



TABCORP Holdings Limited Annual Report 1997

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Notice of Annual General Meeting

The Annual General Meeting of TABCORP Holdings Limited will be held at the Carlton Crest Hotel, 65 Queens Road, Melbourne, on Thursday 30 October 1997 at 10.00 am.

A notice of meeting and form of proxy are included with this Annual Report.

Highlights

- Profit after tax \$100.8 million – up 15.6% on last year
 - Final ordinary dividend of 12.0 cents per share fully franked, taking the full year ordinary dividend to 23.0 cents – up from 19.0 cents last year
 - Special dividend of 12.0 cents per share fully franked, bringing the total dividend to 35.0 cents – up from 31.0 cents last year
 - Earnings per share 33.3 cents – up 15.2% on last year
 - Revenue \$815.6 million – up 11.2% on last year
 - Gaming revenue \$505.9 million – up 19.4% on last year
 - Gaming profit before interest and tax \$117.3 million – up 23.3% on last year
 - State gambling taxes contributed by TABCORP businesses \$376.2 million – up 12.9% on last year
 - Revenue generated for the Victorian racing industry \$169.1 million – up 4.1% on last year
-

TABCORP is one of Australia's leading leisure and entertainment companies with core business activities in wagering and gaming.

The company's aim is to deliver superior returns to shareholders by providing total entertainment opportunities for customers.

Company Profile

TABCORP Holdings Limited was listed on the Australian Stock Exchange on 15 August 1994 with a market capitalisation of \$675 million. The company's core businesses are wagering and gaming.

The wagering business offers betting on a wide range of sporting events including thoroughbred, harness and greyhound racing as well as sports such as Aussie Rules, golf and soccer.

The gaming business provides entertainment in hotels and licensed clubs throughout Victoria. The Tabaret gaming experience is unique to TABCORP and offers a mix of gaming machines and game choices to suit every customer.

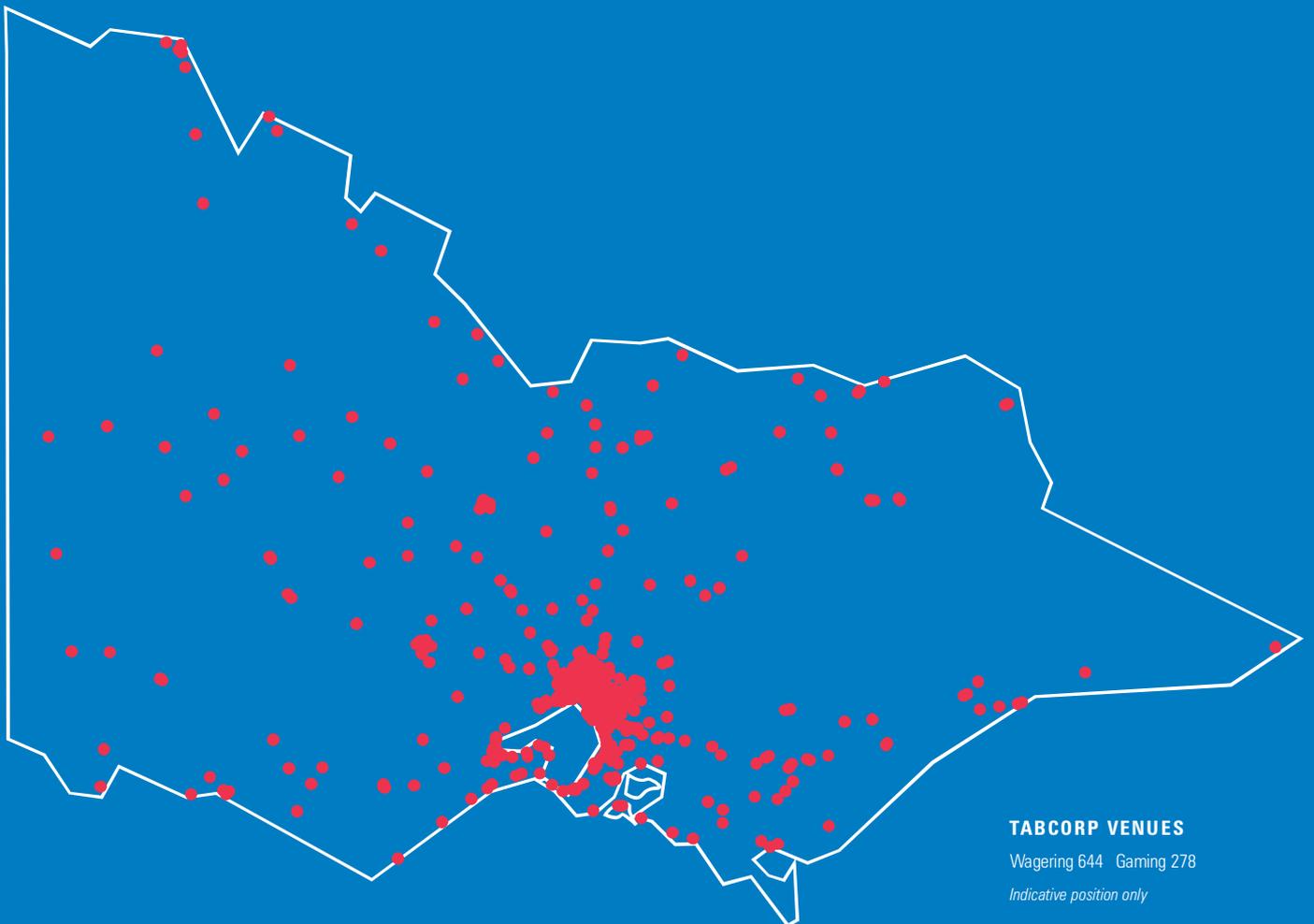
The company's market capitalisation was \$2.2 billion at 30 June 1997.

TABCORP has a joint venture agreement with the Victorian racing industry whereby TABCORP owns the licences for wagering and gaming in Victoria and manages the wagering and gaming businesses. The Victorian racing industry receives fees from TABCORP for the provision of racing products and programs and takes up 25% of all revenue and expenses relating to the wagering and gaming businesses. TABCORP takes up and reports 75% of the revenue and expenses of the businesses managed.



TABCORP – Leaders in Leisure and Entertainment

TABCORP's wagering and gaming businesses provide enhanced entertainment choices and employment at venues throughout Victoria. In doing so, the company generates significant taxation revenue that benefits all Victorians.



Introducing TABCORP's new look....

As a leading Australian leisure and entertainment company, TABCORP's corporate identity communicates the company's market, products and services to a wide range of audiences.

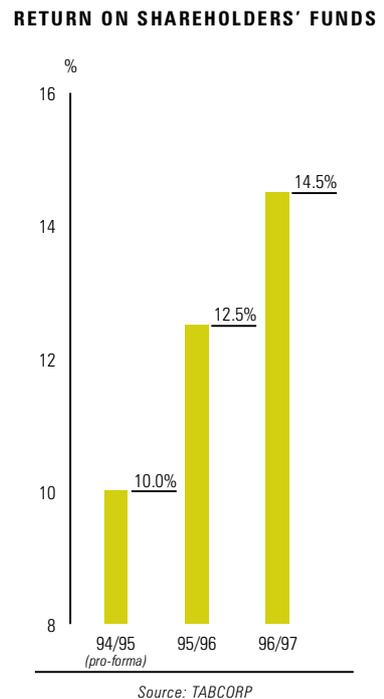
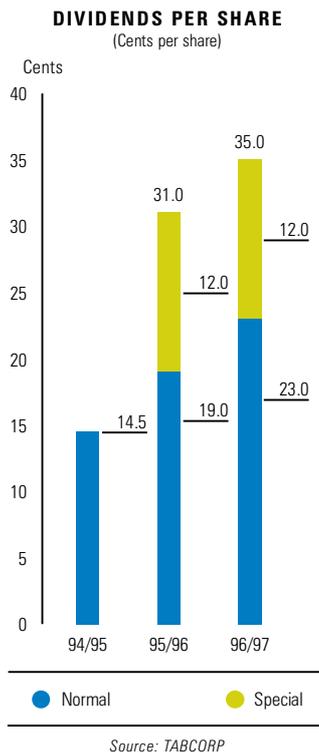
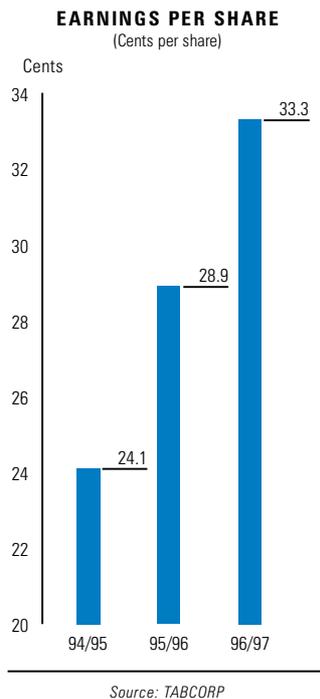
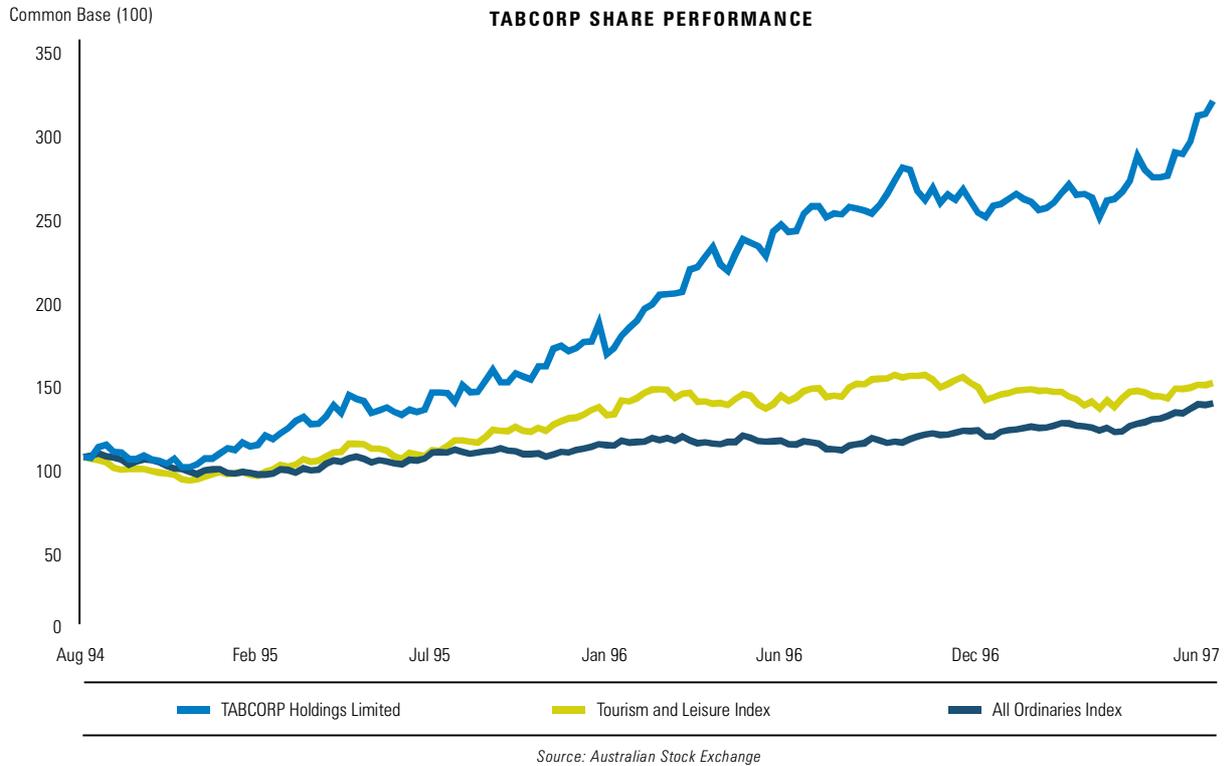
Having completed the transition from a Government enterprise to a customer focused public company, TABCORP has developed a new corporate identity that encapsulates the company's core business – entertainment. The seven-pointed star has been used as the symbol of entertainment while also emphasising that TABCORP is a truly Australian company. The dynamism of Australia's leisure and entertainment market is shown by the encircling arm.

The corporate identity has been designed to work with our consumer brands – Tabaret, TAB, National Sportsbet, FootyBet and Club Keno – which have strong recognition in the marketplace.

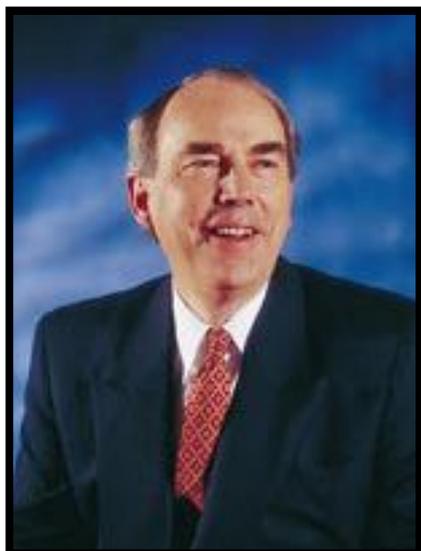


TABCORP

TABCORP at a glance



Chairman's



R e p o r t

Overview

1996/97 was another successful year for TABCORP, during which the company strengthened its position as a leader in Australia's leisure and entertainment industries. The company declared a profit after tax of \$100.8 million, an increase of 15.6% on last year's profit of \$87.2 million.

This enabled the directors to declare a fully franked final ordinary dividend of 12.0 cents per share, taking the full year ordinary dividend to 23.0 cents per share, up from 19.0 cents last year.

In addition, the directors declared a special dividend of 12.0 cents per share, fully franked. This brings the total dividend declared for the 1996/97 year to 35.0 cents per share, fully franked, an increase of 12.9% on last year's total dividend of 31.0 cents per share.

Continuing support from investors resulted in the company's market capitalisation increasing to \$2.2 billion at 30 June 1997. The company's share price closed at \$7.20 on 30 June 1997, up 25.2% from the closing price of \$5.75 at 30 June 1996. This builds on the strong support from investors the company has attracted since the float of TABCORP in August 1994.

The company had approximately 37,000 shareholders at 30 June 1997. Australian institutions and individuals accounted for approximately 75% of the issued capital.

During the year the Victorian Government amended legislation to allow individual non-resident shareholders to hold up to 5% of the issued capital. This brings the individual non-resident shareholding limit into line with the limit for individual Australian residents. In addition, the amendments streamlined the administrative procedures relating to the declaration of beneficial interests by shareholders. The company supports the amendments made by Government and is confident they will maintain the company's high standards of probity while reducing unnecessary administrative burdens.

TABCORP in the Community

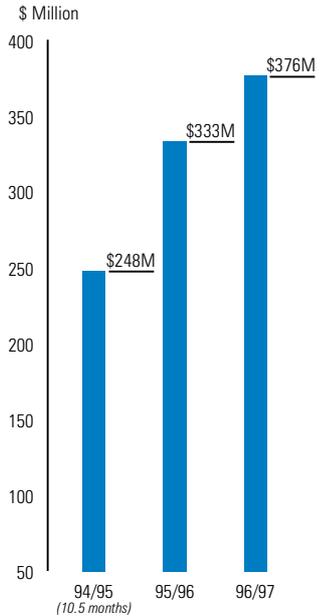
TABCORP continued to make a significant contribution to Victoria in 1996/97. The facilities now available at the company's gaming venues provide enhanced entertainment options for all Victorians. It is estimated that 1.9 million Victorians participated in gaming during the 1996/97 year, clearly demonstrating the consumer support for this relatively new form of entertainment.

The popularity of the company's products has resulted in significant taxation revenue for the Victorian Government. During the year a total of \$376.2 million in gambling taxation was contributed to the Victorian Government by the businesses managed by TABCORP.

This included a payment of \$36.4 million to the Community Support Fund which supports specific community benefits such as the recently opened Melbourne Aquatic Centre.

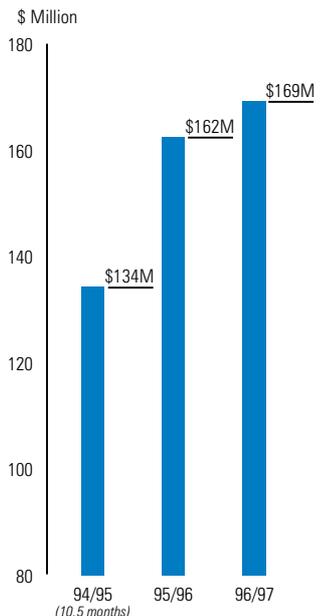
The company's performance continues to deliver significant benefits to the Victorian racing industry. The businesses managed by the company generated \$169.1 million for the Victorian racing industry during the year. This income has enabled the industry to further enhance the quality of racing

**STATE GOVERNMENT GAMBLING TAXES
CONTRIBUTED BY TABCORP BUSINESSES**



Source: TABCORP

**PAYMENTS TO RACING INDUSTRY
BY TABCORP BUSINESSES**



Source: TABCORP

in Victoria and implement initiatives designed to grow the wagering market which in turn provides enhanced security of employment for the 30,000 people employed in the Victorian racing industry.

In total, since the float of the company in August 1994, the businesses managed by TABCORP have generated \$465.8 million for the Victorian racing industry and \$957.1 million in gambling taxes for the Victorian Government.

Corporate Governance

The directors of TABCORP are committed to maintaining the highest standards of corporate governance within the company.

The Board sets the strategic direction of the company and the goals for management. Directors review management plans and closely monitor performance against these established goals.

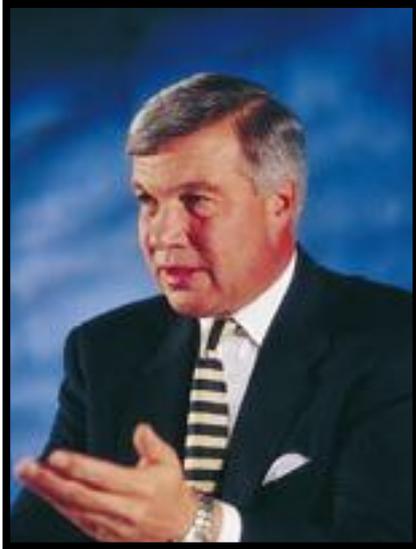
Further details of the Board's corporate governance activities are on pages 28 to 31 of this Annual Report.

Conclusion

The three years of operation since TABCORP's float in August 1994 have provided a strong base for the future development of the company. It has been a period of rapid and exciting growth and I thank my fellow directors, the company's shareholders and TABCORP executives and staff for their continuing support.

Michael Robinson
Chairman

Managing Director's



R e p o r t

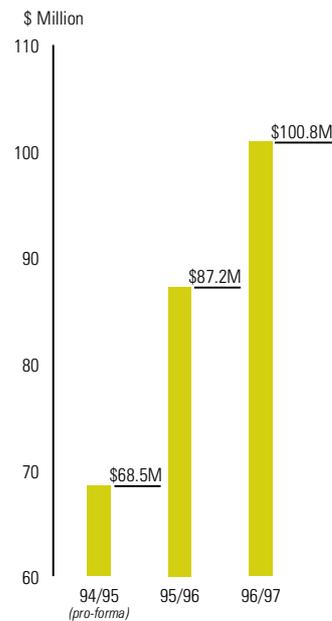
Performance

TABCORP recorded a 15.6% increase in profit to \$100.8 million in 1996/97. This result was attributable to the company increasing revenue by 11.2% to \$815.6 million through meeting the growing demand for the gaming product and the continued containment of operating expenses.

The company continued to generate strong cash flows during the year, bringing cash and deposits to \$111.5 million at 30 June 1997, even after allowing for the \$36.3 million special dividend paid in October 1996 in relation to the previous financial year.

The substantial cash flow provided by the company's operating activities and the debt-free balance sheet place the company in a strong position to expand and TABCORP is continuing to assess several opportunities.

PROFIT AFTER TAX



Source: TABCORP

The company's 1996/97 results are a credit to all employees, particularly when considered in the context of the changes that have been initiated since the float of the company in August 1994.

TABCORP is now firmly established as a leading Australian leisure and entertainment company and has a strong track record in delivering significant benefits to Victoria.

The Market

Leisure and entertainment is a strong market that is continuing to show significant growth.

The increase in available leisure time and income has driven a demand for entertainment choices that are easily accessible, well priced and available to a wide cross section of people.

The introduction of new forms of entertainment, particularly gaming machines and casinos, has partly met this demand and, as a result, expenditure on gaming and related forms of entertainment in Australia has grown from \$5.9 billion in 1992/93 to an estimated \$10.2 billion in 1996/97, an increase of 72.9%.

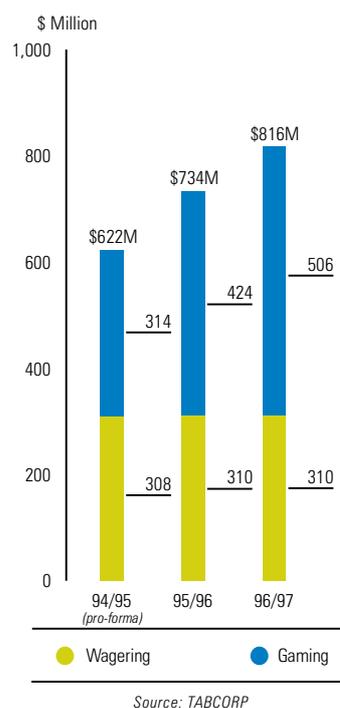
The Victorian gambling market represented an estimated \$2.9 billion of the Australian gambling market in 1996/97 and it is estimated that this will increase to \$3.4 billion in 1997/98, driven by continuing growth in gaming machine and casino expenditure.

The Victorian gaming machine market increased an estimated 17.2% in 1996/97 to a total of \$1.6 billion. With a 19.4% increase in 1996/97, TABCORP's gaming machine revenue growth represents an above market performance. The company's gaming machine revenue growth is also significantly greater than the 10.8% increase in the company's gaming machine numbers.

As demand for the gaming product significantly outweighs the current level of supply, it is clear that there is potential to increase the number of gaming machines in the Victorian market as well as the potential for further growth from existing operations.

TABCORP believes that the strength of the Australian leisure and entertainment market will continue to provide attractive growth rates for the company in future years.

TABCORP WAGERING & GAMING REVENUE



Wagering Division

The Wagering Division achieved a profit before interest and tax of \$33.0 million, representing a decrease of 3.3% on the previous year. This result was attributable to static revenue levels and depreciation associated with the upgrade of computer systems and an increase in the fees paid to Sky Channel for delivery of televised broadcasts of racing.

A high level of weather-related abandonments in the first half of the year contributed to revenue being down 1.9% on the previous corresponding period at 31 December 1996. However, the company's improvements to the distribution network as well as product programming and marketing in the second half of the year resulted in revenue being up 2.0% on the previous corresponding period, which brought the full year revenue to \$309.7 million, a similar level to the previous 12 months.

The high quality racing product provided by the Victorian racing industry made a significant contribution to wagering revenue being held at the same level as last year. As a result of the revenue generated by the company's businesses, the Victorian racing industry is able to provide the highest average prize money per race in Australia.

Sales of the company's fixed odds product, National Sportsbet, increased 12.1% in 1996/97. This generated revenue of \$1.5 million, an increase of 18.8% on the previous year. The increasing popularity of National Sportsbet is being driven by the company extending coverage of events, strong marketing and a broader distribution network that now encompasses 39 outlets.

The new sportsbetting computer system, which was commissioned during 1995/96, has significantly increased the current capacity and expansion opportunities for National Sportsbet.

An upgrade of the company's wagering retail network commenced during the year and is delivering pleasing results. The new presentation style for agencies, that was introduced in May 1997, provides a more accessible and entertaining environment for new and existing customers.

The company has opened a number of integrated wagering and gaming venues during the year that provide an opportunity for customers to enjoy new forms of entertainment.

The initiatives of the Victorian racing industry and TABCORP to promote racing as an entertainment choice are strengthening the appeal of wagering in the competitive Victorian entertainment market.

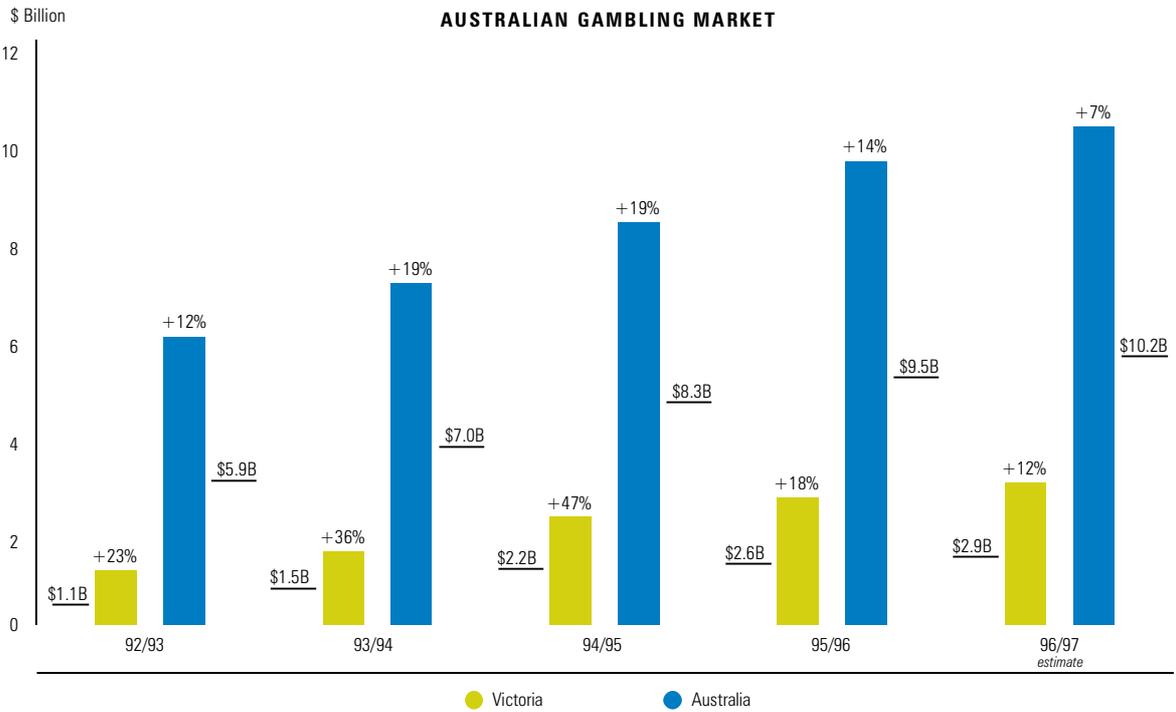
Gaming Division

The Gaming Division achieved a profit before interest and tax of \$117.3 million, a 23.3% increase on last year. This was generated from revenue of \$505.9 million which was up 19.4% on last year.

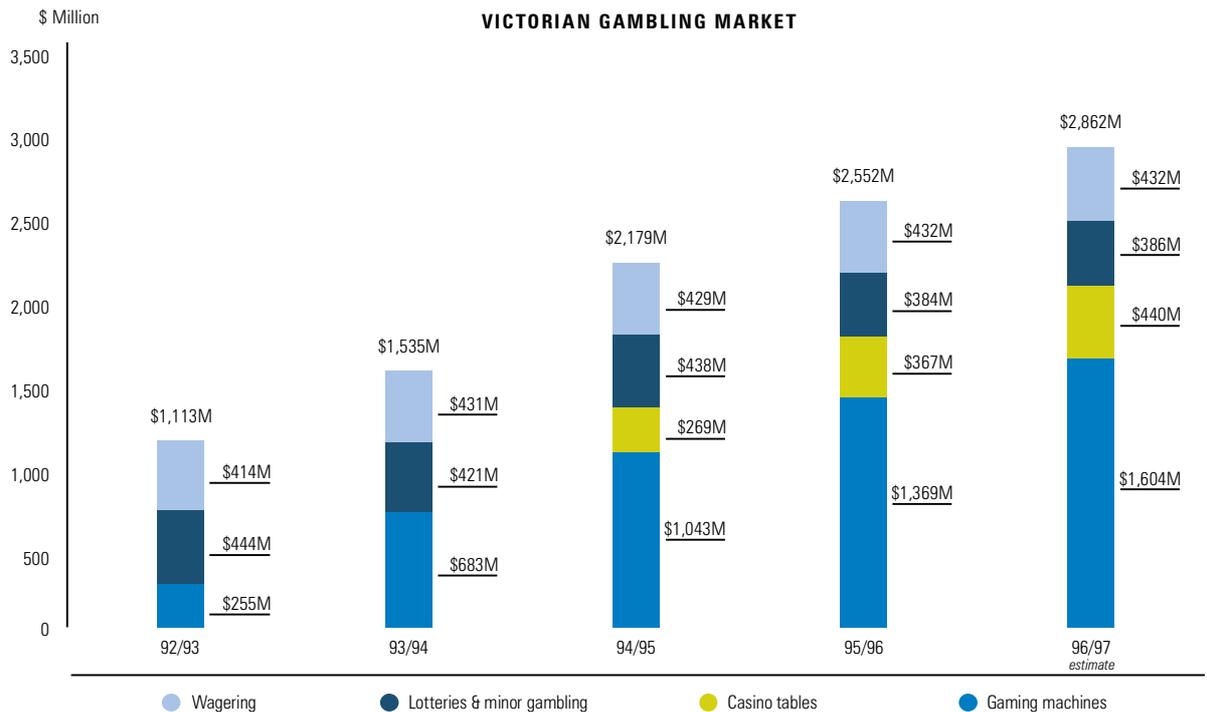
The growth in revenue was driven by meeting the demand for the company's gaming products through the supply of additional gaming machines and an increase in player utilisation of gaming machines which resulted in the daily average revenue per machine increasing 5.6% to \$150.

During the year 1,270 gaming machines were added to the company's network, bringing the total to 13,004, an increase of 10.8%. The number of gaming venues was increased by 15 during the year to 278.

Through an increasing knowledge of what customers are seeking when they visit a gaming venue, the company has concentrated on maximising the elements that enhance customer enjoyment within venues.



Percentages based on rounded billions
Source: TABCORP internal estimates



Includes 100% of the businesses managed by TABCORP
Source: TABCORP internal estimates

For the majority of customers, gaming is seen as a social excursion in a stimulating and friendly environment. Typically, customers play for entertainment and social reasons rather than any expectation of large or consistent wins. In the same way as a person will purchase an hour or two of entertainment at the cinema, gaming customers purchase entertainment at gaming venues.

Initiatives to improve customer service and ensure that venues offer an integrated mix of entertainment, dining and social opportunities have delivered significant results.

Recently established and refurbished venues that provide the complete entertainment experience which customers are seeking have demonstrated excellent performance.

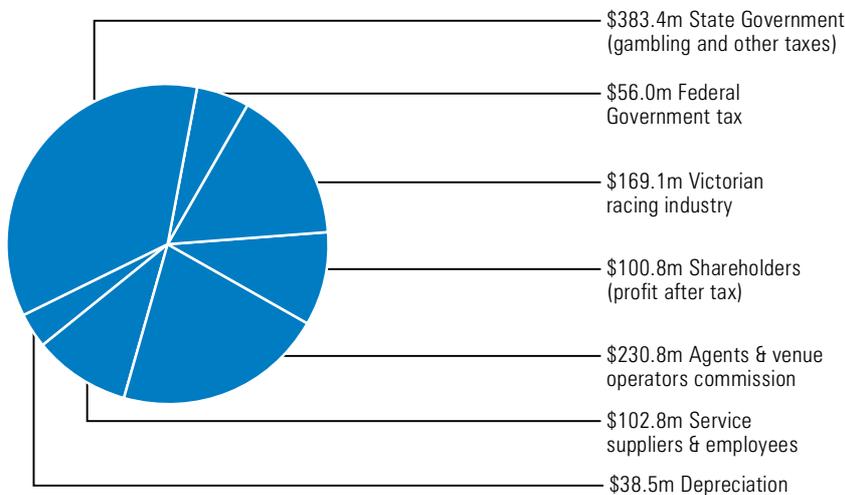
In addition to improving the integrated venue offer, the company has enhanced the attractiveness and playability of gaming machines and games throughout the network.

Game screen layouts have been modified to provide an easier to use and more exciting format while the continued release of new games has provided customers with greater choice.

The company also continues to work closely with gaming machine suppliers to ensure that all games provide customers with an exciting audio and visual environment.

Gaming is becoming an increasingly popular entertainment choice for a wide range of Victorians. With revenue growth significantly stronger than machine number growth, the company believes there is unsatisfied demand for the gaming product within Victoria and that the controlled addition of gaming machines to the market, in accordance with customer demand, is warranted.

**ALLOCATION OF REVENUE FOR 1996/97
TOTAL BUSINESSES MANAGED**



Source: TABCORP

Contribution to Victoria

The company's continuing strong performance since its float in August 1994 has been made possible by the support Victorians have shown for the company's wagering and gaming products.

In 1996/97, this support generated \$376.2 million in gambling taxes for the Victorian Government and, thereby, the people of Victoria.

In addition to the approximately 2,250 people employed directly by TABCORP, the revenue generated by the company's operations also provides employment in wagering and gaming outlets throughout Victoria. Recent research, commissioned by the Victorian Casino and Gaming Authority, found that the new forms of gambling – gaming machines and casinos – had increased Victorian employment by 34,700 persons between 1992 and 1996.

The businesses managed by the company also generate substantial revenue for the Victorian racing industry which significantly enhances this important industry and benefits the State of Victoria as a whole.



Ross Wilson
Managing Director and
Chief Executive Officer

Wagering

Division



Review of Operations

	\$m	%
Revenue	309.7	(0.1)
PBIT	33.0	(3.3)

‘The achievement of excellent customer service lies within each of us. As we all continually strive to meet and respond to consumer demand, the success of our company will continue.’

Catherine Bolch, Product Manager, Wagering



Ashburton Agency

Principal Activities

TABCORP holds the exclusive licence under the Gaming and Betting Act 1994 to sell totalizator bets on thoroughbred, harness and greyhound racing and totalizator and fixed odds bets on sporting events. These activities are conducted by the Wagering Division under the brands TAB, FootyBet and National Sportsbet.

TABCORP's wagering products are available to customers throughout Victoria in a network of retail and on-course outlets. Victorian, interstate and overseas customers also have access to the company's wagering products through telephone betting facilities.

Results

The Wagering Division generated revenue of \$309.7 million, in line with the previous year's revenue. Net operating expenses were well controlled throughout the year, despite being impacted by an increase in the fees paid to Sky Channel for delivery of televised broadcasts of racing and depreciation associated with the upgrade of computer systems, resulting in a 12 month profit before interest and tax of \$33.0 million, down 3.3% on the previous year.

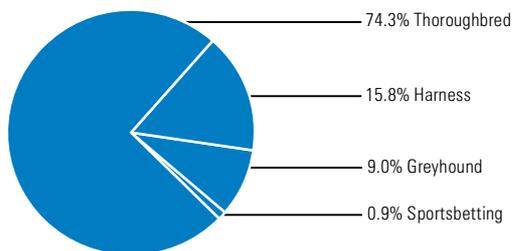
The Market

Throughout 1996/97 the wagering market in Victoria faced strong competition from other forms of entertainment, however, the strategies of the Victorian racing industry and TABCORP to improve the range and quality of the wagering product are delivering good results. The company has focused on improving the retail network, enhancing the information available to customers and supporting these strategies with advertising and promotions. The initiatives of the Victorian racing industry in further developing Sunday racing and promoting racing as an entertainment choice have assisted in placing the Wagering Division in a good position to compete in the Victorian leisure and entertainment market.



TAB and National Sportsbet at the casino

**WAGERING REVENUE
PRODUCT MIX**



Source: TABCORP

Operations

The Wagering Division offered customers the opportunity to bet on 4,032 race meetings and a wide range of sporting events held in Australia and overseas during 1996/97. In total, 262.8 million bets were placed on race meetings, an increase of 0.6% over last year.

Betting on thoroughbred meetings generated revenue of \$230.2 million, a decrease of 1.5% on last year. While betting on Victorian thoroughbred meetings was up 1.6% on the previous year, betting on interstate thoroughbred meetings, particularly those in New South Wales and South

Australia, was down 4.8% on the previous year. The expansion of Sunday racing to 24 race days, compared to 16 last year, was successful, generating additional revenue of \$7.8 million to a total of \$27.4 million. The potential for further revenue growth on Sunday race days in 1996/97 was restricted by the lack of support meetings interstate. In 1997/98 the Victorian racing industry has programmed 32 Sunday race days, all of which will be supported by New South Wales racing on these days.

Harness racing revenue was \$48.9 million, an increase of 6.7% on last year. This result reflects Harness Racing Victoria's significant expansion of provincial meetings and the positive impact of Channel 31 television coverage on weekends and midweek.

Greyhound racing revenue was \$27.9 million, in line with last year's performance. The Greyhound Racing Control Board's initiatives, including Wednesday afternoon meetings, generated an improvement in revenue growth in the second half of the year.

National Sportsbet revenue on fixed odds betting was \$1.5 million, an 18.8% increase on last year. A further 18 outlets commenced providing National Sportsbet facilities during the year, bringing the total number of outlets to 39.

The upgrading of the Wagering Division's computer systems, which commenced during 1995/96, continued throughout the year with on-line testing taking place. The progressive migration to the new system will commence in 1997/98 and is anticipated to be completed in 1998/99. The new system will offer improved customer service and greater operational efficiency when fully implemented.

Telephone betting services have been enhanced with the introduction of Betline – an interactive voice response telephone betting facility that makes it easier and more convenient for customers to access their telephone betting account.

Self-service terminals, providing customers with easy access to their favourite bet types, are being developed by the Wagering Division for introduction to the on-course and retail network during the 1997/98 year.

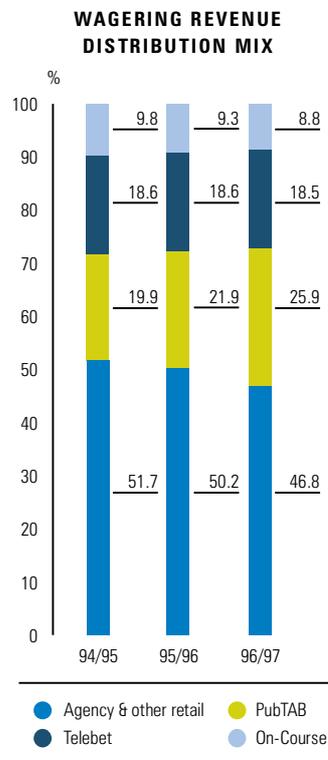
Distribution and Marketing

Initiatives to upgrade the retail network were developed during the year with a new presentation style for agencies being introduced in May 1997. The new format makes wagering easier to access for new and existing customers and presents an attractive environment which includes seating and refreshments.

The Wagering Division is also opening new agencies in key locations that will provide a comprehensive range of services to customers including TAB and National Sportsbet, sportsbetting merchandise, large screens for up-to-the-minute presentation of sports results and the Daily Form Service, in comfortable and spacious surrounds.

New standards have been developed for PubTABs to ensure that customers receive a consistent presentation of products, service and facilities. These standards have been strongly supported by hotel operators and have been effective in increasing the revenue generated by PubTABs.

The retail network overall generated revenue of \$225.8 million, an increase of 0.8% on last year. As a component of this, PubTABs generated a 17.9% increase in revenue, reflecting the popularity of wagering facilities in an environment that includes other entertainment choices.



Telephone betting revenue was \$56.7 million, which was a decrease of 0.9% on last year. The availability of interactive voice response betting will make it more convenient for customers to access their telephone betting account and is expected to improve telephone betting revenue in the future.

Race meeting attendances and wagering revenue were very strong throughout the Spring Racing Carnival, reflecting the Victorian racing industry's strategies to provide an entertaining environment at the racetracks, however full year on-course revenue declined 5.0% to \$27.2 million. The strategies of TABCORP and the Victorian racing industry to further promote the Autumn Carnival, introduce night racing in the Summer of 1998 and create more festival-type meetings in major provincial racing centres will enhance the on-course environment, making it more attractive to customers.

Future Market

The focus of TABCORP's Wagering Division and the Victorian racing industry is to ensure that they jointly deliver the right product, at the best venues, at the right times of the day to meet potential and existing customer demands. Strategies to achieve this include increasing Sunday and night racing, greater exposure of racing on free-to-air television and improvements to the wagering distribution network.

The combined strategies of the Victorian racing industry and TABCORP will ensure wagering continues to maintain its significant presence in the competitive Victorian entertainment market.



Mobile betting – Waverley Park



WANNA BET ON IT?

Gaming



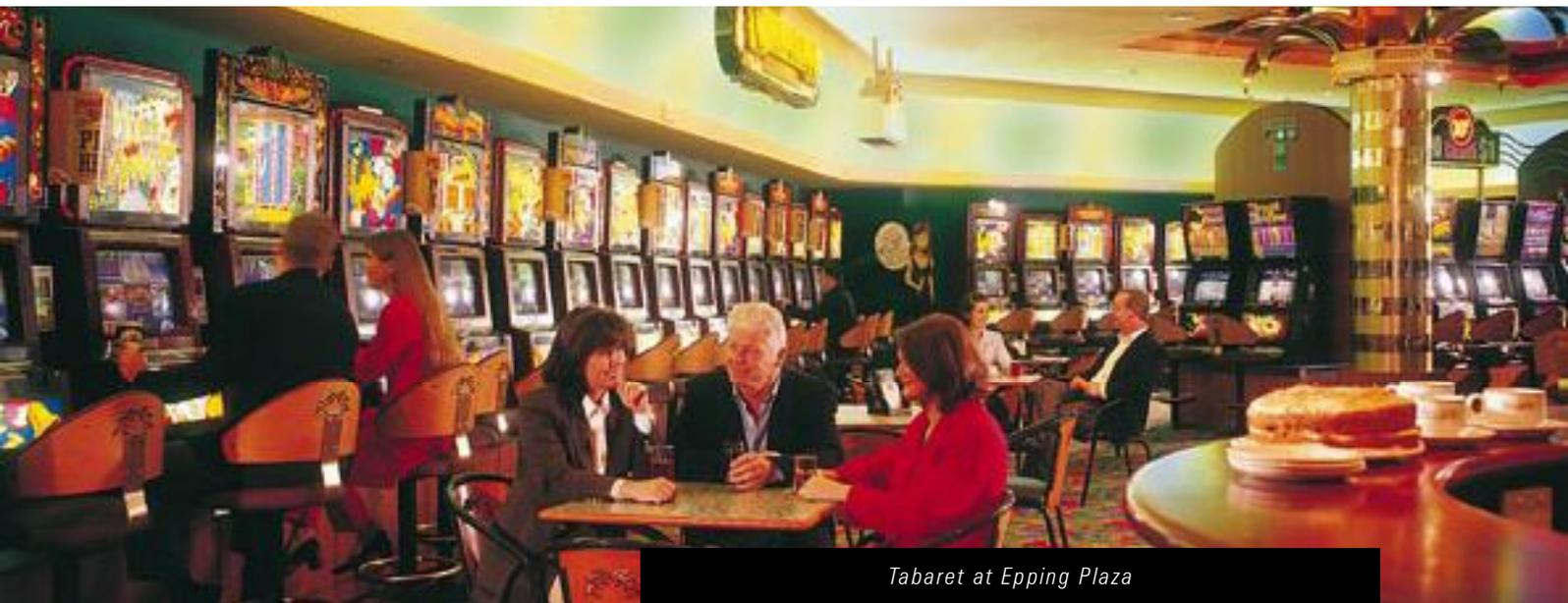
D i v i s i o n

Review of Operations

	\$m	%
Revenue	505.9	19.4
PBIT	117.3	23.3

‘TABCORP’s gaming venues are providing great entertainment across Victoria. In the year ahead, we’ll be making it even better!’

Joe Matthews, Venue Promotions Co-ordinator, Gaming



Tabaret at Epping Plaza

Principal Activities

The principal activity of the Gaming Division is to own and operate gaming machines in Victorian hotels and licensed clubs. TABCORP's gaming venues are marketed under the brand Tabaret.

At 30 June 1997 TABCORP had 13,004 gaming machines in 278 Tabaret venues, providing a competitive and highly popular entertainment option. Many of these venues also offer the company's wagering facilities, providing customers with a complementary mix of entertainment options.

Results

The Gaming Division achieved a profit before interest and tax of \$117.3 million, an increase of 23.3% on the previous year. This was generated from revenue of \$505.9 million, up 19.4% on last year.

This profit result was driven by meeting the demand for the company's gaming product through the supply of additional machines and increased utilisation of machines, as well as the continued control of operating costs.

The Market

The Victorian gaming machine market continued to grow strongly in 1996/97 with revenue estimated to be \$1.6 billion – an increase of 17.2% on the previous year. In 1996/97 TABCORP's gaming machine revenue grew 19.4% on the previous year, representing a better than market performance and reflecting the company's strategies of providing gaming as part of an integrated entertainment offer within venues.

An estimated 3,674 gaming machines have been added to the Victorian market, which includes the casino, during the 12 months to 30 June 1997, increasing the total number of gaming machines in the market by 15.0% over the previous year. It is notable that revenue from gaming machines grew at a greater rate than gaming machine numbers during the year, demonstrating that there is demand for gaming that has not yet been satisfied and highlighting the potential for further growth from existing gaming facilities. The potential for further growth is evident when the Gaming Division's 19.4% increase in revenue is compared with the 10.8% increase in its machine numbers.



Tabaret at Moonee Valley



it's

TIME

TABCORP believes the Victorian market will continue to grow in the year ahead, given the strong underlying demand for the gaming product as a very competitive and desirable entertainment option for a large number of Victorians.

Operations and Marketing

The Gaming Division increased the number of gaming venues during the year by 15 to 278 and added 1,270 gaming machines to new and existing gaming venues throughout Victoria to a total of 13,004.

A number of flagship venues were opened during the year. Through the customer research conducted by the company, the game mix and venue theme can be tailored to meet the needs of local customers, presenting an integrated leisure and entertainment offer in an exciting and attractive environment.

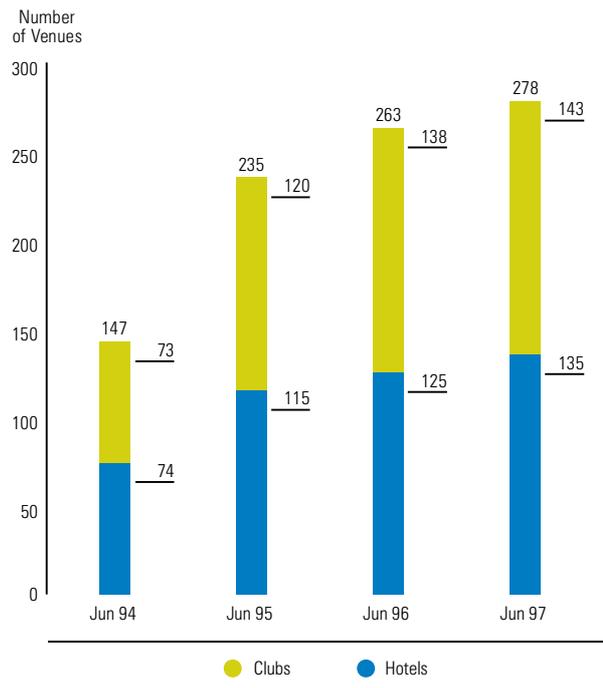
During the year TABCORP has worked closely with all venue operators, and has focused on developing a complete entertainment experience within new and existing venues.

The company's Venue Performance System, launched during the year, is aimed at maximising the gaming offer within venues and is a key element in providing the complete entertainment experience which customers are looking for.

By 30 June 1997, all venues had been trained in the Venue Performance System and approximately half of the company's gaming venues had been accredited under this system. The accreditation program will be completed during early 1997/98.

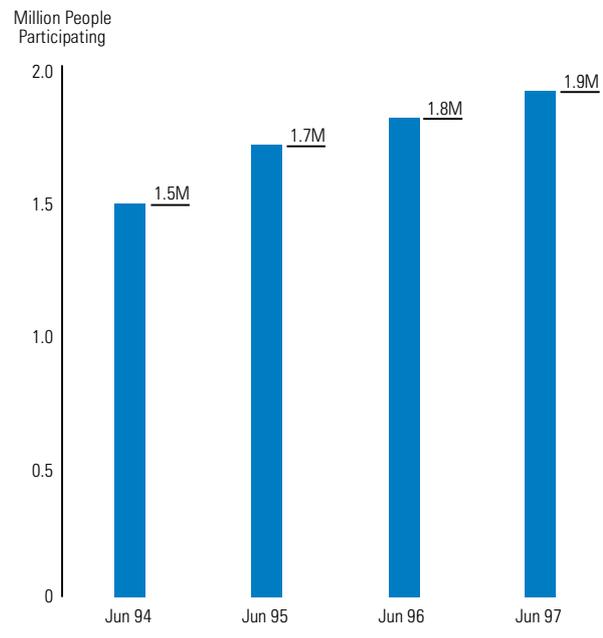
As part of the enhanced customer services offered within venues, the Gaming Division introduced bill acceptors during the year, making TABCORP the first non-casino operator in Victoria to offer this service. To satisfy customer demand, the company plans to increase the number of gaming machines with bill acceptors during 1997/98.

GAMING VENUES - HOTELS AND CLUBS



Source: TABCORP

VICTORIAN GAMING PARTICIPATION



Source: TABCORP



Hollywood at Zgame's Caulfield Club Hotel

Tabaret's Wild Cash jackpot system, which provides mystery in-venue jackpots, has performed strongly during the year. The frequency and size of Wild Cash jackpots, combined with the excitement created within the venue whenever a jackpot is won, has attracted strong customer support throughout the year.

The company released a number of new games during the year, including the popular games Hollywood and Great Escape. Promotion of these games within venues generated a high level of customer interest and contributed to growth in revenue throughout the network.

The company is continuing to work with venues where the total venue offer has not yet been maximised. The results of the Venue Performance System demonstrate that by providing customers with an attractive environment, as well as a high standard of customer service and good value entertainment and dining, there is considerable opportunity for revenue growth within existing venues.

Future Market

There is significant potential for growth within the existing Victorian gaming machine market. Despite the advances made in the presentation of gaming venues and the enhancement of the venue offer, there are many venues that could be improved further, driving additional growth in revenue.

The Gaming Division's revenue growth in the past year has outstripped both market growth and machine number growth and it is anticipated that this will be continued in the year ahead as the company continues to work closely with venues to enhance the entertainment offer.

Contributing to the Community



TABCORP staff 'Walk for the Cure'

As a major Australian company TABCORP is proud to support organisations and activities that benefit the community in which the company operates.

In addition to the \$376.2 million in gambling taxes paid to the Victorian Government during the year, the company supported a range of initiatives.

The Victorian Tourism Awards profile Victoria's reputation as a tourism destination. TABCORP continued its support of these, and a number of other industry based awards, in 1996/97.

The Melbourne International Festival is now firmly established as one of the leading features on Victoria's entertainment calendar. By supporting the 1996 Festival, TABCORP contributed to a popular activity that brings economic benefits to Victoria.

TABCORP's involvement in the world of sports was extended in 1996/97 by the company's sponsorship of the Australian Golf Masters, held in Melbourne during February 1997.

TABCORP's staff also made an enthusiastic contribution to a number of community activities during the year, proudly supported by the company. Over 80 staff joined 'Walk for the Cure' in May to raise funds for a cure for juvenile diabetes.

Board of Directors



From left: Warren Wilson, Michael Robinson (Chairman), Ross Wilson (Managing Director and Chief Executive Officer), Peter Wade and Tony Hodgson (Deputy Chairman).

M.B. Robinson LL.B.

Chairman

Mr Robinson is the Senior Partner of the law firm Arthur Robinson & Hedderwicks and was its Managing Partner from 1980 to 1988. He is also a Director of Gandel Management Limited, the Australia-Malaysia Society, The Bionic Ear Institute and Committee for the Economic Development of Australia. He is a member of the Board of Management of Epworth Hospital and of the Regional Consultative Committee of the Australian Securities Commission, Chairman of the Melbourne University Law School Foundation and President of the Institute of Public Affairs Limited. He is a member of the TABCORP Audit, Remuneration and Compliance Committees.

I.R. Wilson B.Ec. (Hons), M.Admin.

Managing Director and Chief Executive Officer

Mr Wilson was Managing Director and Chief Executive Officer of Southcorp Holdings Limited (formerly SA Brewing Holdings Limited) from August 1987 until taking up the position as Managing Director and Chief Executive Officer of the company. He is a member of the Business Council of Australia. He is a member of the TABCORP Audit, Remuneration and Compliance Committees.

A.G. Hodgson FCPA

Deputy Chairman

Mr Hodgson is Senior Partner, Melbourne of the chartered accounting firm Ferrier Hodgson. He is Chairman of the TABCORP Audit Committee and Chairman of Melbourne Port Corporation. Mr Hodgson is a member of the Committee of the Moonee Valley Racing Club and the Regional Consultative Committee of the Australian Securities Commission.

P.H. Wade FCPA

Mr Wade was Managing Director of North Broken Hill Peko Limited until his retirement in 1993. He is Chairman of Acacia Resources Limited and a Director of CSL Limited. Mr Wade is Chairman of the TABCORP Remuneration Committee and the TABCORP Staff Superannuation Fund. He is also a member of the TABCORP Audit Committee.

W.V. Wilson

Mr Wilson joined the Royal Hong Kong Jockey Club in 1978 and in 1980 became its Director responsible for all betting and lottery activity. He retired from the Club in January 1994 at which time he also had responsibility for Information Technology. He is a Board Member of the South Australian Lotteries Commission. Mr Wilson is Chairman of the TABCORP Compliance Committee.

Corporate Governance

TABCORP's Board of Directors strongly supports the principles of corporate governance and is committed to maintaining the highest standards and best practice within the company.

The company's policies have been further reviewed during the current year and shall continue to be developed and refined to meet the future needs of the company.

Responsibilities and Functions of the Board

The Board has overall responsibility for the corporate governance of the company. It sets the strategic direction of the company, the goals for management, reviews the plans of management and monitors the performance of management against those plans in achieving the established goals.

To assist the Board in achieving the highest standards of corporate governance, the directors closely involve themselves with the critical areas of the company's activities through the establishment of Board committees with specific responsibilities for audit, remuneration and compliance.

Audit Committee

The Audit Committee has been established to provide additional assurance regarding the quality and reliability of financial information used by the Board and financial statements issued by the company to its shareholders. The committee reviews the activities of the internal audit group and liaises with the company's external auditors, both of whom have direct access to the committee chairman, and oversees compliance with statutory responsibilities relating to financial disclosure including related party transactions.

The committee also reviews the performance of the auditors on an annual basis.

The Audit Committee reviews the risk management policies and processes of the company including the appropriate documentation. Working closely with the Compliance Committee, it also reviews the risk exposures and controls with respect to existing information technology systems and those under development.

The Audit Committee consists of Messrs. A.G. Hodgson (Chairman), M.B. Robinson, I.R. Wilson and P.H. Wade.

Compliance Committee

The Compliance Committee is responsible for monitoring legal and procedural requirements to ensure that the company complies with its licence conditions. The committee places particular emphasis on monitoring procedures which are designed to support the reliability and integrity of the company's gaming and wagering systems and the review of information technology development projects.

The Compliance Committee consists of Messrs. W.V. Wilson (Chairman), M.B. Robinson and I.R. Wilson.

Remuneration Committee

The Remuneration Committee has responsibility to review and make recommendations to the Board on remuneration packages and policies applicable to the Chief Executive Officer, senior executives and directors. This role also includes responsibility for employee share ownership and option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements.

Remuneration levels are competitively set to attract the most qualified and experienced directors and senior executives. Independent advice on the appropriateness of remuneration packages is obtained.

The Remuneration Committee consists of Messrs. P.H. Wade (Chairman), M.B. Robinson and I.R. Wilson.

Composition of the Board

The Board currently consists of five members of whom four including the Chairman are non-executive directors.

From time to time as the company grows and its field of activities expands, it may be appropriate to expand the number of directors and take on expertise in additional relevant disciplines whilst maintaining the present appropriate mix of non-executive and executive directors to ensure the independence of the Board from management. Maintenance of the appropriate mix of skills and experience upon the Board is the subject of ongoing review by the directors.

In light of the company having commenced operations in August 1994, and the size of the current Board, nominations to the Board are considered by the Board as a whole rather than delegating this task to a nomination committee.

Details of the current directors and their qualifications and experience are contained within the Directors' Report.

The company's articles of association require that one third of the directors of the company, other than a director who is a Managing Director, retire by rotation and may stand for re-election at each Annual General Meeting of the company.

The company's shareholders have approved retirement benefits being made available to all non-executive directors of the company, such approval also being effective in respect of future non-executive director appointments to the Board.

Independent Professional Advice

An individual director who has concern with respect to a particular matter before the Board may, after discussion with the Chairman, advised to the Managing Director and Chief Executive Officer, obtain independent professional advice at the company's expense.

Internal Control Framework

The Board is responsible for the establishment and maintenance of the internal control structure of the company but acknowledges that within cost effective parameters, errors and irregularities cannot be eliminated in their entirety.

Financial reporting is primarily in the form of the development of a detailed annual budget which is subject to the approval of the directors. Actual monthly and year to date results for the company as a whole and for each of its business divisions are reported to the Board to enable it to monitor performance against the pre-approved budget.

Forecasts for the company and each of the operating divisions are regularly updated and reported to the Board.

The company reports to shareholders both half-yearly and annually.

Procedures are in place to ensure that information is reported to the Australian Stock Exchange in accordance with the continuous disclosure requirements of its Listing Rules. The Board reviews the company's compliance with its continuous disclosure obligations at each of its meetings.

Significant additional financial controls and procedures, including information system controls, have been developed since the commencement of the operations of the company in August 1994 and are continuing to be developed as the company's operations expand.

Compliance with key regulatory requirements particular to the company's licences and the businesses conducted pursuant to those licences are the subject of specific reporting to the Board's Compliance Committee.

The company has detailed procedural guidelines for the approval of capital expenditure including annual budgeting, review and approval of individual proposals and specific levels of authority between the Managing Director and the Board.

The company maintains a field audit program of its retail wagering outlets. This risk analysis-based program is carried out by audit staff reporting directly to the Group Financial Manager Wagering.

A detailed set of guidelines relating to the investment of surplus cash has been established by management and approved by the Board.

Internal Audit

The company's internal audit function is conducted under contract by chartered accountants KPMG. The annual internal audit program and the scope of work to be performed is set in consultation with the Audit Committee of the Board. The internal auditors submit regular reports to the Audit Committee, Compliance Committee and where appropriate, to the Board itself.

Management of Risk

The company's current operations are conducted within Victoria pursuant to the wagering and gaming licences issued to it by the Victorian Government under the Gaming & Betting Act 1994.

The company has in place a range of policies and procedures designed in part to manage the risk associated with those operations. Those policies and procedures are and will be further developed as the company's existing operations develop and its range of activities expands.

The implementation of these policies and procedures is monitored by the Audit and Compliance Committees of the Board.

In particular, the company has put in place procedures to ensure close cooperation with the Victorian Casino and Gaming Authority and compliance with its requirements in its role as the regulatory authority with respect to each of the company's businesses.

The company has in place a detailed policy for the management of liability risk in respect of its expanding fixed odds sportsbetting operation.

Ethical Standards

The company's policies as to the conduct and integrity of its personnel including the maintenance of ethical standards are set out in a Human Resources Policy Manual.

Certain of the company's key personnel and each of its directors have undergone extensive probity investigation by the Victorian Casino and Gaming Authority.

The company has established a comprehensive policy and guidelines for its staff, agents and venue operators with respect to their use of the company's gambling products.

The company has adopted a policy which regulates the sale or purchase of shares in the company by directors and executive officers. Under the policy, each director is required to obtain the approval of the Chairman prior to the sale or purchase by that director of shares in the company. In the case of a proposed transaction by the Chairman, approval is required from the Deputy Chairman. Executive officers are required to obtain the prior approval of the Chief Executive Officer to a proposed transaction. Where any such approval is given, it is forthwith disclosed to the full Board. It is intended that a broad interpretation be given to this policy and accordingly transactions by a director or an executive officer include transactions by any person or entity which might in the circumstances be reasonably associated with the director or executive officer, eg. spouse, infant children, family trust or family company.

Role of Shareholders

It is the Board's intention that shareholders are informed of major developments affecting the company. This information is communicated to shareholders typically twice yearly in the form of the Half-Yearly Report and Annual Report, each of which is distributed to all shareholders unless the shareholder has specifically requested not to receive the document.

The Half-Yearly Report contains a summary of the key financial information and a review of the operations of the company during the half-year in respect of which the report is made. Half-year financial statements prepared in accordance with the requirements of accounting standards and the Corporations Law are subjected to an audit review and are lodged with the Australian Securities Commission and the Australian Stock Exchange.

The Annual Report includes relevant information about the operations of the company during the year, changes in the state of affairs of the company and details of future developments in addition to a number of other disclosures required under the Corporations Law. The Annual Report contains a complete set of the audited financial statements required under the Corporations Law.

The company encourages the full participation of shareholders at its Annual General Meeting. Important issues are presented to shareholders as single resolutions and full discussion of each item is encouraged. Explanatory memorandums, where considered appropriate, are included with the Notice of Annual General Meeting in respect of items to be voted on at the meeting.

TABCORP Management

CORPORATE

I. R. Wilson – Managing Director and Chief Executive Officer

D. J. Simpson – Executive General Manager Finance

P. R. Broberg – Executive General Manager Information Technology

D. E. Elmslie – Executive General Manager Development

R. E. Preston – Executive General Manager Human Resources

M. J. Gullquist – Company Secretary

J. M. Hollingworth – General Manager Corporate Affairs

WAGERING

M. J. Piggott – Executive General Manager Wagering

J. C. Powell – General Manager Marketing and Sales

J. M. Ames – General Manager Operations

N. R. Wheat – Group Financial Manager

GAMING

A. H. Goodfellow – Executive General Manager Gaming

P. W. FitzGerald – General Manager Marketing and Sales

D. P. Dean – General Manager Operations

P. V. Gulbenkian – Group Financial Manager

Financial statements and reports

for the year ended 30 June 1997

TABCORP Holdings Limited and its controlled entities

The Board of Directors of TABCORP Holdings Limited has pleasure in submitting the balance sheet of the company and of the economic entity as at 30 June 1997, and the related profit and loss account and statement of cash flows for the year then ended and report as follows:

Directors

The names and details of the directors in office at the date of this report are:

M.B. Robinson LL.B. (Chairman)

Mr Robinson is the Senior Partner of the law firm Arthur Robinson & Hedderwicks and was its Managing Partner from 1980 to 1988. He is also a Director of Gandel Management Limited, the Australia-Malaysia Society, The Bionic Ear Institute and Committee for the Economic Development of Australia. He is a member of the Board of Management of Epworth Hospital and of the Regional Consultative Committee of the Australian Securities Commission, Chairman of the Melbourne University Law School Foundation and President of the Institute of Public Affairs Limited. He is a member of the TABCORP Audit, Remuneration and Compliance Committees.

I.R. Wilson B.Ec. (Hons) M.Admin

(Managing Director and Chief Executive Officer)

Mr Wilson was Managing Director and Chief Executive Officer of Southcorp Holdings Limited (formerly SA Brewing Holdings Limited) from August 1987 until taking up the position as Managing Director and Chief Executive Officer of the company. He is a member of the Business Council of Australia. He is a member of the TABCORP Audit, Remuneration and Compliance Committees.

A.G. Hodgson FCPA (Deputy Chairman)

Mr Hodgson is Senior Partner, Melbourne of the chartered accounting firm Ferrier Hodgson. He is Chairman of the TABCORP Audit Committee and Chairman of Melbourne Port Corporation. Mr Hodgson is a member of the Committee of the Moonee Valley Racing Club and the Regional Consultative Committee of the Australian Securities Commission.

P.H. Wade FCPA

Mr Wade was Managing Director of North Broken Hill Peko Limited until his retirement in 1993. He is Chairman of Acacia Resources Limited and a Director of CSL Limited. Mr Wade is Chairman of the TABCORP Remuneration Committee and the TABCORP Staff Superannuation Fund. He is also a member of the TABCORP Audit Committee.

W.V. Wilson

Mr Wilson joined the Royal Hong Kong Jockey Club in 1978 and in 1980 became its Director responsible for all betting and lottery activity. He retired from the Club in January 1994 at which time he also had responsibility for Information Technology. He is a Board Member of the South Australian Lotteries Commission. Mr Wilson is Chairman of the TABCORP Compliance Committee.

Directors' shareholdings

At the date of this report, the relevant interests of the directors in the share capital of the companies within the economic entity, as notified by the directors to the Australian Stock Exchange in accordance with Section 235(1)(a) of the Corporations Law were:

	TABCORP Holdings Limited Ordinary Shares
M.B. Robinson	53,000
I.R. Wilson	3,726,000
A.G. Hodgson	70,000
P.H. Wade	20,000
W.V. Wilson	50,000

Directors' meetings

During the year the company held twelve meetings of directors. The names of the directors and members of Committees of the Board are set out above. The attendances of the directors at meetings of the Board and of its Committees were:

	Board of Directors		Committees of the Board of Directors	
	Attended	Maximum possible attended	Attended	Maximum possible attended
M.B. Robinson	12	12	10	10
I.R. Wilson	12	12	9	10
A.G. Hodgson	12	12	4	4
P.H. Wade	10	12	7	7
W.V. Wilson	10	12	5	5

In addition to the scheduled Board meetings, the Board meets as needs dictate.

As at the date of this report, the company had an Audit Committee of the Board of Directors, which met four times during the year. The other Committees of the Board, being the Compliance and Remuneration Committees, met four and two times respectively during the year.

Principal activities

The principal activities of the economic entity during the financial year comprised the conduct of an on-course and off-course wagering business and the conduct of a gaming business pursuant to the licences granted under the Gaming and Betting Act 1994.

Results

The consolidated profit after income tax of the economic entity for the financial year was \$100.8 million, being 15.6% above the previous year.

Dividends

The following dividends including special dividends have been paid, declared or recommended since the end of the preceding financial year by the parent entity:

	On ordinary shares \$'000
Final fully franked dividend for 1996 of 10.0 cents per share on ordinary shares as declared by directors on 2 September 1996 and paid on 22 October 1996.	30,241
Special fully franked dividend for 1996 of 12.0 cents per share on ordinary shares as declared by directors on 2 September 1996 and paid on 22 October 1996.	36,289
Interim fully franked dividend for 1997 of 11.0 cents per share on ordinary shares as declared by directors on 27 February 1997 and paid on 10 April 1997.	33,321
Final fully franked dividend for 1997 of 12.0 cents per share on ordinary shares as declared by the directors, payable on 2 October 1997.	36,351
Special fully franked dividend for 1997 of 12.0 cents per share on ordinary shares as declared by the directors, payable on 2 October 1997.	36,351

Review of operations

The economic entity generated revenue of \$815.6 million, being 11.2 % above that for the previous corresponding period and with operating expenses continuing to be well controlled operating profit after tax increased by 15.6% to \$100.8 million.

After being down 1.9% on the corresponding period in the previous year for the first six months, the Wagering Division's performance improved in the second half enabling revenue for the full year to be maintained in line with the previous year at \$309.7 million. Operating expenses in the division

were strictly controlled despite being affected by an increase in the fees paid to Sky Channel for delivery of televised broadcasts of racing, resulting in a strong second half with Wagering achieving a full year PBIT of \$33.0 million, down only 3.3% from the previous year.

The Gaming Division generated \$505.9 million in revenue being 19.4% above the previous corresponding period. This revenue was generated by increased demand for the company's products which was satisfied in part by a 10.8% increase in gaming machine numbers to 13,004 combined with an increase in player utilisation resulting in growth in revenue per machine. This growth in revenue combined with the continued control of costs resulted in PBIT being up 23.3% to \$117.3 million.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the economic entity that occurred during the year.

Significant events after balance date

No matter or circumstance has arisen since the end of the financial year which is not otherwise dealt with in this report or in the consolidated financial statements that has significantly affected or may significantly affect the operations of the economic entity, the results of those operations or the state of affairs of the economic entity in subsequent financial years.

Likely developments and future results

The economic entity will continue the development of its Wagering and Gaming business to take advantage of strong growth that is being experienced in the Victorian leisure and entertainment markets. This provides ample opportunity for achievement of the economic entity's earnings growth objectives.

In addition the economic entity will continue to evaluate opportunities for expansion or acquisition that have the potential to enhance future returns to shareholders.

During the year the economic entity maintained its balance sheet strength with significant cash reserves being generated even after allowing for a \$36 million special dividend in respect of the previous financial year paid to shareholders on 22 October 1996.

The directors have excluded from this report any further information on the likely developments in the operations of the economic entity and the expected results of those operations in future financial years, as the directors have reasonable grounds to believe that to include such information would be likely to result in unreasonable prejudice to the economic entity.

Share options

No share options were issued or granted during the financial year.

Directors' benefits

No director of the company has received or become entitled to receive a benefit (other than benefits disclosed in the financial statements as emoluments or the fixed salary of a full-time employee of the company or a related body corporate) by reason of a contract made by the company or a related body corporate with the director or with a firm of which he is a member, or with an entity in which he has a substantial financial interest, except as follows:

Mr M.B. Robinson is a partner of the firm of Arthur Robinson & Hedderwicks which provides legal services to the economic entity in the ordinary course of business and in respect of which professional fees are received by the firm on normal commercial terms and conditions.

Directors' interests in contracts

During the year, the economic entity entered into contracts with entities in which certain directors declared an interest. Details of the directors' interests in those contracts are set out in Note 28 (d) which forms an integral part of this report.

Indemnification of officers

TABCORP Holdings Limited paid an insurance premium of approximately \$157,998 in respect of a contract insuring each of the directors of the company named earlier in this report and each full-time executive officer, director and secretary of group entities, against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law.

Rounding of amounts

The parent entity is a company of the kind specified in Corporations Regulation 3.6.05(6). In accordance with Section 311 of the Corporations Law and Corporations Regulation 3.6.05, amounts in the Financial Statements and the Directors' Report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

This report has been made in accordance with a resolution of directors.



M.B. Robinson
Director



I.R. Wilson
Director

Melbourne
21 August, 1997

Profit and Loss Account

for the year ended 30 June 1997

	Note	1997 \$'000	Consolidated 1996 \$'000	1997 \$'000	TABCORP Holdings 1996 \$'000
Wagering and Gaming turnover		7,087,255	6,173,005	—	—
Wagering and Gaming revenue		815,610	733,663	—	—
Other revenue		15,361	15,110	125,724	87,247
Operating revenue	2	830,971	748,773	125,724	87,247
Operating profit before income tax		156,726	135,842	102,099	82,323
Income tax (expense)/benefit attributable to operating profit	4	(55,965)	(48,672)	(678)	21
Operating profit after income tax		100,761	87,170	101,421	82,344
Retained profits at the beginning of the financial year		13,472	19,855	4,924	16,133
Total available for appropriation		114,233	107,025	106,345	98,477
Dividends provided for or paid	5	(106,160)	(93,553)	(106,160)	(93,553)
Retained profits at the end of the financial year		8,073	13,472	185	4,924
Basic earnings per share (cents per share)	6	33.3	28.9		

The accompanying notes form an integral part of this profit and loss account.

Balance Sheet

as at 30 June 1997

	Note	1997 \$'000	Consolidated 1996 \$'000	1997 \$'000	TABCORP Holdings 1996 \$'000
Current Assets					
Cash	8	111,454	110,629	18,473	13,558
Receivables	9	1,810	1,851	144,147	144,091
Inventories	10	1,812	1,389	–	–
Other	11	1,272	1,100	1,242	651
Total current assets		116,348	114,969	163,862	158,300
Non-Current Assets					
Property, plant and equipment	13	129,161	135,463	6,772	5,927
Wagering and Gaming licence	14	597,240	597,240	597,240	597,240
Other	15	23,041	19,737	20,422	16,517
Total non-current assets		749,442	752,440	624,434	619,684
TOTAL ASSETS		865,790	867,409	788,296	777,984
Current Liabilities					
Creditors and borrowings	16	47,351	44,381	25,190	23,967
Provisions	17	108,766	113,047	74,217	67,792
Total current liabilities		156,117	157,428	99,407	91,759
Non-Current Liabilities					
Creditors and borrowings	18	1,822	4,715	–	–
Provisions	19	11,841	10,837	767	344
Total non-current liabilities		13,663	15,552	767	344
TOTAL LIABILITIES		169,780	172,980	100,174	92,103
NET ASSETS		696,010	694,429	688,122	685,881
Shareholders' Equity					
Share capital	20	302,921	301,783	302,921	301,783
Reserves	21	385,016	379,174	385,016	379,174
Retained profits		8,073	13,472	185	4,924
TOTAL SHAREHOLDERS' EQUITY		696,010	694,429	688,122	685,881

The accompanying notes form an integral part of this balance sheet.

Statement of Cash Flows

for the year ended 30 June 1997

	Note	1997 \$'000	Consolidated 1996 \$'000	1997 \$'000	TABCORP Holdings 1996 \$'000
Cash Flows from Operating Activities					
Cash receipts in the course of operations		7,087,255	6,173,005	–	–
Cash returns to customers in the course of operations		(6,270,227)	(5,441,229)	–	–
Payments to suppliers, service providers and employees		(351,138)	(318,177)	(1,745)	(1,068)
Payment of Victorian Government betting taxes		(280,703)	(247,798)	–	–
Dividends received		–	–	99,300	75,253
Interest received		6,831	6,609	2,093	1,604
Income tax paid		(60,457)	(36,254)	(192)	(473)
<i>Net cash provided by operating activities</i>	24(b)	131,561	136,156	99,456	75,316
Cash Flows from Investing Activities					
Loans pursuant to employee share plan		(3,858)	(2,200)	(3,858)	(2,200)
Payment for property, plant and equipment		(34,287)	(42,658)	(1,106)	(28)
Proceeds from sale of property, plant and equipment		644	1,067	–	–
Other		(364)	(900)	(364)	(900)
Loans to controlled entities		–	–	–	(7,900)
<i>Net cash used in investing activities</i>		(37,865)	(44,691)	(5,328)	(11,028)
Cash Flows from Financing Activities					
Proceeds from issue of shares		6,980	3,061	6,980	3,061
Loans from controlled entities		–	–	3,658	8,158
Dividends paid		(99,851)	(70,738)	(99,851)	(70,738)
<i>Net cash used in financing activities</i>		(92,871)	(67,677)	(89,213)	(59,519)
Net increase in cash held		825	23,788	4,915	4,769
Cash at the beginning of the financial year		110,629	86,841	13,558	8,789
Cash at the end of the financial year	24(a)	111,454	110,629	18,473	13,558

The accompanying notes form an integral part of this statement of cash flows.

Note 1 Statement of Significant Accounting Policies

The significant policies which have been adopted in the preparation of these financial statements are:

(a) Basis of Preparation

The financial statements have been drawn up as a general purpose financial report in accordance with Accounting Standards, Urgent Issues Group Consensus Views and the Corporations Law. The accounting policies used are consistent with those adopted in the previous year. The financial statements have also been prepared on the basis of historical costs and do not take into account changing money values, or, except where stated, current valuations of non-current assets.

The accounting policies described below have been consistently applied by all entities in the economic entity.

(b) Principles of Consolidation

The consolidated financial statements of the economic entity include the financial statements of the parent entity, TABCORP Holdings Limited, and its controlled entities, referred to collectively throughout these financial statements as the 'economic entity'. The balances, and effects of transactions, between controlled entities included in the consolidated financial statements have been eliminated.

(c) Revenue Recognition

Turnover

Wagering and Gaming turnover are accounted for on an accruals basis using the methods detailed below:

– Wagering turnover is recognised at the point when the event to which the wagering investment relates is officially completed.

– Gaming turnover is recognised at the point when the game play has been completed.

Revenue

Wagering and Gaming revenue is recognised as the residual value after deducting the statutory return to customers from the Wagering and Gaming turnover.

Interest Income

Interest income is recognised as it accrues.

Asset Sales

The gross proceeds of asset sales are included as revenue of the entity. The profit and loss on disposal of assets is brought to account at the completion of the sale.

(d) Taxation

The economic entity follows the policy of tax effect accounting. The income tax expense in the profit and loss account represents the tax on pre-tax accounting profit adjusted for income and expenses never to be assessed or allowed for taxation purposes. The tax effect of timing differences which arise from items being brought to account in different periods for income tax and accounting purposes is carried forward in the balance sheet as a future income tax benefit or a provision for deferred income tax liability, calculated at the tax rates expected to apply when the differences reverse.

Future income tax benefits are not brought to account unless realisation of such benefit is assured beyond any reasonable doubt.

(e) Non-Current Assets

The carrying amounts of non-current assets are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount. In assessing recoverable amounts the relevant cash flows have not been discounted to their present value.

(f) Property, Plant and Equipment

Items of property, plant and equipment excluding freehold land are recorded at cost and depreciated by the straight line method to write off the original cost over the estimated useful lives. Assets are depreciated from the date of acquisition.

Freehold land is recorded at cost and is not depreciated.

Operating lease assets are not capitalised and rental payments are charged against profits in equal instalments over the accounting periods covered by the lease term.

(g) Wagering and Gaming Licence

The Wagering and Gaming licence has not been amortised as the payment to be received by the parent entity under Section 21 of the Gaming and Betting Act 1994 at the end of the licence period is currently expected to be not less than the carrying value of the asset. The licence period expires in the year 2012.

(h) Investments

Investments in controlled entities are carried in the parent entity's financial statements at the lower of cost and recoverable amount. Dividends and distributions are brought to account in the profit and loss account when they are proposed by the controlled entities.

(i) Inventories

Inventories comprise consumable stores and are carried at the lower of cost and net realisable value. Costs are assigned on a weighted average basis.

(j) Employee Entitlements

Annual Leave and Sick Leave

The provision for employee entitlements to annual leave and sick leave represents the amount which the economic entity has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated at nominal amounts based on current wage and salary rates and includes on-costs.

Long Service Leave

The liability for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

Liabilities for employee entitlements which are not expected to be settled within twelve months are discounted using the interest rate applicable to 10 year Commonwealth Government bonds at balance date.

In determining the liability for employee entitlements, consideration has been given to future increases in wage and salary rates. Related on-costs have also been included in the liability.

Employee Share Plan

A TABCORP employee share plan has been established under which shares in TABCORP Holdings Limited and loans to acquire shares in the parent entity would be available to eligible employees (refer Note 22).

Superannuation

TABCORP Holdings Limited and its controlled entities contribute to two employee superannuation funds. Contributions are charged against income as incurred (refer Note 22).

(k) Doubtful Debts

The collectability of debts is assessed at year end and specific provision is made for any doubtful accounts. Bad debts are written off when they are identified.

(l) Joint Venture

The economic entity's interest in an unincorporated joint venture is brought to account by including the following appropriate categories in the balance sheet and profit and loss account:

- the economic entity's interest in each of the individual assets employed and liabilities incurred in the joint venture; and
- the economic entity's share of product and expenses relating to the joint venture (refer Note 26).

(m) Comparative Information

Comparative information has been reclassified to achieve consistency in disclosure with current financial year and other disclosures, where necessary.

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 1997

	1997 \$'000	Consolidated 1996 \$'000	TABCORP Holdings 1997 \$'000	1996 \$'000
Note 2				
Operating Profit				
Operating profit has been determined after crediting the following revenues:				
OPERATING REVENUE				
Wagering and Gaming revenue	815,610	733,663	–	–
Other revenue:				
Interest received or due and receivable from:				
– other than related parties	6,381	6,533	1,488	898
– related parties	–	–	659	158
Dividends received or due and receivable from related parties	–	–	101,400	82,700
Gross proceeds from sale of non-current assets (a)	644	1,067	–	–
Other revenue items	8,336	7,510	22,177	3,491
Total other revenue	15,361	15,110	125,724	87,247
Total operating revenue	830,971	748,773	125,724	87,247
(a) Profit on sale of non-current assets	163	152	–	–
Operating profit has been determined after charging the following expenses:				
Depreciation of property, plant and equipment	28,487	24,696	261	229
Operating lease rentals	74	247	–	–
Bad trade debt written off	8	9	–	–
Amounts set aside to provisions for:				
Doubtful trade debts	30	42	–	–
Employee entitlements	1,072	1,084	417	1
Total amount set aside to provisions	1,102	1,126	417	1
Note 3				
Auditors' Remuneration				
Total remuneration received or due and receivable by the auditor of TABCORP Holdings Limited and its controlled entities in respect of:				
– auditing the financial statements	179	180	115	135
– other services	60	81	60	55
	239	261	175	190

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 1997

	1997 \$'000	Consolidated 1996 \$'000	1997 \$'000	TABCORP Holdings 1996 \$'000
Note 4				
Income Tax				
The difference between income tax expense provided in the financial statements and the prima facie income tax expense is reconciled as follows:				
Operating profit	156,726	135,842	102,099	82,323
Prima facie tax thereon at 36%	56,421	48,903	36,756	29,636
Tax effect of permanent and other differences:				
– dividends received	–	–	(36,504)	(29,772)
– sundry items	(372)	(231)	430	115
– overprovision in prior year	(84)	–	(4)	–
Total income tax attributable to operating profit	55,965	48,672	678	(21)
Total income tax expense comprises movements in:				
– provision for income tax	(50,949)	(47,294)	(308)	(244)
– provision for deferred income tax	(4,392)	(1,792)	(409)	5
– future income tax benefits	(624)	414	39	260
Income tax (expense)/benefit	(55,965)	(48,672)	(678)	21
Note 5				
Dividends				
Dividends provided for or paid by the economic entity are:				
(a) an interim dividend of 11.0 cents per share, franked to 100% with Class C (36%) franking credits, was paid on 10 April 1997 (1996: 9.0 cents per share, franked to 100% with Class C (36%) franking credits was paid on 16 April 1996)	33,321	27,160	33,321	27,160
(b) a final dividend of 12.0 cents per share, franked to 100% with Class C (36%) franking credits, is provided (1996: 10.0 cents per share, franked to 100% with Class C (36%) franking credits was paid on 22 October 1996)	36,351	30,179	36,351	30,179
(c) a final dividend of 10.0 cents per share applicable to shares issued on 19 September 1996, franked to 100% with Class C (36%) franking credits was paid on 22 October 1996	62	–	62	–
(d) a special dividend of 12.0 cents per share, franked to 100% with Class C (36%) franking credits, is provided (1996: 12.0 cents per share, franked to 100% with Class C (36%) franking credits was paid on 22 October 1996)	36,351	36,214	36,351	36,214
(e) a special dividend of 12.0 cents per share applicable to shares issued on 19 September 1996, franked to 100% with Class C (36%) franking credits was paid on 22 October 1996	75	–	75	–
	106,160	93,553	106,160	93,553
FRANKING CREDITS				
Franking credits available at the 36% corporate tax rate after allowing for tax payable in respect of the current year's profits and the payment of the proposed dividends	(15,153)	431	(4,536)	(327)

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 1997

Consolidated
1997
1996

Note 6 Earnings per Share

Basic earnings per share (cents per share)	33.3	28.9
Weighted average number of ordinary shares used in the calculation of basic earnings per share	302,537,591	301,445,061

Diluted earnings per share is not different from basic earnings per share and accordingly is not disclosed.

Note 7 Segment Information

The economic entity operates predominantly in the leisure and entertainment industry, providing wagering and gaming services and facilities within Victoria, Australia.

	Consolidated		TABCORP Holdings	
	1997	1996	1997	1996
	\$'000	\$'000	\$'000	\$'000

Note 8 Cash

Cash comprises:

Cash on hand and in banks	12,449	10,140	499	54
Short term deposits	53,346	26,975	4,034	700
Bank accepted bills	45,659	73,514	13,940	12,804
	111,454	110,629	18,473	13,558

Note 9 Receivables (Current)

Trade debtors	1,178	1,212	–	–
Provision for doubtful debts	(150)	(138)	–	–
	1,028	1,074	–	–
Sundry debtors	455	–	61	–
Amounts receivable from controlled entities	–	–	144,025	143,905
Accrued interest income	327	777	61	186
	1,810	1,851	144,147	144,091

Note 10 Inventories (Current)

Consumable stores at cost	1,812	1,389	–	–
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Note 11 Other Assets (Current)

Prepayments	366	488	336	39
Loans pursuant to employee share plan	906	612	906	612
	1,272	1,100	1,242	651

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 1997

	Note	1997 \$'000	Consolidated 1996 \$'000	1997 \$'000	TABCORP Holdings 1996 \$'000
Note 12	Investments (Non-Current)				
		Investments in controlled entities are valued at cost of \$8 (refer Note 25).			
Note 13	Property, Plant and Equipment				
	Land and buildings:				
	Freehold land at cost	5,639	5,639	2,000	2,000
	Buildings:				
	– at cost	10,031	9,849	4,065	4,018
	– accumulated depreciation	(1,744)	(1,153)	(479)	(310)
		8,287	8,696	3,586	3,708
	Total land and buildings, net	13,926	14,335	5,586	5,708
	Leasehold improvements:				
	– at cost	6,964	7,047	–	–
	– accumulated amortisation	(2,046)	(1,769)	–	–
	Total leasehold improvements, net	4,918	5,278	–	–
	Plant and equipment:				
	– at cost	198,290	167,314	1,342	283
	– accumulated depreciation	(87,973)	(51,464)	(156)	(64)
	Total plant and equipment, net	110,317	115,850	1,186	219
		129,161	135,463	6,772	5,927
Note 14	Wagering and Gaming Licence				
	Wagering and Gaming licence at cost	1(g)	597,240	597,240	597,240
Note 15	Other Assets (Non-Current)				
	Future income tax benefits		3,436	4,060	817
	Loans to executive director	28(c)	8,276	7,912	8,276
	Loans pursuant to employee share plan		11,329	7,765	11,329
			23,041	19,737	20,422
					16,517
Note 16	Creditors and Borrowings (Current)				
	Trade creditors and accrued expenses		47,351	44,381	1,668
	Amounts due to controlled entities		–	–	23,522
			47,351	44,381	25,190
					23,967

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 1997

	Note	1997 \$'000	Consolidated 1996 \$'000	1997 \$'000	TABCORP Holdings 1996 \$'000	
Note 17	Provisions (Current)					
	Dividends	5	72,702	66,393	72,702	66,393
	Taxation		28,567	38,075	207	153
	Employee entitlements		4,466	4,218	1,308	1,246
	Other		3,031	4,361	–	–
			108,766	113,047	74,217	67,792
Note 18	Creditors and Borrowings (Non-Current)					
	Trade creditors		1,822	4,715	–	–
Note 19	Provisions (Non-Current)					
	Employee entitlements		2,360	2,259	296	282
	Provision for deferred income tax		9,481	5,089	471	62
	Other		–	3,489	–	–
			11,841	10,837	767	344
Note 20	Share Capital					
	Authorised capital:					
	1,000,000,000 ordinary shares of \$1.00 each		1,000,000	1,000,000	1,000,000	1,000,000
	Issued and paid up capital:					
	302,920,906 ordinary shares of \$1.00 each		302,921	301,783	302,921	301,783
	Movement in issued shares for the year:					
		Number of ordinary shares				
	Opening number of shares	301,782,706				
	Issued under Employee Share Plan (a)	1,138,200				
	Closing number of shares	302,920,906				
	<i>(a) TABCORP Holdings Limited issued:</i>					
	– 622,000 ordinary shares on 19 September 1996,					
	– 100,000 ordinary shares on 8 November 1996,					
	– 256,200 ordinary shares on 28 November 1996, and					
	– 160,000 ordinary shares on 28 February 1997					
	to employees under the Employee Share Plan (refer Note 22 for details of the Employee Share Plan).					
Note 21	Reserves					
	Share premium		385,016	379,174	385,016	379,174
	Movement during the year:					
	Balance at beginning of year		379,174	376,921	379,174	376,921
	Premium on ordinary shares issued during the year		5,842	2,253	5,842	2,253
	Balance at end of year		385,016	379,174	385,016	379,174

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 1997

Note 22

Employee Entitlements

	Note	1997 \$'000	Consolidated 1996 \$'000	1997 \$'000	TABCORP Holdings 1996 \$'000
Aggregate employee entitlements, including on-costs					
Current	17	4,466	4,218	1,308	1,246
Non-current	19	2,360	2,259	296	282
		6,826	6,477	1,604	1,528

Employee Share Plan

A TABCORP employee share plan has been established and approved by shareholders under which shares in the parent entity and loans to acquire shares in the parent entity are available to eligible employees. Other than shares applied for in the TABCORP float, the shares are issued at market price at the date of offer. The maximum number of shares that can be outstanding at any time under the Plan is limited to 3% of the issued capital of the parent entity.

Details of the employee share plan for the parent entity are as follows:

	Ordinary shares			
	(a) 1997	(b) 1997	(a) 1996	(b) 1996
Total number issued to employees during the year ('000)	938	200	966	–
Total number issued to employees since commencement of the plan ('000)	4,109	3,300	3,171	3,100
Total number that have become available for purchase since commencement of the plan ('000)	8,433	3,300	6,511	3,100
Purchase entitlements not taken up by employees are not available at balance date for purchase.				
Total number of employees eligible to participate in this plan at balance date	1,912	1	2,080	1
Total number of employees participating in this plan at balance date	1,374	1	1,713	1
Total market value, at date of issue, of issues during the year (\$'000)	5,749	1,175	3,758	–
Proceeds received from issues during the year (\$'000)	5,805	1,175	3,683	–

(a) shares issued to employees

(b) shares issued to a director under a service agreement.

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 1997

Note 22 Employee Entitlements *continued*

Superannuation Funds

TABCORP Holdings Limited maintains two superannuation funds covering all of its employees and the employees of controlled entities, the TABCORP Superannuation Fund and the TABCORP Staff Superannuation Fund. Each Fund comprises:

- (a) a defined benefit section (closed to new entrants): providing benefits based on salary and length of service; and
- (b) an accumulation section: providing benefits based on contributions accumulated with interest.

The most recent actuarial reviews of the TABCORP Superannuation Fund and the TABCORP Staff Superannuation Fund were carried out effective at 1 July 1995 by Mr W.S. O'Regan, FFA, of William M. Mercer Pty Ltd. The actuary's investigation for those reviews confirmed that both Funds held sufficient assets to meet any benefits that would have been vested under each Fund in the event of termination of the Funds or the voluntary or compulsory termination of employment of each employee.

The next actuarial investigations of the TABCORP Superannuation Fund and the TABCORP Staff Superannuation Fund are to be undertaken as at 30 June 1998.

TABCORP Holdings Limited and controlled entities are obliged to contribute to the Superannuation Funds as a consequence of legislation or trust deeds; legal enforceability is dependent on the terms of the legislation and the trust deeds. The rate of payment of contributions to the Funds is based on advice from the actuary.

The information disclosed at last actuarial review of the Funds is as follows:

	TABCORP Superannuation Fund \$'000	TABCORP Staff Superannuation Fund \$'000	Total \$'000
At 30 June 1995			
Fund assets at market value	31,526	20,449	51,975
Accrued benefits	11,632	8,489	20,121
Excess of fund assets over accrued benefits	19,894	11,960	31,854
Information disclosed in the most recent audited financial statements of both Funds is as follows:			
At 30 June 1996			
Fund assets at market value	26,977	31,679	58,656
Vested benefits	9,641	11,868	21,509
At 30 June 1995			
Fund assets at market value	31,526	20,449	51,975
Vested benefits	10,522	6,756	17,278

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 1997

Note 23 Commitments

	1997 \$'000	Consolidated 1996 \$'000	1997 \$'000	TABCORP Holdings 1996 \$'000
(a) Capital Expenditure Commitments				
Contracted but not provided for and payable not later than one year	10,688	2,337	—	—
(b) Leasehold Premises Rental Commitments				
Contracted but not provided for and payable:				
Not later than one year	5,810	4,781	1,600	—
Later than one year but not later than two years	4,359	2,945	1,839	—
Later than two years but not later than five years	9,994	3,964	6,259	—
Later than five years	11,253	1,199	10,869	—
	31,416	12,889	20,567	—
(c) Other Commitments				
Future operating lease rentals/licence fees not provided for and payable:				
Not later than one year	—	70	—	—
Later than one year but not later than two years	—	—	—	—
Later than two years but not later than five years	—	—	—	—
Later than five years	—	—	—	—
	—	70	—	—

Note 24 Notes to the Statement of Cash Flows

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks, deposits at call and bank accepted bills.

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	Note	1997 \$'000	Consolidated 1996 \$'000	1997 \$'000	TABCORP Holdings 1996 \$'000
Cash	8	111,454	110,629	18,473	13,558
		111,454	110,629	18,473	13,558

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 1997

	1997 \$'000	Consolidated 1996 \$'000	1997 \$'000	TABCORP Holdings 1996 \$'000
Note 24				
Notes to the Statement of Cash Flows <i>continued</i>				
(b) Reconciliation of net cash provided by operating activities to operating profit after income tax				
Operating profit after income tax	100,761	87,170	101,421	82,344
Add/(less) items classified as investing/financing activities:				
Profit on sale of non-current assets	(163)	(152)	–	–
Add/(less) non-cash income and expense items:				
Depreciation expense	28,487	24,696	261	229
Write back of unclaimed Wagering return to customers	(530)	(173)	–	–
Net cash provided by operating activities before change in assets and liabilities	128,555	111,541	101,682	82,573
Change in assets and liabilities:				
(Increase)/decrease in:				
– trade and sundry debtors	(410)	1,120	(61)	50
– inventories	(423)	388	–	–
– prepayments	122	(222)	(297)	(23)
– accrued interest income	450	76	125	(107)
– amounts receivable from controlled entities	–	–	(3,951)	(6,438)
– future income tax benefits	624	(414)	23	(261)
(Decrease)/increase in:				
– trade creditors and accrued expenses	8,618	12,242	1,224	(244)
– provisions	(859)	(1,407)	248	–
– provision for deferred income tax	4,392	1,792	409	(5)
– provision for income tax	(9,508)	11,040	54	(229)
Net cash provided by operating activities	131,561	136,156	99,456	75,316

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 1997

Note 25 Controlled Entities

The following were controlled entities at 30 June 1997, and have been included in the consolidated financial statements. The financial years of all controlled entities are the same as that of TABCORP Holdings Limited.

Name of controlled entity	Place of incorporation	Type of shares	Interest held	
			1997 %	1996 %
TABCORP Holdings Limited	Australia	—	—	—
TABCORP Assets Pty Ltd	Australia	ordinary	100	100
TABCORP Manager Pty Ltd	Australia	ordinary	100	100
TABCORP Participant Pty Ltd	Australia	ordinary	100	100
TABCORP Pty Ltd	Australia	ordinary	100	100

All the subsidiaries have entered into a deed of cross guarantee dated 8 June 1995 with TABCORP Holdings Limited which provides that all parties to the deed will guarantee to each creditor payment in full of any debt of each company participating in the deed on winding up of that company. In addition, as a result of the Class Order issued by the Australian Securities Commission, TABCORP Assets Pty Ltd and TABCORP Participant Pty Ltd are relieved from the requirements to prepare financial statements. TABCORP Manager Pty Ltd and TABCORP Pty Ltd are relieved from the requirements to prepare financial statements as they are small proprietary companies as defined by the Corporations Law.

The aggregate assets, liabilities and operating profit after tax of the companies which are parties to the deed of cross guarantee are as follows:

	1997 \$'000	1996 \$'000
Assets	865,790	867,409
Liabilities	169,780	172,980
Operating profit after tax	100,761	87,170

Note 26 Interest in Joint Venture

TABCORP Holdings Limited and its controlled entities (TABCORP Assets Pty Ltd, TABCORP Manager Pty Ltd and TABCORP Participant Pty Ltd) conduct an unincorporated joint venture with VicRacing Pty Ltd. TABCORP Holdings Limited and its controlled entities manage the joint venture whose principal activity is the organisation, conduct, promotion and development of wagering and gaming. The economic entity receives 75% of the product and expenses of the joint venture.

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 1997

Note 27 Staff Costs

(a) Remuneration of directors

Prepared in accordance with Accounting Standard AASB 1017 and Urgent Issues Group Abstract 14 and reported on the basis of gross cost to the entity of remuneration paid or payable, or otherwise made available.

The numbers of directors of TABCORP Holdings Limited whose remuneration (including brokerage, commission, bonuses, retirement payments and salaries), paid or payable directly or indirectly by the parent entity or any related party, as shown in the following bands, were:

	TABCORP Holdings	
	1997	1996
\$40,000 – \$49,999	–	3
\$50,000 – \$59,999	2	–
\$60,000 – \$69,999	1	–
\$90,000 – \$99,999	–	1
\$120,000 – \$129,999	–	1
\$130,000 – \$139,999	1	–
\$1,370,000 – \$1,379,999	1	–
\$1,490,000 – \$1,499,999	–	1
	\$'000	\$'000
The aggregate remuneration of the directors referred to in the above bands was	1,694	1,868

The total of all remuneration paid or payable directly or indirectly, by the respective corporations of which they are director, or any related party, to all the directors of each corporation in the economic entity was \$1.710 million. This amount includes the value of insurance premiums paid for the benefit of directors.

(b) Remuneration of executives

Prepared in accordance with Accounting Standard AASB 1034 and reported on the basis of remuneration received or due and receivable.

The number of executive officers domiciled in Australia who received, or were due to receive, directly or indirectly from the parent entity, or from any related party, a total remuneration in connection with the management of affairs of the parent entity, or any of its subsidiaries whether as executive officers or otherwise, as shown in the following bands, were:

	Consolidated		TABCORP Holdings	
	1997	1996	1997	1996
\$120,000 – \$129,999	2	1	2	1
\$130,000 – \$139,999	1	2	1	1
\$140,000 – \$149,999	2	2	–	–
\$150,000 – \$159,999	2	–	–	–
\$160,000 – \$169,999	1	2	–	–
\$170,000 – \$179,999	–	1	–	1
\$200,000 – \$209,999	1	–	–	–
\$220,000 – \$229,999	1	–	1	–
\$340,000 – \$349,999	2	–	1	–
\$350,000 – \$359,999	–	1	–	1
\$360,000 – \$369,999	1	–	1	–
\$380,000 – \$389,999	1	1	–	1
\$390,000 – \$399,999	–	1	–	–
\$1,210,000 – \$1,219,999	1	–	1	–
\$1,290,000 – \$1,299,999	–	1	–	1
	\$'000	\$'000	\$'000	\$'000
The aggregate remuneration of the executives referred to in the above bands was	4,239	3,637	2,537	2,469

Remuneration of executives includes executive directors of the parent entity who are already disclosed within 'Remuneration of directors'.

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 1997

Note 28 Related Parties

(a) Directors

The following persons held the position of director of TABCORP Holdings Limited during all of the past two financial years, unless otherwise stated:

M.B. Robinson

A.G. Hodgson

I.R. Wilson

P.D. Ritchie (resigned on 30 May 1996)

P.H. Wade

W.V. Wilson

(b) Directors' shareholdings

	Shares issued by Parent Entity	
	1997 Number	1996 Number
Shares acquired from the entity during the year:		
Ordinary shares	200,000	—
	1997 Number	1996 Number
Shares held at end of the year:		
Directly or indirectly		
Ordinary shares	3,919,000	3,686,000

(c) Directors' loans

Director loans are interest free and are made to executive directors only. The loans are to be repaid following cessation of employment, and, where advanced to finance the acquisition of shares in the company, the dividends received on those shares are applied towards loan repayment. The loans are secured by an equitable mortgage over the shares held by the director. During the year, TABCORP Holdings Limited made a loan of \$1.175 million (1996: \$0.900 million) to I. R. Wilson as provided for under his service agreement, approved by shareholders. He repaid \$0.811 million (1996: \$0.582 million) of the balance outstanding on his loan during the year.

	Consolidated		TABCORP Holdings	
	1997 \$'000	1996 \$'000	1997 \$'000	1996 \$'000
Loans to director outstanding at year end:				
Non-current	8,276	7,912	8,276	7,912

(d) Director transactions

The directors of the economic entity, or their director-related entities, conduct transactions with entities within the economic entity that occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the entity would have adopted if dealing with the director or director-related entity at arm's length in similar circumstances. These transactions include the following and have been quantified below where the transactions are considered likely to be of interest to users of these financial statements:

- (i) Mr M.B. Robinson is a partner in the legal firm of Arthur Robinson & Hedderwicks. This firm renders legal advice to the economic entity. All dealings with the firm are in the ordinary course of business and on normal commercial terms and conditions.

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 1997

Note 28 Related Parties *continued*

(e) Transactions with related parties in the wholly owned group

In addition to those transactions disclosed in Note 2, the parent entity made advances and received repayments on short term inter-company accounts. No interest is receivable on these account balances.

Loans

Loans between entities in the wholly-owned group are repayable within the next 12 months, or such later date as agreed. Interest is charged daily at the 180-day commercial bank bill rate plus 0.75% per annum on the outstanding balance. Interest receivable by TABCORP Holdings Limited was \$0.659 million (1996: \$0.158 million) in respect of these loans during the year.

Amounts due to and receivable from related parties in the wholly owned group

Appropriate disclosure of these amounts is contained in the respective notes to the financial statements.

Ownership interests

The ownership interests in related parties in the wholly owned group are disclosed in Note 25.

(f) Ultimate controlling entity

The ultimate controlling entity of the economic entity is TABCORP Holdings Limited.

Note 29 Contingent Liabilities

Parent entity:

As explained in Note 25, the parent entity has entered into a deed of cross guarantee in accordance with a Class Order issued by the Australian Securities Commission. The parent entity, and all the controlled entities which are a party to the deed, have guaranteed the repayment of all current and future creditors in the event any of these companies are wound-up.

Director related:

Contingent liabilities at balance date, not otherwise provided for in these financial statements are shown below:

	1997 \$'000	Consolidated 1996 \$'000	1997 \$'000	TABCORP Holdings 1996 \$'000
Service agreement				
The maximum contingent liabilities for termination benefits under a service agreement with a director in the economic entity amount to	1,140	1,775	1,140	1,775

Directors' Statement

In the opinion of the directors of TABCORP Holdings Limited:

- (a) the profit and loss account is drawn up so as to give a true and fair view of the profit of the company for the year ended 30 June 1997;
- (b) the balance sheet is drawn up so as to give a true and fair view of the state of affairs of the company at 30 June 1997;
- (c) the statement of cash flows is drawn up so as to give a true and fair view of the cash flows of the company for the year ended 30 June 1997; and
- (d) at the date of this statement, there are reasonable grounds to believe the company will be able to pay its debts as and when they fall due, and the companies and parent entity who are a party to the deed described in Note 25, will as an economic entity be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee dated 8 June 1995.

It is also the opinion of the directors that the consolidated financial statements have been made out in accordance with Divisions 4A and 4B of Part 3.6 of the Corporations Law and, in particular, give a true and fair view of the matters with which they deal.

This statement has been made in accordance with a resolution of directors.



M.B. Robinson
Director



I.R. Wilson
Director

Melbourne
21 August 1997

To the Members of TABCORP Holdings Limited

Scope

We have audited the financial statements of TABCORP Holdings Limited for the year ended 30 June 1997, as set out on pages 38 to 56. The financial statements include the consolidated accounts of the economic entity comprising the company and the entities it controlled at year's end or from time to time during the financial year. The company's directors are responsible for the financial statements. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and statutory requirements so as to present a view which is consistent with our understanding of the company's and the economic entity's financial position, the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial statements of TABCORP Holdings Limited are properly drawn up:

- (a) so as to give a true and fair view of:
 - (i) the state of affairs as at 30 June 1997 and of the profit and cash flows for the financial year ended on that date of the company and the economic entity; and
 - (ii) the other matters required by Divisions 4, 4A and 4B of Part 3.6 of the Corporations Law to be dealt with in the financial statements;
- (b) in accordance with the provisions of the Corporations Law; and
- (c) in accordance with applicable Accounting Standards and other mandatory professional reporting requirements.



Arthur Andersen
Chartered Accountants



Partner
Melbourne
21 August 1997

Shareholder Information

Substantial shareholders as at 5 September 1997*

Name	Number of ordinary shares
Permanent Trustee Company Limited (ACN 000 000 993) 23-25 O'Connell Street, Sydney	22,164,036
National Mutual Holdings Limited/AXA-UAP (ACN 069 123 011) 447 Collins Street, Melbourne	18,998,879

*Nominee companies are not required to give notice of substantial shareholdings as they do not hold a relevant interest in shares.

Distribution of shareholdings as at 5 September 1997

Holdings	Number of Holders Ordinary Shares
1 – 1,000	26,084
1,001 – 5,000	9,816
5,001 – 10,000	886
10,001 – 49,999	412
50,000 – 749,999	219
750,000 – 7,499,999	47
7,500,000 and over	6
Less than marketable parcel	25

Voting Rights

All ordinary shares issued by TABCORP Holdings Limited carry one vote per share without restriction.

Part 4 of the Gaming and Betting Act 1994 sets out the regulation of shareholding interests. Failure to comply with certain provisions of the Gaming and Betting Act can result in suspension of voting rights.

Twenty largest shareholders as at 5 September 1997*

Name	Number of fully paid shares of \$1.00 each
Westpac Custodian Nominees Limited	30,663,677
Chase Manhattan Nominees Limited	21,617,434
National Nominees Limited	21,416,156
Permanent Trustee Australia Limited	16,288,417
Perpetual Trustees Victoria Limited	11,234,681
Australian Mutual Provident Society	9,624,750
ANZ Nominees Limited	8,986,988
National Mutual Trustees Ltd	8,302,318
Commonwealth Custodial Services Limited	7,192,603
National Mutual Life Association of Australasia Limited	6,649,345
Citicorp Nominees Pty Ltd	5,454,487
HKBA Nominees Limited	5,116,702
Queensland Investment Corporation	4,838,439
Permanent Trustee Company Limited	4,544,213
Perpetual Trustee Company Limited	4,306,886
MLC Limited	4,110,990
Perpetual Trustees Nominees Limited	3,680,525
Westpac Life Insurance Services Limited	3,626,640
Mr Ian Ross Wilson	3,540,000
Permanent Nominees Limited	3,280,728
	184,475,979
Total held by twenty largest shareholders as a percentage of class:	60.9%
Total held by non-resident shareholders as a percentage of class:	22.8%

*On a grouped basis as identified to the company.

Shareholder Enquiries

Investors seeking information about their shareholding should contact the TABCORP Holdings Limited (the company) Share Registry:

Coopers & Lybrand,
GPO Box 2785Y, Melbourne Vic 3001.
Telephone: 61 3 9205 4999
Toll Free: 1800 331 721
Facsimile: 61 3 9205 4900
E-mail: registry_melb@au.coopers.com
Coopers & Lybrand Web Site: www.colybrand.com.au

Shareholder Liaison

TABCORP's Shareholder Liaison Officer – Brendan Fahy
Telephone: 61 3 9868 2779
Facsimile: 61 3 9868 2639

All enquiries must include your shareholder reference number.

Removal from the Annual Report Mailing List

Shareholders who do not wish to receive the Annual Report or Half-Yearly Report should advise the company's Share Registry in writing. These shareholders will continue to receive all other shareholder information, including notices of all Shareholder Meetings.

Tax File Number

The company is obliged to deduct tax at the top marginal rate plus Medicare levy from unfranked or partially franked dividends paid to Australian resident shareholders who have not supplied their Tax File Number or exemption details.

For those shareholders who have not as yet provided this information and would like to do so, please call the company's Share Registry on the above telephone number.

Withholding Tax for Non Australian Resident Shareholders

For non Australian resident shareholders, any unfranked portion of their dividend will be subject to withholding tax at the rate applying to their country of residence, generally 15%. There is no withholding tax on the franked portion of their dividend.

Change of Address

Shareholders should advise the Share Registry immediately in writing as soon as there is a change to their registered address. CHESS sponsored holders should advise their sponsoring broker. For security, shareholders should quote their old address and shareholder reference number.

Direct Credit of Dividends

Dividend payments may be credited into a nominated financial institution account in Australia. You may advise your details in writing or forms are available from the company's Share Registry.

Consolidation of Shareholdings

You may have received more than one Annual Report. If so, please check carefully the name and address printed on the proxy form. If these are identical, you may wish to combine the shareholdings into a single shareholding by writing to the company's Share Registry quoting each of the shareholder reference numbers. Please note that if one or more of your shareholdings is sponsored (ie. the shareholder reference number starts with the letter 'X') you should contact your sponsoring stockbroker in the first instance.

Lost Shareholder Reference Number (SRN)

If you cannot locate your holding or dividend statement or proxy form where your SRN is quoted, please contact the company's Share Registry for a written confirmation free of charge. A charge will be incurred if a replacement statement is required.

Stock Exchange Listing

The company's shares are listed on the Australian Stock Exchange (ASX) and its home exchange is Melbourne. The ASX code is 'TAH'. Trading activities are published in daily newspapers.

CHESS (Clearing House Electronic Subregister System)

The company's securities have been uncertificated (ie. issued without a share certificate) since the company was listed on the ASX. Shareholders are issued a statement of transactions similar to a bank statement.

All stockmarket transactions in the company's securities are advised electronically to the company's Share Registry through the CHESS system.

Shareholders can have their holdings issuer (company) sponsored or broker sponsored. If you wish to convert your holding to a broker sponsored holding, you should contact your broker.

American Depositary Receipts

The company's shares are traded in sponsored American Depositary Receipts (ADR) form in the United States of America. ADR holders receive all information sent to shareholders and have their dividends paid in US dollars. Enquiries about ADRs should be made to the Depository, The Bank of New York – ADR Division, 101 Barclay Street, New York 10286.
Telephone: 0011 1 212 815 2218 Facsimile: 0011 1 212 571 3050.

Company directory

Directors

M.B. Robinson
Chairman

I.R. Wilson
Managing Director and Chief Executive Officer

A.G. Hodgson
Deputy Chairman

P.H. Wade

W.V. Wilson

Company Secretary

M.J. Gullquist

Registered Office

5 Bowen Crescent
Melbourne VIC 3004
Telephone 03 9868 2100

Share Register

Coopers & Lybrand
Securities Registration
Level 12
333 Collins Street
Melbourne VIC 3000

Auditors

Arthur Andersen

Solicitors

Arthur Robinson & Hedderwicks

Stock Exchange Listings

TABCORP Holdings Limited shares are quoted on the Australian Stock Exchange.