

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

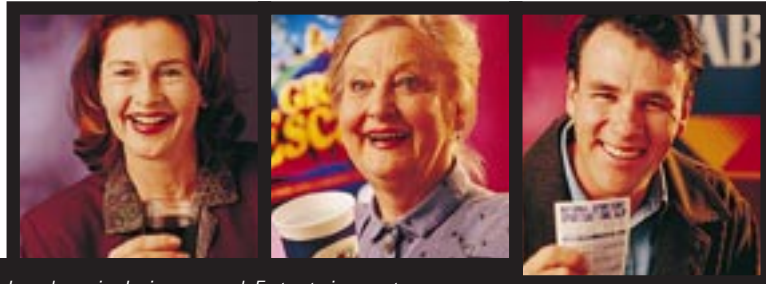
TABCORP Holdings Limited was listed on the Australian Stock Exchange on 15 August 1994 with a market capitalisation of \$675 million. The company's core businesses are wagering and gaming.

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.

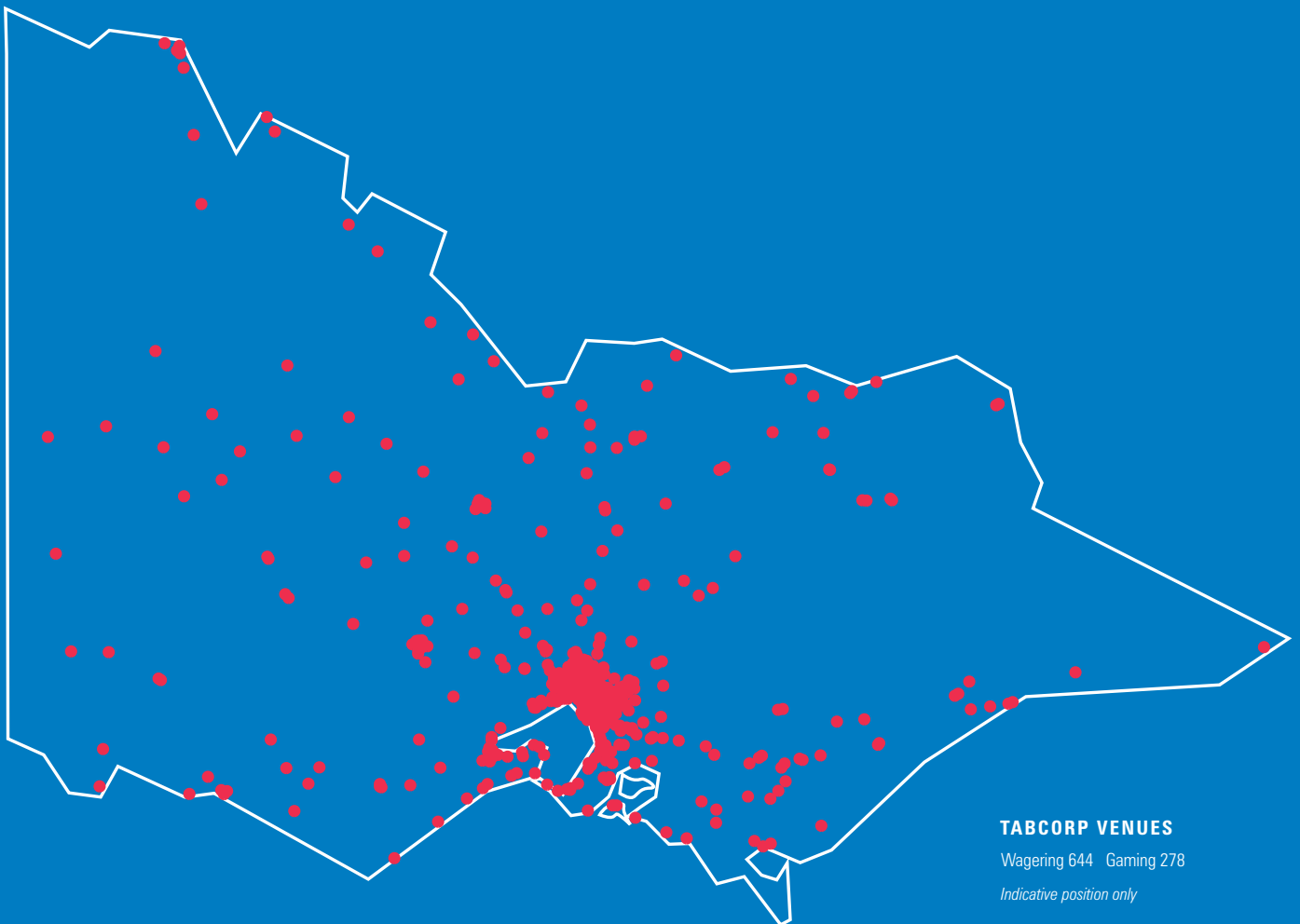
The company's market capitalisation was \$2.2 billion at 30 June 1997.

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.

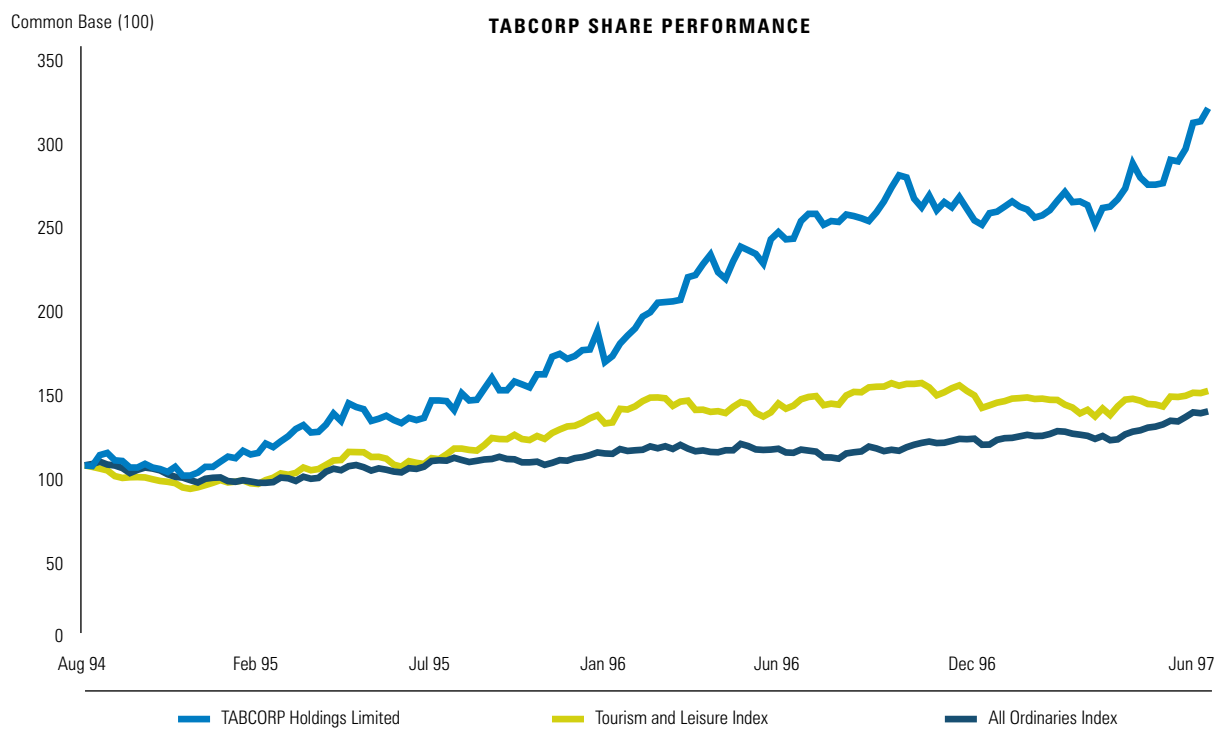
Having completed the transition from a Government enterprise to a customer focused public company, TABCORP has developed a new corporate identity that encapsulates the company's core business – entertainment. The seven-pointed star has been used as the symbol of entertainment while also emphasising that 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.

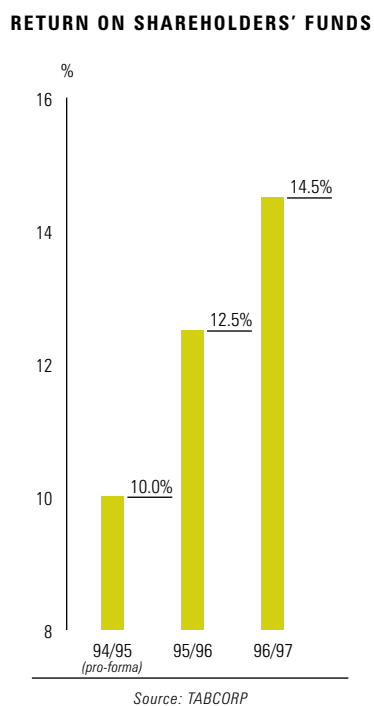
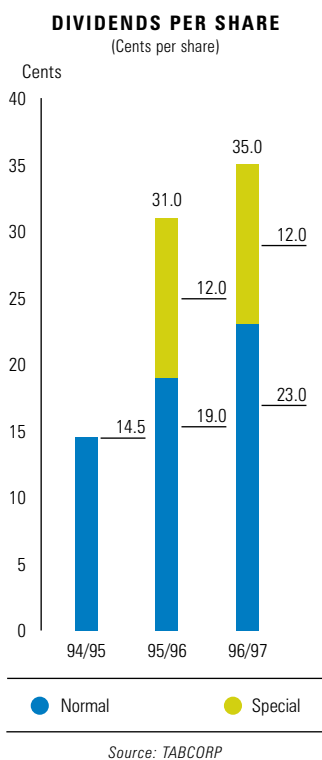
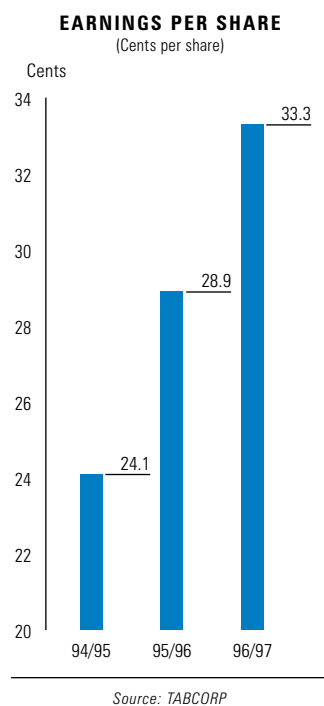


TABCORP

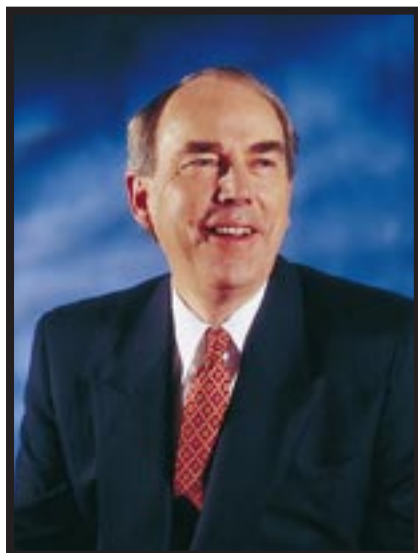
TABCORP at a glance



Source: Australian Stock Exchange



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

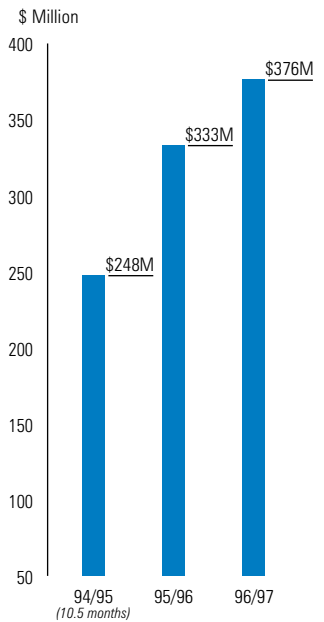
TABCORP continued to make a significant contribution to Victoria in 1996/97. The facilities now available at the company's gaming venues provide enhanced entertainment options for all Victorians. It is estimated that 1.9 million Victorians participated in gaming during the 1996/97 year, clearly demonstrating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

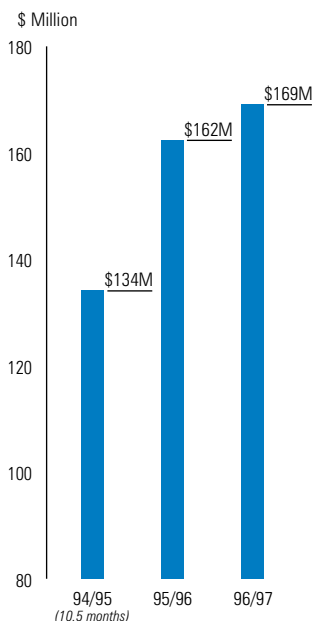
The company's performance continues to deliver significant benefits to the Victorian racing industry. The businesses managed by the company generated \$169.1 million for the Victorian racing industry during the year. This income has enabled the industry to further enhance the quality of racing

**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

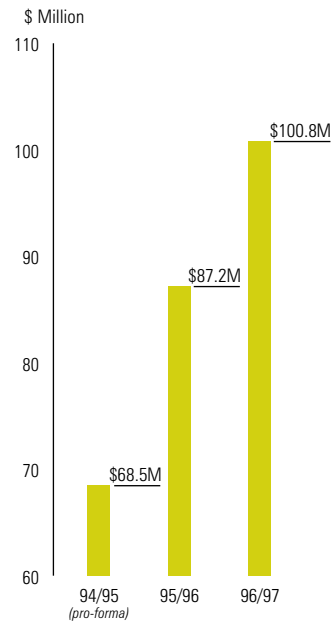
Performance

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%.

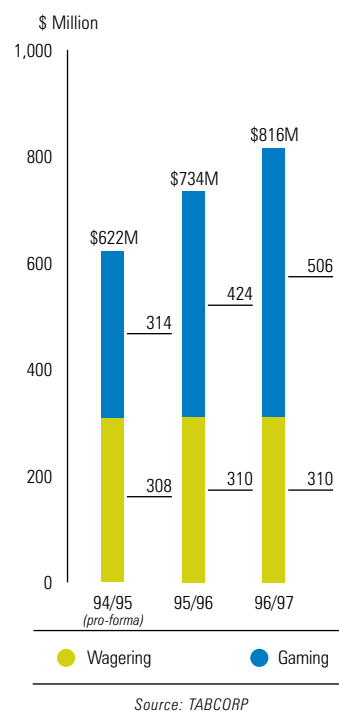
The Victorian gambling market represented an estimated \$2.9 billion of the Australian gambling market in 1996/97 and it is estimated that this will increase to \$3.4 billion in 1997/98, driven by continuing growth in gaming machine and casino expenditure.

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.

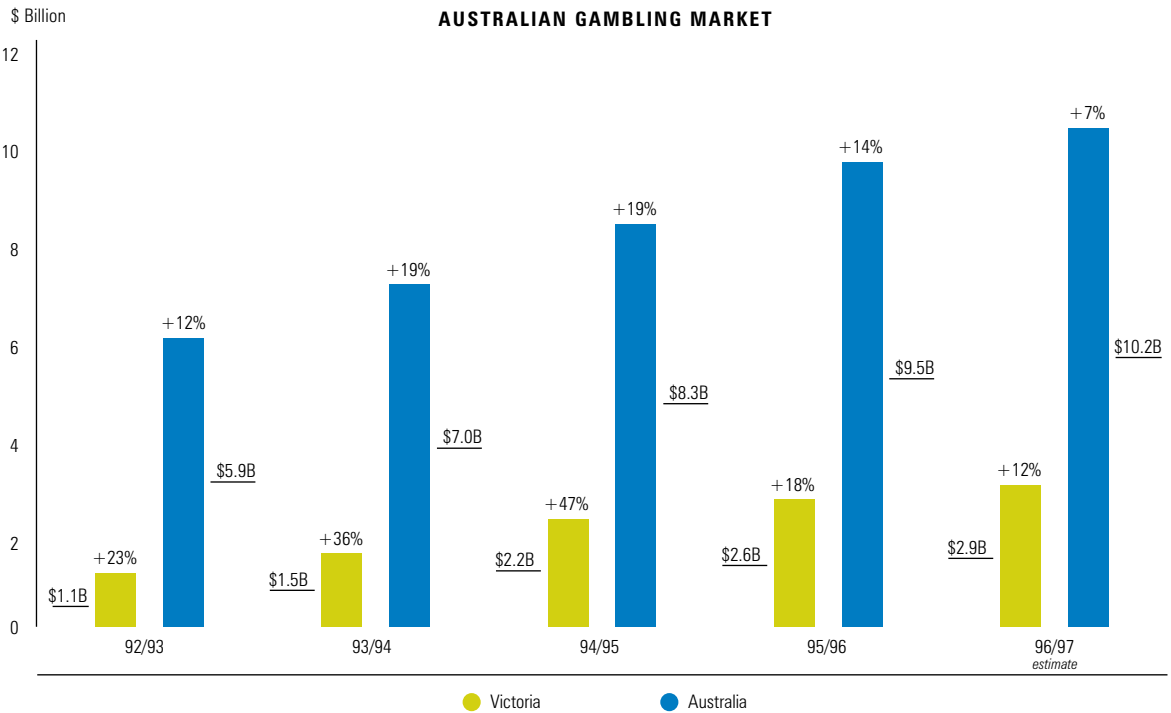
Gaming Division

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.

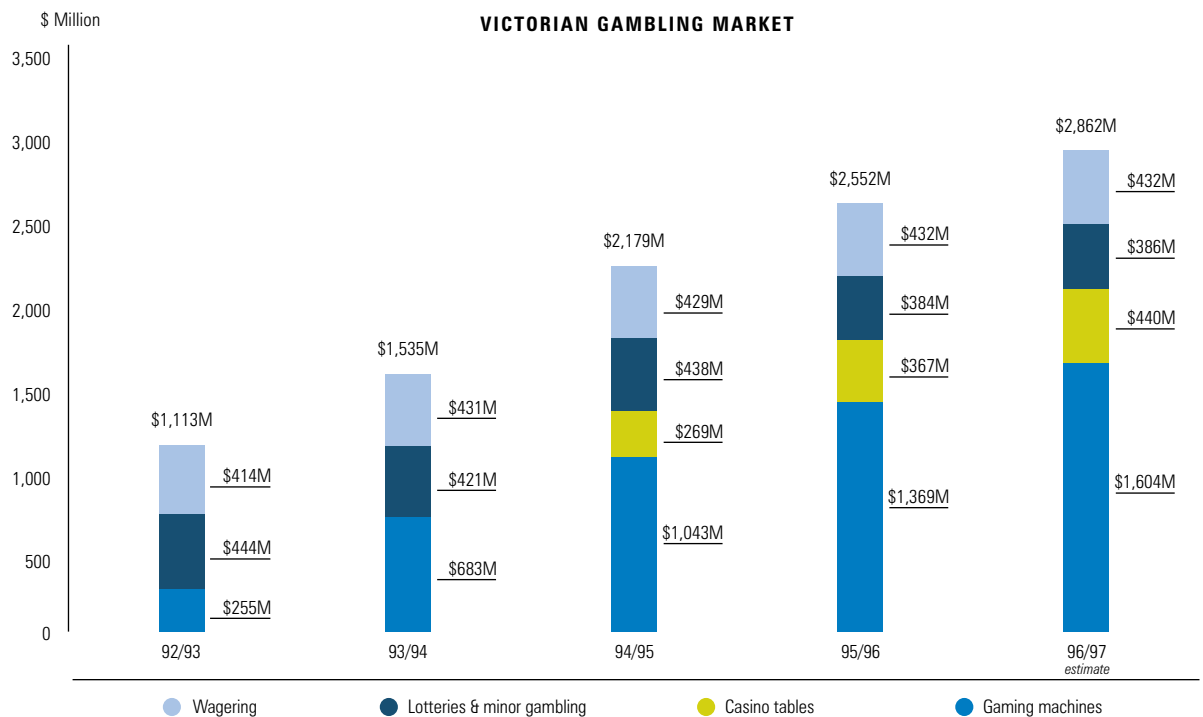
The growth in revenue was driven by meeting the demand for the company's gaming products through the supply of additional gaming machines and an increase in player utilisation of gaming machines which resulted in the daily average revenue per machine increasing 5.6% to \$150.

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.

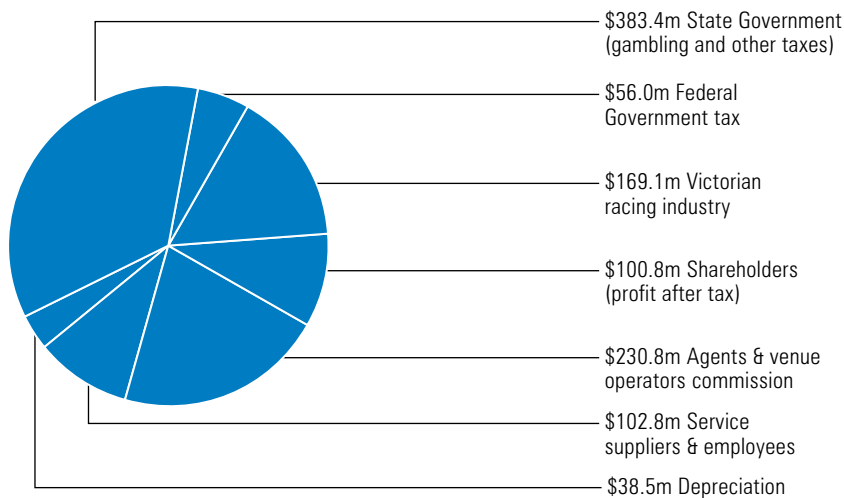
In addition to improving the integrated venue offer, the company has enhanced the attractiveness and playability of gaming machines and games throughout the network.

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

D i v i s i o n



‘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.’

Review of Operations

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

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.

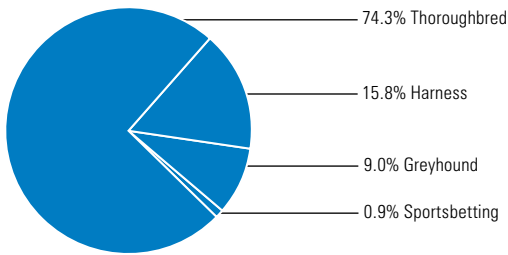
The Market

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.

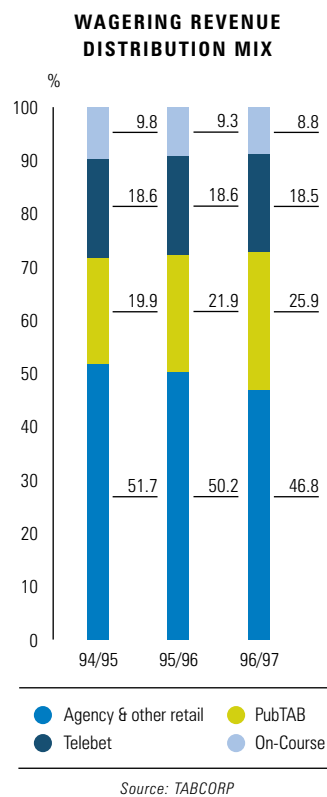
Distribution and Marketing

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.



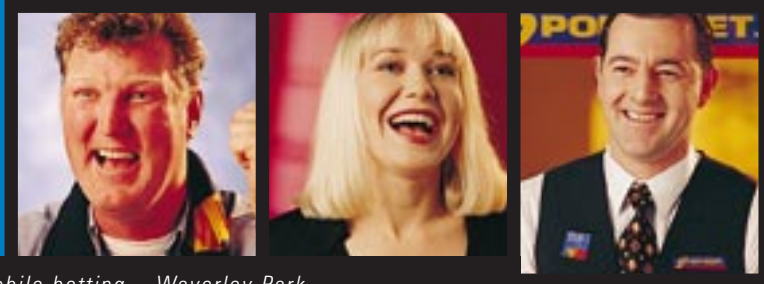
Telephone betting revenue was \$56.7 million, which was a decrease of 0.9% on last year. The availability of interactive voice response betting will make it more convenient for customers to access their telephone betting account and is expected to improve telephone betting revenue in the future.

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

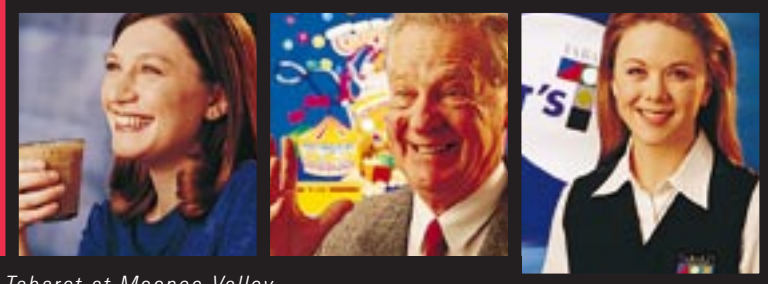
The Gaming Division achieved a profit before interest and tax of \$117.3 million, an increase of 23.3% on the previous year. This was generated from revenue of \$505.9 million, up 19.4% on last year.

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 **T** 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.

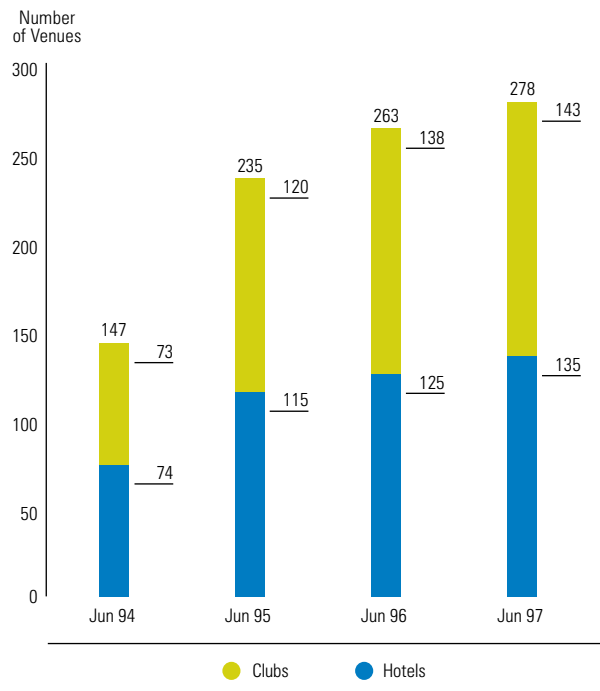
During the year TABCORP has worked closely with all venue operators, and has focused on developing a complete entertainment experience within new and existing venues.

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.

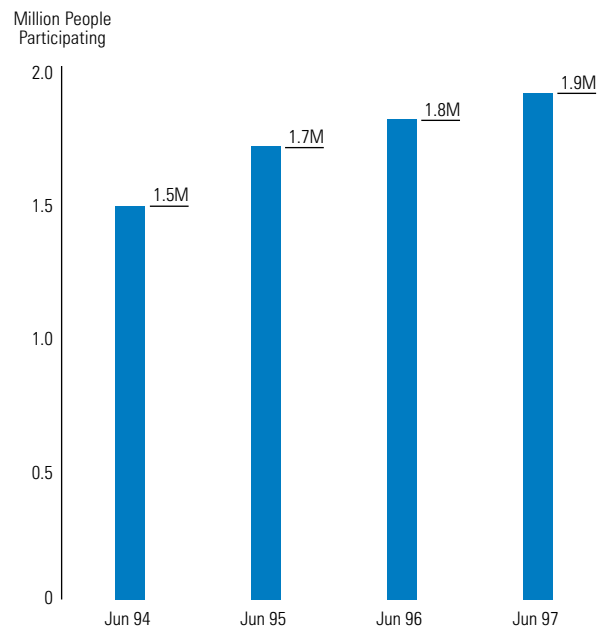
As part of the enhanced customer services offered within venues, the Gaming Division introduced bill acceptors during the year, making TABCORP the first non-casino operator in Victoria to offer this service. To satisfy customer demand, the company plans to increase the number of gaming machines with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

GAMING VENUES - HOTELS AND CLUBS



Source: TABCORP

VICTORIAN GAMING PARTICIPATION



Source: TABCORP



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