act (Division 3 of Part 3) and the NSW Tab Privatisation Act (Division 2 of Part 8) each impose shareholding restrictions which prohibit anyone being entitled to more than 10% of Tab's issued voting shares.

The shares to which a person is entitled is determined generally in the same manner as under the Corporations Law as that law was in force on 6 March 1998.

In broad terms, a person's entitlement includes any shares in which the person or their associate has a 'relevant interest'.

Generally, a person will have a relevant interest in a share if they have power to control the exercise of votes attaching to the share or control the disposal of the share, whether or not they are the registered holder of the share. A relevant interest may exist even though a person has indirect control, through a company or series of companies which they control, over the disposal or the exercise of votes attaching to a share.

(ii) Power to obtain information relating to shareholding restrictions

The NSW Totalizator Act and NSW Tab Privatisation Act enable any director of Tab, Tab's company secretary or the Minister administering the NSW Totalizator Act or the NSW Tab Privatisation Act to require anyone who is entitled to Tab shares (or who they suspect of being entitled to Tab shares) to provide information to determine whether there is any breach of the shareholding restrictions.

The Tab directors may also require information to determine compliance with the shareholding restrictions in accordance with Tab's constitution.

The Tab directors must exercise their powers (whether under the NSW Totalizator Act, the NSW Tab Privatisation Act or the Tab constitution) to require information from a person who the Tab directors have reason to suspect has contravened the shareholding restrictions or is the registered holder of Tab shares to which a person who has contravened the shareholding restrictions is entitled.

(iii) Divestiture provisions relating to breach of shareholding restrictions

Where a person fails to comply with a request for information or contravenes the shareholding restrictions relating to Tab:

- voting and dividend rights attaching to Tab shares to which the applicable person is entitled may be suspended; and
- the registered holder of Tab shares to which the applicable person is entitled may be required to dispose of those Tab shares.

Voting or dividend rights attaching to Tab shares to which an applicable person is entitled may be affected and orders may require the disposal of those Tab shares even though the applicable person is not the registered holder of the Tab shares (for example, voting or dividend rights attaching to Tab shares held by the Tabcorp Group may be affected, or such Tab shares may be required to be divested, even if the applicable person is someone other than a Tabcorp Group member (such as a holder of Tabcorp Shares)).

If the Tab directors form the opinion that a Tab shareholder has contravened the shareholding restrictions or holds Tab shares to which a person who has contravened the shareholding restrictions is entitled, the Tab directors must require the disposal of Tab shares held by the Tab shareholder and suspend the voting and dividend rights attaching to those Tab shares. The number of Tab shares affected is the number of Tab shares which, in the opinion of the Tab directors, would be required to be disposed of so that the shareholding restrictions are no longer contravened.

12. Regulatory framework and key agreements relevant to the Tabcorp Group

The Tab directors must also require the disposal of Tab shares and suspend voting and dividend rights attaching to those Tab shares held by a person who has been given, or in respect of whom Tab has been given, certain notices by the NSW Racing Minister under the NSW Totalizator Act or the NSW Tab Privatisation Act.

(iv) Exemption for the 'nominated company'

Tabcorp Investments No.4 Pty Ltd (being the company which acquired all of the shares in Tab and which was nominated by the NSW Racing Minister as the 'nominated company' under section 37A of the NSW Tab Privatisation Act), and its related bodies corporate, are exempt from the provisions of Division 3 of Part 3 of the NSW Totalizator Act, and the provisions of Division 2 of Part 8 of the NSW Tab Privatisation Act, while the exemption granted to Tabcorp Investments No.4 Pty Ltd, as the 'nominated company', and its related bodies corporate, by section 37A of the NSW Tab Privatisation Act is in force.

Pursuant to section 37A of the NSW Tab Privatisation Act, if the NSW Racing Minister is satisfied that:

- Tabcorp (as the ultimate holding company of Tabcorp Investments No.4 Pty Ltd) is no longer listed on the ASX; or
- there no longer exists, under the law of a jurisdiction other than New South Wales or otherwise, a prohibition on shareholding interests in Tabcorp (as the ultimate holding company of Tabcorp Investments No.4 Pty Ltd) with substantially the same effect as the prohibition on shareholding interests in Tab under Division 2 of Part 8 of the NSW Tab Privatisation Act; or
- Tab is not wholly owned by Tabcorp Investments No.4 Pty Ltd, or is not a subsidiary of Tabcorp Investments No.4 Pty Ltd,

the NSW Racing Minister is to serve a notice (a **suspension notice**) on Tabcorp Investments No.4 Pty Ltd declaring that the exemption granted to Tabcorp Investments No.4 Pty Ltd under section 37A is suspended from the day specified in the notice (being a day not less than 3 months after service of the notice). The NSW Racing Minister is, by further notice served on Tabcorp Investments No.4 Pty Ltd, to revoke the suspension notice and terminate the suspension effected by that notice if, in effect, the relevant event which gave rise to the suspension notice has been rectified.

12.3.4 Other restrictions

Tabcorp will be in breach of the Gambling Regulation Act if a director of Tabcorp or of an operator of the Victorian Wagering Licence or the Victorian Gaming Licence:

- is a director of, or has voting power of 5% or more in, the holder of a casino licence under the *Casino Control Act 1991* (Vic) or the holder of a gaming operator's licence under Division 3 of Part 4 of Chapter 3 of the Gambling Regulation Act or another person that holds a public lottery licence under Division 2 of Part 3 of Chapter 5 of the Gambling Regulation Act; or
- is a trustee of the will and estate of the late George Adams or a beneficiary in that estate.

Further, Tabcorp, its related bodies corporate and its associates (as defined in section 1.4 of the Gambling Regulation Act) are not permitted, among other things:

- to hold a casino licence under the *Casino Control Act 1991* (Vic) or to be employed by, or significantly associated with, the holder of such a licence;
- to hold a gaming operator's licence under Division 3 of Part 4 of Chapter 3 of the Gambling Regulation Act or to be employed by, or significantly associated with, the holder of such a licence (except for the purposes of Chapter 6 of the Gambling Regulation Act, which relates to Club Keno); or
- subject to certain exceptions, to hold a venue operator's licence under the Gambling Regulation Act.

Under its constitution Tabcorp must, during the Relevant Period for Tab (NSW), obtain the written approval of the Tab (NSW) Ministers before disposing of any shares in Tabcorp Investments No.4 Pty Ltd. Tabcorp Investments No.4 Pty Ltd owns all of the shares in Tab, which holds the NSW Totalizator Licences.

Tabcorp and an operator under the Victorian Wagering Licence and the Victorian Gaming Licence are required to notify the VCGR of any change which results in a person becoming an associate of either of them and the approval of the VCGR may be required before such a change occurs.

13. Glossary

13. Glossary

The meanings of the terms used in the document are set out below, unless the context requires otherwise.

Term	Meaning
\$, A\$ or AUD	Australian dollars
\$m	million Australian dollars
ACMA	the meaning given in Section 12.1.6(ii)
AEST	Australian Eastern Standard Time
Applicable Gaming Law of Queensland	each of the <i>Casino Control Act 1982</i> (Qld), the <i>Jupiters Casino Agreement Act 1983</i> (Qld), the <i>Brisbane Casino Agreement Act 1992</i> (Qld), the <i>Breakwater Island Casino Agreement Act 1984</i> (Qld) and the <i>Gaming Machine Act 1991</i> (Qld), as amended from time to time
ASIC	the Australian Securities and Investments Commission
ASX	ASX Limited (ABN 98 008 624 691) or, as the case requires, the financial market operated by it
ASX Settlement Operating Rules	the operating rules of the settlement facility provided by ASX Settlement Pty Ltd (ABN 49 008 504 532)
ATO	the Australian Taxation Office
Business Day	any day that is both a Business Day within the meaning given in the Listing Rules and a day that banks are open for business in Melbourne, Australia
Capital Reduction	an equal reduction of the share capital of Tabcorp by an aggregate amount of \$2,219,808,249
Capital Reduction Resolution	the ordinary resolution to approve the Capital Reduction, to be considered by Tabcorp Shareholders at the General Meeting, the form of which is set out in the Notice of General Meeting
Casinos Business	the casinos business and assets currently owned by Tabcorp, as more fully described in Section 5
CCA Charge	the meaning given to that term in Section 11.2.1
CGT	Australian capital gains tax
CHESS	the clearing house electronic sub-register system of share transfers operated by ASX Settlement Pty Limited (ABN 49 008 504 532)
Constitution Amendment Resolution	the special resolution to approve amendments to the Tabcorp Constitution relating to the payment of dividends by Tabcorp, to be considered by Tabcorp Shareholders at the General Meeting, the form of which is set out in the Notice of General Meeting
Corporations Act	the <i>Corporations Act 2001</i> (Cth)
Corporations Regulations	the <i>Corporations Regulations 2001</i> (Cth)
Court	the Supreme Court of Victoria
CY	calendar year
Demerger	the proposed demerger of Echo from Tabcorp, to be implemented through the Capital Reduction and the Scheme in the manner more fully described in this Scheme Booklet
Demerger Date	the date of implementation of the Demerger and the transfer of Echo Shares to Eligible Shareholders pursuant to the Scheme, which is expected to be Wednesday, 15 June 2011, or such other date as determined by the Tabcorp Board
Demerger Deed	the deed of that name entered into by Tabcorp and Echo on 14 April 2011, as summarised in Section 10.12.3
Demerger Entitlement	in relation to a Scheme Shareholder, means the total amount allocated to that Scheme Shareholder in accordance with the Capital Reduction Resolution in respect of the Tabcorp Shares held by that Scheme Shareholder as at the Scheme Record Date, to be applied towards the transfer of one Echo Share for each Tabcorp Share held by that Scheme Shareholder as at the Scheme Record Date
Demerger Implementation Deed	the deed of that name entered into by Tabcorp and Echo on 14 April 2011, as summarised in Section 10.12.2
Demerger Resolutions	the resolutions to be voted on by Tabcorp Shareholders to approve the Demerger, being the Capital Reduction Resolution and the Scheme Resolution
DRP	dividend reinvestment plan

Term	Meaning
EBIT	earnings before interest and taxation
EBITDA	earnings before interest, taxation, depreciation, amortisation and impairment
EBT	electronic betting terminal
Echo	Echo Entertainment Group Limited (ABN 85 149 629 023) and, where the context requires, includes Echo Entertainment Group Limited and the other members of the Echo Group
Echo Board	the board of directors of Echo, from time to time
Echo Constitution	the constitution proposed to be adopted by Echo, as described in Section 10.10
Echo Deed Poll	the deed poll dated 14 April 2011, executed by Echo in favour of the Scheme Shareholders, as set out in Annexure B
Echo Director	a member of the Echo Board immediately following the Effective Date, or from time to time following the Effective Date, as the context requires
Echo Group	Echo and its subsidiaries and other controlled entities and includes any body corporate or entity that will be a subsidiary or controlled entity of Echo immediately prior to implementation of the Demerger
Echo Share	a fully paid ordinary share in the capital of Echo
Echo Share Register	the register of members of Echo maintained by or on behalf of Echo in accordance with section 168(1) of the Corporations Act
Echo Share Registry	Link Market Services Limited (ABN 54 083 214 537)
Echo Shareholder	a person registered in the Echo register as the holder of Echo Shares
Echo Syndicated Facility	has the meaning given to that term in Section 4.1.5
Effective	when used in relation to the Scheme, means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme
Effective Date	the date on which the Scheme becomes Effective
EGM	electronic gaming machine
Eligible Shareholder	a Scheme Shareholder whose address as shown in the Tabcorp Share Register (as at the Scheme Record Date) is in Australia or any of its external territories, or in the Bahamas, or in any of the Canadian Provinces of Alberta, Ontario, Quebec, British Columbia, Saskatchewan or Newfoundland, or in Hong Kong (where Tabcorp is satisfied, acting reasonably, either that the Scheme Shareholder is a 'professional investor' within the meaning of the Securities and Futures Ordinance of Hong Kong, or that the total number of Scheme Shareholders whose addresses as shown in the Tabcorp Share Register (as at the Scheme Record Date) are in Hong Kong does not exceed 50), or in New Zealand, or in Singapore, or in Switzerland, or in the United Kingdom, or in the United States of America, or in any other place where Tabcorp is satisfied, acting reasonably, that the laws of that place permit the transfer of Echo Shares to that Scheme Shareholder pursuant to the Scheme, either unconditionally or after compliance with conditions that Tabcorp in its sole discretion regards as acceptable and not unduly onerous or impracticable
F&B	food and beverage
First Court Hearing	the hearing of the application made to the Court for orders under section 411(1) of the Corporations Act to convene the Scheme Meeting
FY	financial year
Gambling Regulation Act	<i>Gambling Regulation Act 2003</i> (Vic)
Gaming and Betting Act	the <i>Gaming and Betting Act 1994</i> (Vic), which has been repealed
General Meeting	the general meeting of Tabcorp Shareholders convened to consider the Capital Reduction Resolution and the Constitution Amendment Resolution
GDP	gross domestic product
General Meeting Proxy Form	the white proxy form for the General Meeting accompanying this Scheme Booklet (or any replacement or substitute proxy form)
Grant Samuel	Grant Samuel & Associates Pty Ltd (ABN 28 050 036 372)

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Term	Meaning
Incentive Plans	Tabcorp's Deferred Share Plan, Short Term Performance Plan and Long Term Performance Plan
Independent Expert	Grant Samuel
Independent Expert's Report	the report of the Independent Expert (a concise version of which is set out in Section 9 and a copy of the full version of which can be obtained by calling the Tabcorp Shareholder Information Line on 1300 880 923 (within Australia) or +61 2 8280 7504 (from outside Australia) from 8.30am to 5.30pm (AEST) Monday to Friday, or from Tabcorp's website at www.tabcorp.com.au), and any update to such report that the Independent Expert issues
Ineligible Overseas Shareholder	a Scheme Shareholder other than an Eligible Shareholder
Investigating Accountant	Ernst & Young Transaction Advisory Services Limited (ABN 87 003 599 844) (AFSL 240585)
Investigating Accountant's Report	the report of the Investigating Accountant set out in Section 8
Jupiters	Jupiters Limited (ABN 78 010 741 045)
Jupiters Group	Jupiters and its subsidiaries and other controlled entities
Jupiters Hotel & Casino	the hotel and casino complex operated at Broadbeach Island, Queensland in respect of which Jupiters Custodian Pty Ltd (ABN 64 067 888 680) has been issued a casino licence under the Queensland Casino Control Act
Jupiters Townsville	the hotel and casino complex operated at Townsville, Queensland in respect of which Breakwater Island Limited (ABN 80 010 271 691) has been issued a casino licence under the Queensland Casino Control Act
Listing Rules	the Listing Rules of ASX
LTI	long-term incentive
LTPP	the Long Term Performance Plan to be established by Echo, as described in Section 5.12.6
Meetings	the Scheme Meeting and the General Meeting
MGF	main gaming floor
MTGMs	multi terminal gaming machines
New Tabcorp	Tabcorp and, where the context requires, its subsidiaries and other controlled entities, following the Demerger Date
New Tabcorp Board	the board of directors of New Tabcorp from time to time, following the Demerger Date
New Tabcorp Businesses	the wagering, gaming and keno businesses and assets currently owned by Tabcorp, as more fully described in Section 6
New Tabcorp Director	a director of New Tabcorp from time to time following the Demerger Date
New Tabcorp Group	New Tabcorp and its subsidiaries and other controlled entities from time to time
Notice of General Meeting	the notice of meeting set out in Annexure D
Notice of Scheme Meeting	the notice of meeting set out in Annexure C
NPAT	net profit after tax
NSW	New South Wales, Australia
NSW Casino Control Act	<i>Casino Control Act 1992</i> (NSW)
NSW Casino Licence	the licence issued to Star City Pty Ltd (ABN 25 060 510 410) and in force under Part 2 of the NSW Casino Control Act to operate a casino
NSW CLGCA	the Casino, Liquor and Gaming Control Authority, a statutory corporation constituted by the <i>Casino, Liquor and Gaming Control Authority Act 2007</i> (NSW)
NSW Off-Course Totalizator Licence	the licence granted to Tab under the NSW Totalizator Act to conduct in New South Wales: <ul style="list-style-type: none"> (a) off course totalizators on thoroughbred, harness and greyhound races held anywhere in the world; and (b) off-course totalizators and fixed odds wagering on permitted sportsbetting events (including thoroughbred, harness and greyhound races)

Term	Meaning
NSW On-Course Totalizator Licence	the licence granted to Tab under the NSW Totalizator Act to conduct in New South Wales: (a) on-course totalizators on thoroughbred, harness and greyhound races held anywhere in the world; (b) on-course totalizators and fixed odds wagering on permitted sportsbetting events (including thoroughbred, harness and greyhound racing)
NSW Racing	Racingcorp Pty Limited (ABN 32 080 959 495)
NSW Racing Minister	the Minister responsible for administering the NSW Totalizator Act
NSW Tab Privatisation Act	the <i>Totalizator Agency Board Privatisation Act 1997</i> (NSW)
NSW Totalizator Act	the <i>Totalizator Act 1997</i> (NSW)
NSW Totalizator Licences	the NSW Off-Course Totalizator Licence and the NSW On-Course Totalizator Licence
Official List	the official list of entities that ASX has admitted and not removed
Performance Interests	Performance Options and Performance Rights
Performance Options	options issued pursuant to Tabcorp's Long Term Performance Plan, as described in Section 4.11
Performance Rights	rights issued pursuant to Tabcorp's Long Term Performance Plan, as described in Section 4.11
Queensland Casino Agreements	(a) the agreement dated 21 April 1983 between Jupiters, Jupiters Custodian Pty Ltd and the State of Queensland in relation to Jupiters Hotel & Casino (as amended); (b) the agreement dated 6 May 1993 between Jupiters and the State of Queensland in relation to Treasury Casino & Hotel (as amended); and (c) the agreement dated 27 November 1984 between the State of Queensland and the trustee of the Breakwater Island Trust and Breakwater Island Limited in relation to Jupiters Townsville, as replaced by the agreement entitled 'Replacement Agreement' which was attached to the agreement entitled 'Proposed Further Agreement for Breakwater Island Casino Agreement Amendment Act 2006', dated 2006, between the State of Queensland, Jupiters and Breakwater Island Limited
Queensland Casino Control Act	<i>Casino Control Act 1982</i> (Qld)
Queensland Casino Licences	the casino licences granted to members of the Jupiters Group under the Queensland Casino Control Act in respect of the Jupiters Hotel & Casino, Treasury Casino & Hotel and Jupiters Townsville
Queensland Minister	the Treasurer of Queensland or other Minister of the Crown in right of the State of Queensland for the time being charged with administration of the Queensland Casino Control Act
Racing Distribution Agreement	means the agreement described in Section 12.2.1
Related Body Corporate	the meaning given to that term in the Corporations Act
relevant interest	the meaning given to that term in the Corporations Act
Relevant Period for NSW	the meaning given in Section 10.10.1
Relevant Period for Queensland	the meaning given in Section 10.10.1
Relevant Queensland Decision Makers	the Queensland Governor in Council and the Minister responsible for the Queensland Casino Control Act and the <i>Keno Act 1996</i> (Qld)
Restructure	the internal corporate restructure to be undertaken by Tabcorp prior to the Demerger Date described in Section 10.12.1
Sale Agent	the person nominated by Tabcorp to sell the Echo Shares that are attributable to Ineligible Overseas Shareholders under the Scheme, as described in Section 4.10
Scheme	a scheme of arrangement under Part 5.1 of the Corporations Act between Tabcorp and Tabcorp Shareholders substantially in the form set out in Annexure A or in such other form as Tabcorp and Echo agree in writing

13. Glossary

Term	Meaning
Scheme Booklet	this document, which includes the Scheme, the Echo Deed Poll, the explanatory statement for the Scheme, the Notice of Scheme Meeting and the Notice of General Meeting
Scheme Meeting	the meeting of Tabcorp Shareholders ordered by the Court to be convened in relation to the Scheme pursuant to section 411(1) of the Corporations Act
Scheme Proxy Form	the blue proxy form for the Scheme Meeting accompanying this Scheme Booklet (or any replacement of substitute proxy form)
Scheme Record Date	7pm (AEST) on the date which is the fifth Business Day after the Effective Date
Scheme Resolution	the resolution to approve the Scheme, to be considered by Tabcorp Shareholders at the Scheme Meeting, the form of which is set out in the Notice of Scheme Meeting
Scheme Share	each Tabcorp Share on issue as at the Scheme Record Date
Scheme Shareholder	each person registered in the Tabcorp Share Register as the holder of Scheme Shares as at the Scheme Record Date
Second Court Hearing	the hearing of the application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme
Sky Channel	Sky Channel Pty Ltd (ABN 77 009 136 010) or, as the context requires, the racing telecast broadcast by that company
Star City Casino	the casino operated at Pyrmont Bay, New South Wales in respect of which Star City Pty Ltd has been issued the NSW Casino Licence
Star City Cross Guarantee	has the meaning given in Section 4.3.3
Star City Holdings	Star City Holdings Limited (ABN 71 064 054 431)
Star City Holdings Group	Star City Holdings and its subsidiaries (including Star City Pty Ltd (ABN 25 060 510 410) and Sydney Harbour Casino Properties Pty Limited (ABN 94 050 045 120))
STI	short-term incentive
STPP	the Short Term Performance Plan to be established by Echo, as described in Section 5.12.6
subsidiary	the meaning given to that term in the Corporations Act
Tab	Tab Limited (ABN 17 081 765 308)
Tab (NSW) Ministers	both of the following Ministers: (a) the Minister as defined in the NSW Tab Privatisation Act; and (b) the Minister responsible for administering the NSW Totalizator Act
Tabcorp	Tabcorp Holdings Limited (ABN 66 063 780 709) and, where the context requires, includes Tabcorp Holdings Limited and the other members of the Tabcorp Group
Tabcorp Board	the board of directors of Tabcorp from time to time
Tabcorp Bonds	variable rate, unsecured notes issued by Tabcorp under the prospectus dated 1 April 2009
Tabcorp Constitution	the constitution of Tabcorp from time to time
Tabcorp Director	a director of Tabcorp
Tabcorp Group	Tabcorp and its subsidiaries and other controlled entities from time to time
Tabcorp Share	a fully paid ordinary share in the capital of Tabcorp
Tabcorp Share Register	the register of members of Tabcorp maintained by or on behalf of Tabcorp in accordance with section 168(1) of the Corporations Act
Tabcorp Share Registry	Link Market Services Limited (ABN 54 083 214 537)
Tabcorp Shareholder	a registered holder of a Tabcorp Share
Tabcorp Shareholder Benefits Scheme	the shareholder benefits scheme which entitles Tabcorp Shareholders to special rates and discounts at Tabcorp's casino properties, and free general admission entry to nominated thoroughbred, harness and greyhound racing events
Target NPAT	Echo's target normalised net profit after tax before non recurring items
TGS	Tabcorp Gaming Solutions, as described in Section 6.6

Term	Meaning
Trackside	the computer simulated racing product which offers wagering or betting on visual representations of racing which is marketed by the Tabcorp Group under the name 'Trackside'
Trading Day	the meaning given to that term in the Listing Rules
Transitional Services Agreement	has the meaning given in Section 10.12.5
Treasury Casino & Hotel	the hotel and casino complex operated at Brisbane, Queensland in respect of which Jupiters has been issued a casino licence under the Queensland Casino Control Act
TVN	has the meaning given in Section 6.5.5
United States	the United States of America
US Notes	has the meaning given in Section 4.1.5
US Securities Act	US Securities Act of 1933, as amended
VCGR	Victorian Commission for Gambling Regulation
VicRacing	VicRacing Pty Ltd (ABN 59 064 067 849)
Victorian Gaming Licence	the gaming licence granted to Tabcorp under Part 3 of Chapter 4 of the Gambling Regulation Act (which licence was originally granted under the Gaming and Betting Act and was taken to be granted under the Gambling Regulation Act upon the commencement of that Act)
Victorian Joint Venture Agreement	the agreement dated 25 May 1994 between Tabcorp, VicRacing and certain subsidiaries of Tabcorp providing for the establishment and conduct of an unincorporated joint venture between Tabcorp Participant Pty Ltd and VicRacing
Victorian Keno Licence	the licence to conduct keno games under Chapter 6A of the Gambling Regulation Act
Victorian Minister	means the Minister of the Crown in right of the State of Victoria for the time being charged with the administration of the Gambling Regulation Act
Victorian Product Supply Agreement	the agreement dated 25 May 1994 between Tabcorp, VicRacing, Racing Products Victoria Pty Limited and certain subsidiaries of Tabcorp providing for the supply of certain information relating to thoroughbred, harness and greyhound racing and the establishment and operation of a marketing program for the Victorian Racing Industry
Victorian Racing Industry	the thoroughbred, harness and greyhound racing clubs established in Victoria
Victorian Racing Program Agreement	the agreement dated 25 May 1994 between Tabcorp, VicRacing, Racing Products Victoria Pty Ltd and certain subsidiaries of Tabcorp providing for the establishment and operation of a program of race meetings and races in Victoria
Victorian Wagering and Betting Licence	the licence to conduct (among other things) wagering and approved betting competitions as described in section 4.3A.1 of the Gambling Regulation Act
Victorian Wagering Licence	the wagering licence granted to Tabcorp under Part 3 of Chapter 4 of the Gambling Regulation Act (which licence was originally granted under the Gaming and Betting Act and was taken to be granted under the Gambling Regulation Act upon the commencement of that Act)
VWAP	volume weighted average price

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Annexure A Scheme



Annexure A – Scheme

Scheme of Arrangement

Pursuant to section 411 of the *Corporations Act 2001* (Cth)

Between	Tabcorp Holdings Limited (ABN 66 063 780 709) of 5 Bowen Crescent, Melbourne, Victoria 3004, Australia (<i>Tabcorp</i>). The holders of fully paid ordinary shares in Tabcorp Holdings Limited.
And	
Recitals	
A	Tabcorp is a public company limited by shares incorporated in Australia, and has been admitted to the official list of ASX.
B	Echo is a public company limited by shares incorporated in Australia, and has applied for admission to the official list of ASX.
C	Tabcorp and Echo have entered into the Implementation Deed, pursuant to which, among other things, Tabcorp has agreed to propose the Scheme to Tabcorp Shareholders, and each of Tabcorp and Echo has agreed to take certain steps to give effect to the Scheme.
D	If the Scheme becomes Effective, then: <ul style="list-style-type: none"> (a) Tabcorp will reduce its share capital in accordance with the Capital Reduction Resolution; (b) Tabcorp will apply the Distribution Entitlement of each Scheme Participant on behalf of that Scheme Participant as consideration for the transfer of Echo Shares to the Scheme Participant or the Sale Agent (as applicable); (c) Echo will enter the name and address of the relevant Scheme Participants and the Sale Agent in the Echo Register as the holders of the Echo Shares; and (d) Echo will cease to be a subsidiary of Tabcorp.
E	Echo has entered into the Echo Deed Poll for the purpose of covenanting in favour of the Scheme Participants that it will observe and perform the obligations contemplated of it under the Scheme.

1. Definitions and Interpretation

1.1 Definitions

In this document, the following definitions apply unless the context requires otherwise.

ASX means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as 'ASX' operated by it.

ASX Listing Rules means the official listing rules of ASX from time to time and as modified by any express written waiver given by ASX.

Business Day means any day that is each of the following:

- (a) a Business Day within the meaning given in the ASX Listing Rules; and
- (b) a day that banks are open for business in Melbourne, Victoria.

Capital Reduction means the equal reduction of the share capital of Tabcorp by an aggregate amount of \$2,219,808,249.

Capital Reduction Resolution means an ordinary resolution of Tabcorp Shareholders pursuant to section 256C(1) of the Corporations Act to approve the Capital Reduction.

CHESS means the Clearing House Electronic Subregister System for the electronic transfer of securities.

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

Court means the Supreme Court of Victoria.

Demerger Date means the second Business Day after the Scheme Record Date, or such other date as Tabcorp and Echo may agree in writing or as may be required by ASX.

Distribution Entitlement means, in relation to a Scheme Participant, the total amount allocated to that Scheme Participant in accordance with the Capital Reduction Resolution in respect of the Scheme Shares held by that Scheme Participant at the Scheme Record Date.

Echo means Echo Entertainment Group Limited (ABN 85 149 629 023).

Echo Deed Poll means the Deed Poll dated 14 April 2011 provided by Echo in favour of the Scheme Participants.

Echo Register means the register of members of Echo maintained by or on behalf of Echo in accordance with section 168(1) of the Corporations Act.

Echo Share means a fully paid ordinary share issued in the capital of Echo.

Echo Share Registry means Link Market Services Limited (ABN 54 083 214 537) of Level 1, 333 Collins Street, Melbourne, Victoria 3000, Australia.

Effective means, when used in relation to the Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

Eligible Shareholder means a Scheme Participant whose address as shown in the Tabcorp Register (as at the Scheme Record Date) is in Australia or any of its external territories, or in the Bahamas, or in any of the Canadian Provinces of Alberta, Ontario, Quebec, British Columbia, Saskatchewan or Newfoundland, or in Hong Kong (where Tabcorp is satisfied, acting reasonably, either that the Scheme Participant is a 'professional investor' within the meaning of the Securities and Futures Ordinance of Hong Kong, or that the total number of Scheme Participants whose addresses as shown in the Tabcorp Register (as at the Scheme Record Date) are in Hong Kong does not exceed 50), or in New Zealand, or in Singapore, or in Switzerland, or in the United Kingdom, or in the United States of America, or in any other place where Tabcorp is satisfied, acting reasonably, that the laws of that place permit the transfer of Echo Shares to that Scheme Participant pursuant to the Scheme, either unconditionally or after compliance with conditions that Tabcorp in its sole discretion regards as acceptable and not unduly onerous or impracticable.

Implementation Deed means the Demerger Implementation Deed dated 14 April 2011 between Tabcorp and Echo.

Ineligible Overseas Shareholder means a Scheme Participant other than an Eligible Shareholder.

Sale Agent means a person nominated by Tabcorp to sell the Echo Shares that are attributable to Ineligible Overseas Shareholders under the terms of the Scheme (and/or a nominee of that person that is a subsidiary of that person).

Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between Tabcorp and Tabcorp Shareholders as set out in this document, subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act and agreed to by Tabcorp and Echo.

Scheme Booklet means the explanatory memorandum despatched by Tabcorp to Tabcorp Shareholders in connection with the Scheme and the Capital Reduction, containing, among other things, the explanatory statement relating to the Scheme as required by Part 5.1 of the Corporations Act and all relevant information in respect of the Capital Reduction as required by Part 2J.1 of the Corporations Act.

Scheme Meeting means the meeting of Tabcorp Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act in relation to the Scheme, and includes any adjournment of that meeting.

Scheme Participant means each person who is registered in the Tabcorp Register as a holder of Scheme Shares as at the Scheme Record Date.

Scheme Record Date means 7pm on the fifth Business Day after the Effective Date, or such other date as may be agreed in writing between Tabcorp and Echo or as may be required by ASX.

Scheme Shares means the Tabcorp Shares on issue as at the Scheme Record Date.

Scheme Transfer means a proper instrument of transfer of Echo Shares for the purposes of the Corporations Act, which may be a master transfer of all or part of all of the Echo Shares.

Second Court Date means the first day of the hearing of an application made to the Court by Tabcorp for orders pursuant to section 411(4)(b) of the Corporations Act approving the Scheme or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Tabcorp Board means the board of directors of Tabcorp.

Tabcorp Register means the register of members of Tabcorp maintained by or on behalf of Tabcorp in accordance with section 168(1) of the Corporations Act.

Annexure A – Scheme

Tabcorp Share means a fully paid ordinary share issued in the capital of Tabcorp.

Tabcorp Share Registry means Link Market Services Limited (ABN 54 083 214 537) of Level 1, 333 Collins Street, Melbourne, Victoria 3000, Australia.

Tabcorp Shareholder means a person who is registered in the Tabcorp Register as a holder of Tabcorp Shares from time to time.

1.2 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 also applies.
- (b) A gender includes all genders.
- (c) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (d) A reference to a person includes a corporation, trust, partnership, unincorporated body or other entity, whether or not it comprises a separate legal entity.
- (e) A reference to a clause is a reference to a clause of this document.
- (f) A reference to an agreement or document (including a reference to this document) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this document or that other agreement or document.
- (g) A reference to a person includes the person's successors, permitted substitutes and permitted assigns (and, where applicable, the person's legal personal representatives).
- (h) 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.
- (i) A reference to \$ is to Australian currency.
- (j) A reference to time is to local time in Melbourne, Victoria, Australia.
- (k) If the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing must be done on the immediately succeeding Business Day.
- (l) Mentioning anything after *includes*, *including*, *for example*, or similar expressions, does not limit what else might be included.
- (m) Words and phrases not specifically defined in this document have the same meanings (if any) given to them in the Corporations Act.

2. Conditions Precedent

The Scheme is conditional upon, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) as at 8am on the Second Court Date, each of the conditions precedent set out in clause 3.1 of the Implementation Deed (other than the condition precedent relating to the approval of the Court, and the satisfaction of any conditions made or required by the Court, set out in clause 3.1(e) of the Implementation Deed) has been satisfied or waived in accordance with the Implementation Deed;
- (b) as at 8am on the Second Court Date, the Implementation Deed has not been terminated;
- (c) the Court makes orders approving the Scheme under section 411(4)(b) of the Corporations Act, including with such alterations made or required by the Court under section 411(6) of the Corporations Act as are acceptable to Tabcorp and Echo;
- (d) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to the Scheme as are acceptable to Tabcorp and Echo have been satisfied; and
- (e) the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act approving the Scheme come into effect, pursuant to section 411(10) of the Corporations Act.

3. Scheme Becoming Effective

The Scheme will take effect on and from the Effective Date.

4. Implementation of the Scheme

4.1 Capital Reduction

On the Demerger Date:

- (a) Tabcorp will reduce its share capital in accordance with the Capital Reduction Resolution; and
- (b) each Scheme Participant will be obliged to apply, and Tabcorp will apply on behalf of each Scheme Participant, the Distribution Entitlement of that Scheme Participant in accordance with clause 4.2.

4.2 Entitlements of Scheme Participants

The Distribution Entitlement of each Scheme Participant will, on the Demerger Date, be applied (without the need for any further action by a Scheme Participant, other than any acts performed by Tabcorp or any of its directors and officers as attorney and agent for Scheme Participants under the Scheme) as follows:

- (a) for each Eligible Shareholder, by Tabcorp as consideration in full for the transfer by Tabcorp to that Scheme Participant of the number of Echo Shares which is equal to the number of Scheme Shares held by that Scheme Participant as at the Scheme Record Date; and
- (b) for each Ineligible Overseas Shareholder, by Tabcorp as consideration in full for the transfer by Tabcorp to the Sale Agent in accordance with clause 4.5(a) of the number of Echo Shares which is equal to the number of Scheme Shares held by that Scheme Participant as at the Scheme Record Date,

in accordance with clause 4.3.

4.3 Transfer of Echo Shares

The obligations of Tabcorp under clause 4.2 will be discharged by:

- (a) Tabcorp delivering to Echo for registration, duly completed Scheme Transfers to transfer to each Eligible Shareholder the number of Echo Shares determined in accordance with clause 4.2(a), duly executed by Tabcorp (or any of its directors or officers, as the case may be) as transferor and as the attorney and agent of the Eligible Shareholder as transferee under clause 6.3; and
- (b) Tabcorp:
 - (i) delivering to the Sale Agent for execution, duly completed Scheme Transfers to transfer to the Sale Agent the number of Echo Shares determined in accordance with clause 4.2(b), duly executed by Tabcorp as transferor; and
 - (ii) procuring the Sale Agent to execute the relevant Scheme Transfers as transferee and to deliver them to Echo for registration.

4.4 Obligations of Echo regarding transfers

- (a) Echo will, on the Demerger Date, register the Scheme Transfers delivered to it under clauses 4.3(a) and 4.3(b) by entering, or procuring the entry of, the name and address of each Eligible Shareholder, and the Sale Agent, in the Echo Register in respect of the number of Echo Shares determined in accordance with clause 4.2.
- (b) Subject to clause 4.6, within 5 Business Days after the Demerger Date, Echo will despatch, or procure the despatch of, to each Eligible Shareholder whose relevant Echo Shares are held on the issuer sponsored subregister of Echo and to the Sale Agent, an uncertificated holding statement in the name of that Eligible Shareholder or the Sale Agent (as applicable) for the Echo Shares transferred to them pursuant to the Scheme, with such despatch to be made (other than in the case of the holding statement to be despatched to the Sale Agent) by pre-paid post to that Eligible Shareholder's address as shown in the Tabcorp Register (as at the Scheme Record Date).

4.5 Ineligible Overseas Shareholders

- (a) Tabcorp will be under no obligation under the Scheme to transfer, and will not transfer, any Echo Shares to any Ineligible Overseas Shareholder, and instead Tabcorp will transfer on the Demerger Date the Echo Shares to which that Ineligible Overseas Shareholder would otherwise have been entitled (if they were an Eligible Shareholder) to the Sale Agent.
- (b) Tabcorp will procure that, as soon as reasonably practicable and in any event not more than 15 Business Days after the Demerger Date, the Sale Agent:
 - (i) sells on ASX all of the Echo Shares transferred to the Sale Agent pursuant to clauses 4.3(b) and 4.5(a) in such manner, at such price and on such other terms as the Sale Agent determines in good faith, and at the risk of the Ineligible Overseas Shareholders; and
 - (ii) remits to Tabcorp the proceeds of sale (after deducting any applicable brokerage, stamp duty and other selling costs, taxes and charges).
- (c) Promptly after the last remittance in accordance with clause 4.5(b)(ii), Tabcorp will pay to each Ineligible Overseas Shareholder such proportion of the net proceeds of sale received by Tabcorp pursuant to clause 4.5(b) as is equal to the number of Echo Shares that would have been transferred pursuant to the Scheme to that Ineligible Overseas Shareholder if they were an Eligible Shareholder divided by the total number of Echo Shares transferred to the Sale Agent pursuant to clauses 4.3(b) and 4.5(a) (with such proportion being rounded up or down to the nearest whole cent, with fractions of 0.5 being rounded up), by either (in the sole discretion of Tabcorp):
 - (i) subject to clause 4.6, despatching, or procuring the despatch, to that Ineligible Overseas Shareholder of a pre-printed cheque in the name of that Ineligible Overseas Shareholder and for the relevant amount (denominated in \$), with such despatch to be made by

Annexure A – Scheme

pre-paid post to that Ineligible Overseas Shareholder's address as shown in the Tabcorp Register (as at the Scheme Record Date); or

- (ii) making, or procuring the making of, a deposit for the relevant amount (denominated in \$) in an account with any Australian ADI in Australia notified by that Ineligible Overseas Shareholder to Tabcorp and recorded in or for the purposes of the Tabcorp Register as at the Scheme Record Date.
- (d) Each Ineligible Overseas Shareholder appoints Tabcorp as its agent to receive on its behalf any financial services guide or other notices (including any updates of those documents) that the Sale Agent is required to provide to Ineligible Overseas Shareholders under the Corporations Act.
- (e) Tabcorp, in complying, and procuring the compliance, with clauses 4.5(a) to 4.5(c), will be taken to have satisfied and discharged in full its obligations to Ineligible Overseas Shareholders under the terms of the Scheme in respect of their Distribution Entitlements. An Ineligible Overseas Shareholder will have no claim against Tabcorp, Echo or the Sale Agent for any entitlement to or in respect of Echo Shares that they would have had but for the operation of clauses 4.5(a) to 4.5(c).

4.6 Joint holders

In the case of Scheme Shares held in joint names:

- (a) any cheque required to be paid to Scheme Participants will be payable to the joint holders; and
- (b) any holding statements for Echo Shares required to be issued to Scheme Participants will be issued in the names of the joint holders,

and will be forwarded to the holder whose name appears first in the Tabcorp Register as at the Scheme Record Date.

4.7 Binding instruction or notifications

Except for a Scheme Participant's tax file number, any binding instruction or notification between a Scheme Participant and Tabcorp relating to Scheme Shares as at the Scheme Record Date (including, without limitation, any instructions relating to payment of dividends or to communications from Tabcorp) will, from the Scheme Record Date, be deemed (except to the extent determined otherwise by Echo in its sole discretion) to be a similarly binding instruction or notification to, and accepted by, Echo in respect of the Echo Shares transferred to the Scheme Participant pursuant to the Scheme, until that instruction or notification is revoked or amended in writing addressed to Echo at its registered address or at the Echo Share Registry, provided that any such instructions or notifications accepted by Echo will apply to and in respect of the transfer of Echo Shares pursuant to the Scheme only to the extent that they are not inconsistent with the other provisions of the Scheme.

4.8 Status of Echo Shares

- (a) Until the Demerger Date, all Echo Shares will remain beneficially owned by Tabcorp.
- (b) Tabcorp, in transferring Echo Shares to an Eligible Shareholder or the Sale Agent pursuant to clauses 4.3 and 4.5(a), is deemed to have warranted to the relevant transferee that each such Echo Share is, at the date of transfer, fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and other interests, whether legal or otherwise, of Tabcorp or any person claiming through, under or in trust for Tabcorp, and restrictions on transfer of any kind, and that it has full power and capacity to transfer the Echo Shares to Eligible Shareholders and the Sale Agent (together with any rights and entitlements attaching to those Echo Shares) pursuant to the Scheme.

5. Dealings in Tabcorp Shares

5.1 Dealings in Tabcorp Shares by Scheme Participants

For the purpose of establishing the persons who are Scheme Participants and their respective entitlements under the Scheme and their Distribution Entitlements, dealings in Tabcorp Shares will be recognised by Tabcorp provided that:

- (a) in the case of dealings of the type to be effected using CHES, the transferee is registered in the Tabcorp Register as the holder of the relevant Tabcorp Shares by the Scheme Record Date; and
- (b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received by the Tabcorp Share Registry by 5pm on the day which is the Scheme Record Date (in which case Tabcorp must register such transfers or transmission applications before 7pm on that day),

and Tabcorp will not accept for registration, nor recognise, for the purpose of establishing the persons who are Scheme Participants and their respective entitlements under the Scheme and their Distribution Entitlements, any transfer or transmission application in respect of Tabcorp Shares received after such times, or received prior to such times but not in registrable form.

5.2 Tabcorp Register

Tabcorp will, until the Distribution Entitlements have been applied in accordance with the terms of the Scheme, maintain, or procure the maintenance of, the Tabcorp Register in accordance with this clause 5, and the Tabcorp Register in this form and the terms of the Scheme will solely determine entitlements to the Distribution Entitlements and entitlements under the Scheme.

5.3 Information to be given to Echo

Tabcorp must procure that, as soon as practicable after the Scheme Record Date and in any event at least 1 Business Day before the Demerger Date, details of the names, addresses and holdings of Scheme Shares of every Scheme Participant as shown in the Tabcorp Register as at the Scheme Record Date are given to Echo (or as it directs) in such form as Echo may reasonably require.

6. General Provisions

6.1 Further assurances

- (a) Each Scheme Participant and Tabcorp will do all things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of the Scheme and the transactions contemplated by it.
- (b) Without limiting Tabcorp's other powers under the Scheme, Tabcorp has power to do all things that it considers necessary or desirable to give effect to the Scheme and the Implementation Deed.

6.2 Scheme Participants' agreements and consents

Each Scheme Participant:

- (a) irrevocably consents to Tabcorp and Echo doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of the Scheme and the transactions contemplated by it; and
- (b) to whom Echo Shares are to be transferred pursuant to the Scheme:
 - (i) irrevocably agrees to become a member of Echo for the purposes of clause 4.3 and the Corporations Act, and to have their name and address entered in the Echo Register; and
 - (ii) irrevocably accepts the Echo Shares transferred pursuant to the Scheme on the terms and conditions of the constitution of Echo and agrees to be bound by the constitution of Echo as in force from time to time in respect of the Echo Shares,

without the need for any further act by that Scheme Participant.

6.3 Appointment of Tabcorp as attorney for implementation of Scheme

Each Scheme Participant, without the need for any further act by that Scheme Participant, irrevocably appoints Tabcorp as that Scheme Participant's agent and attorney for the purpose of:

- (a) doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of the Scheme and the transactions contemplated by it, including the effecting of a valid transfer or transfers (or the execution and delivery of any Scheme Transfers) under clause 4.3

and the communication of that Scheme Participant's instructions and notifications under clause 4.7; and

- (b) enforcing the Echo Deed Poll against Echo,

and Tabcorp accepts such appointment. Tabcorp, as agent and attorney of each Scheme Participant, may sub-delegate its functions, authorities or powers under this clause 6.3 to all or any of its directors and officers (jointly, severally, or jointly and severally).

6.4 Alterations and conditions to Scheme

If the Court proposes to approve the Scheme subject to any alterations or conditions, Tabcorp may, by its counsel or solicitors, and with the prior consent of Echo, consent on behalf of all persons concerned, including each Tabcorp Shareholder, to those alterations or conditions.

6.5 Binding effect of Scheme

The Scheme binds Tabcorp and all Tabcorp Shareholders (including those who did not attend the Scheme Meeting, did not vote at that meeting or voted against the Scheme) and, to the extent of any inconsistency, overrides the constitution of Tabcorp.

6.6 Enforcement of Echo Deed Poll

Tabcorp undertakes in favour of each Scheme Participant that it will enforce the Echo Deed Poll against Echo on behalf of and as agent and attorney for the Scheme Participants.

6.7 No liability where acting in good faith

Neither Tabcorp, Echo nor any director or officer of any of those companies will be liable for anything done or omitted to be done in the performance of the Scheme in good faith.

6.8 Notices

Where a notice, transfer, transmission application, direction or other communication referred to in the Scheme is sent by post to Tabcorp, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at Tabcorp's registered office or by the Tabcorp Share Registry, as the case may be.

6.9 Costs and stamp duty

- (a) Subject to clauses 4.5 and 6.9(b), Tabcorp will pay the costs of the Scheme in accordance with the Implementation Deed.
- (b) Tabcorp will pay all stamp duty (including any related fines, penalties and interest) payable on or in connection with the transfer by Tabcorp of Echo Shares to Scheme Participants or to the Sale Agent in accordance with clauses 4.3 and 4.5(a).

6.10 Governing law and jurisdiction

The Scheme is governed by the laws of Victoria, Australia. Tabcorp and each Scheme Participant submits to the non-exclusive jurisdiction of courts exercising jurisdiction there in connection with matters concerning the Scheme, and waives any right to object to the venue on any ground.

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Annexure B Echo Deed Poll



Annexure B – Echo Deed Poll

Deed Poll

Date	14 April 2011
By	
In favour of	Echo Entertainment Group Limited (ABN 85 149 629 023) of Level 3, 159 William Street, Brisbane, Queensland, 4000, Australia (Echo).
Recitals	Each Scheme Participant.
A	On 14 April 2011, Tabcorp and Echo entered into the Implementation Deed.
B	Tabcorp has agreed in the Implementation Deed to propose the Scheme and certain related transactions, pursuant to which, subject to the satisfaction or waiver of certain conditions precedent, Tabcorp's wagering, gaming and keno businesses, on the one hand, and Tabcorp's casinos business, on the other hand, will be demerged, with Echo being 'separated' as an independent publicly listed company holding the casinos business.
C	In accordance with the Implementation Deed, Echo is entering into this deed poll for the purpose of covenanting in favour of the Scheme Participants that it will observe and perform the obligations contemplated of it under the Scheme.

It is declared as follows.

1. Definitions and Interpretation

1.1 Definitions

Terms defined in the Scheme, a copy of which is set out in the annexure to this deed poll, have the same meaning in this deed poll, unless the context requires otherwise.

1.2 Interpretation

The provisions of clause 1.2 of the Scheme form part of this deed poll as if set out in full in this deed poll, and on the basis that references to 'this document' in that clause are references to 'this deed poll'.

2. Nature of Deed Poll

Echo acknowledges that:

- (a) this deed poll may be relied on and enforced by any Scheme Participant in accordance with its terms, even though the Scheme Participants are not party to it; and
- (b) under the Scheme, each Scheme Participant appoints Tabcorp as its agent and attorney to enforce this deed poll against Echo on behalf of that Scheme Participant.

3. Conditions Precedent and Termination

3.1 Conditions precedent

Echo's obligations under this deed poll are subject to the Scheme becoming Effective.

3.2 Termination

If the Implementation Deed is terminated before the Effective Date, the obligations of Echo under this deed poll will automatically terminate and the terms of this deed poll will be of no further force or effect, unless Tabcorp and Echo otherwise agree in accordance with the Implementation Deed.

3.3 Consequences of termination

If this deed poll is terminated under clause 3.2, then, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) Echo is released from its obligations under this deed poll, except those obligations under clause 8.6; and

- (b) each Scheme Participant retains any rights, powers or remedies that Scheme Participant has against Echo in respect of any breach of its obligations under this deed poll that occurred before termination of this deed poll.

4. Compliance with Scheme Obligations

4.1 Obligations of Echo

Subject to clause 3, Echo covenants in favour of each Scheme Participant that it will observe and perform all obligations contemplated of it under the Scheme.

4.2 Official quotation of Echo Shares

Subject to clause 3, Echo will use its best endeavours to procure that the Echo Shares to be transferred pursuant to the Scheme will be quoted on ASX with effect as soon as practicable after the Effective Date, initially on a deferred settlement basis and thereafter on a normal T+3 settlement basis.

5. Representations and Warranties

Echo makes the following representations and warranties.

- (a) **(Status)** It is a corporation validly existing under the laws of the place of its incorporation.
- (b) **(Power)** It has the power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll.
- (c) **(Corporate authorisations)** It has taken all necessary corporate action to authorise the entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll.
- (d) **(Document binding)** This deed poll is its valid and binding obligation enforceable in accordance with its terms, subject to any necessary stamping and registration.
- (e) **(Transactions permitted)** The execution and performance by it of this deed poll and each transaction contemplated by this deed poll did not and will not violate in any respect a provision of:
 - (i) a law, judgment, ruling, order or decree binding on it; or
 - (ii) its constitution or other constituent documents.

6. Continuing Obligations

This deed poll is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of:

- (a) Echo having fully performed its obligations under this deed poll; and
- (b) termination of this deed poll under clause 3.

7. Further Assurances

Echo will, on its own behalf and, to the extent authorised by the Scheme, on behalf of each Scheme Participant, do all things and execute all deeds, instruments, transfers or other

documents as may be necessary or desirable to give full effect to the provisions of this deed poll and the transactions contemplated by it.

8. General

8.1 Notices

Any notice, demand, consent or other communication (a **Notice**) given or made to Echo under or in connection with this deed poll:

- (a) must be in writing and signed by a person duly authorised by the sender;
- (b) must be delivered to Echo by pre-paid post (if posted to an address in another country, by registered airmail) or by hand or fax to the address or fax number below or the address or fax number last requested by Echo in writing:

Echo Entertainment Group Limited
Level 3, 159 William Street,
Brisbane, Queensland, 4000,
Australia

Attention: Company Secretary

Fax No: +61 7 3228 0099; and

- (c) will be taken to be duly given or made:
 - (i) in the case of delivery in person, when delivered;
 - (ii) in the case of delivery by post, two Business Days after the date of posting (if posted to an address in the same country) or seven Business Days after the date of posting (if posted to an address in another country); and
 - (iii) in the case of fax, on receipt by the sender of a transmission control report from the dispatching machine showing the relevant number of pages and the correct destination fax machine number or name of recipient and indicating that the transmission has been made without error,

but if the result is that a Notice would be taken to be given or made on a day that is not a business day in the place to which the Notice is sent or is later than 4pm (local time) it will be taken to have been duly given or made at the commencement of business on the next business day in that place.

8.2 No waiver

No failure to exercise nor any delay in exercising any right, power or remedy by any of Echo or by any Scheme Participant operates as a waiver. A single or partial exercise of any right, power or remedy does not preclude any other or further exercise of that or any other right, power or remedy. A waiver of any right, power or remedy on one or more occasions does not operate as a waiver of that right, power or remedy on any other occasion, or of any other right, power or remedy. A waiver is not valid or binding on the person granting that waiver unless made in writing.

Echo Deed Poll

8.3 Remedies cumulative

The rights, powers and remedies of each of Echo and of each Scheme Participant under this deed poll are in addition to, and do not exclude or limit, any right, power or remedy provided by law or equity or by any agreement.

8.4 Amendment

No amendment or variation of this deed poll is valid or binding unless:

(a) either:

- (i) before the Second Court Date, the amendment or variation is agreed to in writing by Tabcorp and Echo (which such agreement may be given or withheld without reference to or approval by any Tabcorp Shareholder); or
- (ii) on or after the Second Court Date, the amendment or variation is agreed to in writing by Tabcorp and Echo (which such agreement may be given or withheld without reference to or approval by any Tabcorp Shareholder), and is approved by the Court; and

(b) Echo enters into a further deed poll in favour of the Scheme Participants giving effect to that amendment or variation.

8.5 Assignment

The rights and obligations of each of Echo and of each Scheme Participant under this deed poll are personal. They cannot be assigned, encumbered or otherwise dealt with and no person may attempt, or purport, to do so without the prior consent of Tabcorp and Echo.

8.6 Costs and stamp duty

- (a) Echo must bear its own costs arising out of the negotiation, preparation and execution of this deed poll (if not otherwise borne by Tabcorp).
- (b) All stamp duty (including any related fines, penalties and interest) payable on or in connection with this deed poll and any instrument executed under or any transaction evidenced by this deed poll must be borne by Echo (if not otherwise borne by Tabcorp). Echo must indemnify each Scheme Participant on demand against any liability for that stamp duty (including any related fines, penalties and interest).

8.7 Governing law and jurisdiction

This deed poll is governed by the laws of Victoria, Australia. Echo submits to the non-exclusive jurisdiction of courts exercising jurisdiction there in connection with matters concerning this deed poll, and waives any right to object to the venue on any ground.

8.8 Counterparts

This deed poll may be executed in any number of counterparts. All counterparts together will be taken to constitute one instrument.

Executed and delivered as a Deed in Melbourne.

Executed as a deed in accordance with section 127 of the *Corporations Act 2001* by **Echo Entertainment Group Limited**:



Director Signature

John Story

Print Name



Director Signature

Brett Paton

Print Name

Annexure

Scheme

Refer to Annexure A to this Scheme Booklet

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Annexure C Notice of Scheme Meeting

Annexure C – Notice of Scheme Meeting



Tabcorp Holdings Limited
ABN 66 063 780 709
5 Bowen Crescent
Melbourne 3004, Australia

Notice of Court Ordered Meeting of Holders of Fully Paid Ordinary Shares in Tabcorp Holdings Limited

Notice is hereby given that, by an Order of the Supreme Court of Victoria (the "Court") made on 15 April 2011 pursuant to section 411(1) of the *Corporations Act 2001* (Cth), the Court has directed that a meeting of the holders of fully paid ordinary shares in Tabcorp Holdings Limited (the "Company") be held at Plenary 3, Melbourne Convention Centre, 1 Convention Centre Place, South Wharf, Victoria on Wednesday, 1 June 2011 at 10am.

The Court has directed that John Douglas Story or, failing him, Paula Jane Dwyer act as chairman of the meeting.

Terms used in this Notice have the same meanings as set out in the Glossary to the Scheme Booklet of which this Notice forms part, unless the contrary intention appears.

Purpose of Scheme Meeting

The purpose of the Scheme Meeting is to consider and, if thought fit, to approve (with or without modification) a scheme of arrangement proposed to be made between the Company and the holders of its fully paid ordinary shares (the "Scheme").

A copy of the Scheme and a copy of the explanatory statement required by section 412 of the *Corporations Act 2001* (Cth) in relation to the Scheme are contained in the Scheme Booklet.

Scheme Resolution

The Scheme Meeting will be asked to consider and, if thought fit, to pass the following resolution:

'That, pursuant to section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed to be made between the Company and the holders of its fully paid ordinary shares, as more particularly described in the Scheme of Arrangement which is contained in the booklet of which the Notice convening this meeting forms part, is approved (with or without modification as approved by the Supreme Court of Victoria).'

Required Voting Majority

The resolution to approve the Scheme must be approved by a majority in number of the holders of fully paid ordinary shares in the Company present and voting at the Scheme Meeting (whether in person or by proxy, by attorney or, in the case of a corporation, by corporate representative), being a majority whose votes in favour of the resolution are in aggregate at least 75% of the total number of all votes cast on the resolution.

Court Approval

In accordance with section 411(4)(b) of the *Corporations Act 2001* (Cth), the Scheme (with or without modification) is subject to the approval of the Court. If the resolution to be proposed at the Scheme Meeting is passed by the requisite majorities, and the Capital Reduction Resolution is approved by the requisite majority at the General Meeting, and all the other relevant conditions precedent to the Scheme are satisfied or waived, the Company intends to apply to the Court for the necessary orders to give effect to the Scheme.

A handwritten signature in blue ink, appearing to read "K. Willcock", with a stylized flourish at the end.

Kerry Willcock
Company Secretary

Dated: 15 April 2011

NOTES ON VOTING

Voting at the Scheme Meeting

1. The Company has determined, that for the purpose of voting at the Scheme Meeting, all fully paid ordinary shares in the Company will be taken to be held by those persons recorded in the Company's Register of Members as at 7pm (AEST) on 30 May 2011.
2. Voting at the Scheme Meeting will be conducted by way of a poll. Shareholders will have one vote for every fully paid ordinary share held (subject to the restrictions on voting referred to below).

Voting by Proxy

1. A shareholder entitled to attend and vote at the Scheme Meeting may appoint not more than two proxies.
2. A proxy may be either an individual or a corporation. Should a shareholder appoint a corporation as its proxy, that corporation will need to ensure that it follows the procedures set out below to appoint an individual as its corporate representative to exercise its powers at the Scheme Meeting.
3. Where two proxies are appointed, neither may vote on a show of hands, and each proxy should be appointed to exercise a specified proportion or number of the shareholder's votes. If the appointment does not specify the proportion or number of the shareholder's votes each proxy may exercise, then each proxy may exercise half of the votes. An additional proxy form will be supplied by the Company's Share Registry on request for the purpose of appointing a second proxy.
4. In the case of joint shareholders, the proxy form must be signed by either one or all of the joint shareholders.
5. If the shareholder is a corporation, then the proxy form may be executed under its common seal, or by two directors, or a director and a company secretary, of the corporation. If there is a sole director who is also the sole secretary, then the proxy form may be signed by that person. If there is a sole director and no company secretary, then the sole director may sign alone.
6. If a proxy form is signed on behalf of an individual or a corporation under power of attorney, the power of attorney under which the proxy form is signed, or a certified copy of that power of attorney, must accompany the proxy form unless the power of attorney has previously been noted by the Company's Share Registry.
7. A proxy need not be a shareholder of the Company.
8. If the Chairman of the Scheme Meeting is appointed as a shareholder's proxy without a direction as to how to vote, then the Chairman intends to exercise the shareholder's votes in favour of the resolution proposed in this Notice.
9. To be effective, proxy forms must be received by the Company at the Company's registered office,

5 Bowen Crescent, Melbourne, Victoria, 3004, or at the facsimile number +61 2 9287 0309, or alternatively proxy forms must be received by the Company's Share Registry using the return addressed envelope enclosed with the Scheme Booklet or at an address or the facsimile number below, or proxy appointments must be made online via the website below:

By Mail

Tabcorp Holdings Limited
c/- Link Market Services Limited
Locked Bag A14
Sydney South, NSW 1235

By Hand

Link Market Services Limited
Level 12
680 George Street
Sydney, NSW 2000

By Facsimile

+61 2 9287 0309

On-line

at www.investorcentre.linkmarketservices.com.au
(Choose Tabcorp Holdings Limited from the drop down menu, enter the holding details as shown on the proxy form, select voting and otherwise follow the instructions provided to appoint a proxy. Shareholders will be taken to have signed their proxy form if they make their proxy appointment in accordance with the instructions on the website.)

Proxy appointments may also made at www.linkmarketservices.com.au by following the instructions provided there.

10. Proxy forms must be received, and proxy appointments made, by 10am (AEST) on 30 May 2011. Forms received and appointments made after that time will be invalid.
11. A proxy form for the Scheme Meeting (coloured blue) accompanies the Scheme Booklet.

Voting by Corporate Representative

1. A shareholder, or proxy, that is a corporation and entitled to attend and vote at the Scheme Meeting may appoint an individual to act as its corporate representative.
2. Evidence of the appointment of a corporate representative must be in accordance with section 250D of the *Corporations Act 2001* (Cth) and be lodged with the Company before the Scheme Meeting or at the registration desk on the day of the Scheme Meeting.
3. If the appointment of a corporate representative is signed under power of attorney, the power of attorney under which the appointment is signed, or a certified copy of that power of attorney, must accompany the appointment unless the power of attorney has previously been noted by the Company's Share Registry.

Annexure C – Notice of Scheme Meeting

Voting by Attorney


1. A shareholder entitled to attend and vote at the Scheme Meeting is entitled to appoint an attorney to attend and vote at the Scheme Meeting on the shareholder's behalf.
2. An attorney need not be a shareholder of the Company.
3. The power of attorney appointing the attorney must be duly signed and specify the name of each of the member, the Company and the attorney, and also specify the meetings at which the appointment may be used. The appointment may be a standing one.
4. To be effective, the power of attorney must also be returned in the same manner, and by the same time, as outlined above for proxy forms.

Restrictions on Voting

Gambling legislation in Victoria, New South Wales and Queensland and Part 2 (Rules 131 to 139) of the Constitution of the Company contain provisions regulating the exercise of voting rights by persons with prohibited shareholding interests in the Company or who otherwise have prohibited relationships with the Company or its subsidiaries. In certain circumstances in connection with such matters, the voting rights of shares held by such persons in the Company may be suspended.

Annexure D

Notice of General Meeting



Annexure D – Notice of General Meeting



Tabcorp Holdings Limited
ABN 66 063 780 709
5 Bowen Crescent
Melbourne 3004, Australia

Notice of General Meeting

Notice is hereby given that a general meeting of the members of Tabcorp Holdings Limited (the "Company") will be held at Plenary 3, Melbourne Convention Centre, 1 Convention Centre Place, South Wharf, Victoria on Wednesday, 1 June 2011 at 10.30am, or as soon after that time as the meeting of holders of fully paid ordinary shares in the Company directed to be convened by Order of the Supreme Court of Victoria on that day has concluded or been adjourned.

Terms used in this Notice have the same meanings as set out in the Glossary to the Scheme Booklet of which this Notice forms part, unless the contrary intention appears.

Item 1 – Capital Reduction

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

'That, pursuant to section 256C(1) of the Corporations Act 2001 (Cth), subject to and conditional on:

- (a) the scheme of arrangement proposed to be made between the Company and the holders of its fully paid ordinary shares, and to be considered at a meeting of holders of its fully paid ordinary shares this day (the "Scheme"), being approved by the Supreme Court of Victoria (with or without modification); and*
- (b) an office copy of the Order of the Supreme Court of Victoria approving the Scheme being lodged with the Australian Securities and Investments Commission,*

the following reduction of the share capital of the Company is approved, namely, the reduction on the Demerger Date (as defined in the Scheme) by an amount of A\$2,219,808,249, with the reduction being effected and satisfied by applying such amount equally against each Scheme Share (as defined in the Scheme) on issue at the Scheme Record Date (as defined in the Scheme) and, in respect of each Scheme Share, appropriating such equal amount to or for the benefit of the Scheme Participant (as defined in the Scheme) who is the registered holder of that Scheme Share at the Scheme Record Date, and otherwise in accordance with the Scheme.'

Item 2 – Amendment of Constitution – Dividends and profits

To consider and, if thought fit, to pass the following resolution as a special resolution:

'That, pursuant to section 136(2) of the Corporations Act 2001 (Cth), the Company's Constitution is amended by:

- (a) in Rule 4(c)(i), deleting the words "out of the profits of the Company available for dividend"; and*
- (b) deleting Rule 112 and the heading to it and substituting:*

"No interest on dividends

- 112. No dividend or other moneys payable on or in respect of a share carries interest as against the Company.'*

By Order of the Board

Kerry Willcock
Company Secretary
Dated: 15 April 2011

NOTES ON VOTING

Voting at the General Meeting

1. The Company has determined that for the purpose of voting at the General Meeting, all shares in the Company will be taken to be held by those persons recorded in the Company's Register of Members as at 7pm (AEST) on 30 May 2011.
2. Voting at the General Meeting will be conducted by way of a poll. On a poll, shareholders have one vote for every fully paid ordinary share held (subject to the restrictions on voting referred to below).

Voting by Proxy

1. A shareholder entitled to attend and vote at the General Meeting may appoint not more than two proxies.
2. A proxy may be either an individual or a corporation. Should a shareholder appoint a corporation as its proxy, that corporation will need to ensure that it follows the procedures set out below to appoint an individual as its corporate representative to exercise its powers at the General Meeting.
3. Where two proxies are appointed, neither may vote on a show of hands, and each proxy should be appointed to exercise a specified proportion or number of the shareholder's votes. If the appointment does not specify the proportion or number of the shareholder's votes each proxy may exercise, then each proxy may exercise half of the votes. An additional proxy form will be supplied by the Company's Share Registry on request for the purpose of appointing a second proxy.
4. In the case of joint shareholders, the proxy form must be signed by either one or all of the joint shareholders.
5. If the shareholder is a corporation, then the proxy form may be executed under its common seal, or by two directors, or a director and a company secretary, of the corporation. If there is a sole director who is also the sole secretary, then the proxy form may be signed by that person. If there is a sole director and no company secretary, then the sole director may sign alone.
6. If a proxy form is signed on behalf of an individual or a corporation under power of attorney, the power of attorney under which the proxy form is signed, or a certified copy of that power of attorney, must accompany the proxy form unless the power of attorney has previously been noted by the Company's Share Registry.
7. A proxy need not be a shareholder of the Company.
8. If the Chairman of the General Meeting is appointed as a shareholder's proxy without a direction as to how to vote, then the Chairman intends to exercise the shareholder's votes in favour of each of the resolutions proposed in this Notice.
9. To be effective, proxy forms must be received by the Company at the Company's registered office, 5 Bowen Crescent,

Melbourne, Victoria, 3004, or at the facsimile number +61 2 9287 0309, or alternatively proxy forms must be received by the Company's Share Registry using the return addressed envelope enclosed with the Scheme Booklet or at an address or the facsimile number below, or proxy appointments must be made online via the website below:

By Mail

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(Choose Tabcorp Holdings Limited from the drop down menu, enter the holding details as shown on the proxy form, select voting and otherwise follow the instructions provided to appoint a proxy. Shareholders will be taken to have signed their proxy form if they make their proxy appointment in accordance with the instructions on the website.)

Proxy appointments may also be made at www.linkmarketservices.com.au by following the instructions provided there.

10. Proxy forms must be received, and proxy appointments made, by 10.30am (AEST) on 30 May 2011. Forms received and appointments made after that time will be invalid.
11. A proxy form for the General Meeting (coloured white) accompanies the Scheme Booklet.

Voting by Corporate Representative

1. A shareholder, or proxy, that is a corporation and entitled to attend and vote at the General Meeting may appoint an individual to act as its corporate representative.
2. Evidence of the appointment of a corporate representative must be in accordance with section 250D of the *Corporations Act 2001* (Cth) and be lodged with the Company before the General Meeting or at the registration desk on the day of the General Meeting.
3. If the appointment of a corporate representative is signed under power of attorney, the power of attorney under which the appointment is signed, or a certified copy of that power of attorney, must accompany the appointment unless the power of attorney has previously been noted by the Company's Share Registry.

Annexure D – Notice of General Meeting

Voting by Attorney

1. A shareholder entitled to attend and vote at the General Meeting is entitled to appoint an attorney to attend and vote at the General Meeting on the shareholder's behalf.
2. An attorney need not be a shareholder of the Company.
3. The power of attorney appointing the attorney must be duly signed and specify the name of each of the member, the Company and the attorney, and also specify the meetings at which the appointment may be used. The appointment may be a standing one.
4. To be effective, the power of attorney must also be returned in the same manner, and by the same time, as outlined above for proxy forms.

Restrictions on Voting

Gambling legislation in Victoria, New South Wales and Queensland and Part 2 (Rules 131 to 139) of the Constitution of the Company contain provisions regulating the exercise of voting rights by persons with prohibited shareholding interests in the Company or who otherwise have prohibited relationships with the Company or its subsidiaries. In certain circumstances in connection with such matters, the voting rights of shares held by such persons in the Company may be suspended.

EXPLANATORY NOTES

Conditional nature of resolutions

The resolution on item 1 (the Capital Reduction Resolution) is being proposed in connection with the Scheme and is, as a result, conditional on the Scheme becoming Effective. Accordingly, the resolution on item 1 will not come into effect unless and until the Scheme becomes Effective. Similarly, for the Scheme to become Effective, certain conditions need to be satisfied, including the approval of the resolution on item 1 by the requisite majority of Tabcorp Shareholders present and voting at the General Meeting (in person or by proxy, by attorney or, in the case of a corporation, by corporate representative).

The resolution on item 2 is not conditional on the approval of the resolution on item 1 or on the Scheme becoming Effective. The Scheme is not conditional on the approval of the resolution on item 2.

Item 1 – Capital Reduction

The Capital Reduction Resolution is being put to shareholders at the General Meeting to obtain approval under section 256C of the Corporations Act to an equal capital reduction in Tabcorp's ordinary share capital, under section 256B of the Corporations Act, by an aggregate amount of A\$2,219,808,249.

The effect on Tabcorp and Tabcorp Shareholders if the Capital Reduction Resolution is passed, together with all other factors that are material to the making of a decision by Tabcorp Shareholders whether to approve the Capital Reduction Resolution, are set out in the Scheme Booklet.

If the Capital Reduction Resolution is passed by the required majority of Tabcorp Shareholders at the General Meeting, it will take effect on the Demerger Date, provided the Scheme is approved by the required majorities of Tabcorp Shareholders and by the Court, and all other conditions relating to the Scheme are satisfied (or waived).

The Tabcorp Directors are of the view that, taking into account all relevant matters, the Capital Reduction, which is to be effected as part of the Demerger, is fair and reasonable to Tabcorp Shareholders as a whole and will not materially prejudice Tabcorp's ability to pay its creditors.

Each Tabcorp Director recommends that Tabcorp Shareholders vote in favour of the Capital Reduction Resolution and intends to vote all Tabcorp Shares held by or on behalf of the Tabcorp Director in favour of the Capital Reduction Resolution.

Item 2 – Amendment of Constitution – Dividends and profits

Tabcorp proposes to amend various of the Rules in the Tabcorp Constitution in the manner set out in the resolution on item 2. These amendments relate principally to recent changes to the dividend payment rules under the Corporations Act, and are designed to ensure that the Tabcorp Constitution is consistent with those changes.

Prior to those changes being made, the law provided that a company could only pay dividends to shareholders out of profits of the company. Under recently enacted changes to the Corporations Act, this requirement has been removed, such that dividends can now be paid by a company otherwise than out of its profits. Under the new rules, a company can pay a dividend if:

- the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;
- the payment of the dividend is fair and reasonable to the company's shareholders as a whole; and
- the payment of the dividend does not materially prejudice the company's ability to pay its creditors.

In order to ensure that the Tabcorp Constitution operates consistently with the new rules, it is proposed that Rules 4(c)(i) (relating to preference share dividends) and 112 (relating to dividends generally) be amended to remove references to profits in relation to the payment of dividends. The amendments will ensure that Tabcorp will not be artificially limited in its ability to pay dividends under the new rules.

As noted above, these changes are not conditional on the Demerger occurring, and if approved by Tabcorp Shareholders will take effect immediately. Even if the Demerger does not proceed, the Tabcorp Directors consider that it is prudent to make these changes so that the Tabcorp Constitution is not more restrictive in relation to dividends than the Corporations Act.

Each Tabcorp Director recommends that Tabcorp Shareholders vote in favour of the resolution on item 2 and intends to vote all Tabcorp Shares held by or on behalf of the Tabcorp Director in favour of the resolution on item 2.

Corporate Directory

Tabcorp Holdings Limited

Registered Office
5 Bowen Crescent
Melbourne Victoria 3004
Australia

Website: www.tabcorp.com.au

Tabcorp Shareholder Information Line

1300 880 923 (within Australia)
+61 2 8280 7504 (Overseas)
Open 8.30am to 5.30pm (AEST) Monday to Friday.

Tabcorp Holdings Share Registry**Link Market Services Limited**

Level 1
333 Collins Street
Melbourne Victoria 3000

Financial Advisers**UBS AG, Australia Branch**

Level 16
8 Exhibition Street
Melbourne Victoria 3000
Australia

Lazard Pty Ltd

Level 44
Gateway
1 Macquarie Place
Sydney NSW 2000

Australian Legal Adviser**Allens Arthur Robinson**

Level 27
530 Collins Street
Melbourne Victoria 3000
Australia

Investigating Accountant**Ernst & Young Transaction Advisory Services Limited**

8 Exhibition Street
Melbourne Victoria 3000
Australia

Auditor**Ernst & Young**

8 Exhibition Street
Melbourne Victoria 3000
Australia

