

TABCORP Holdings Limited and its controlled entities

Financial statements

and reports for the year ended 30 June 1998

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 1998, 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 a member of the Merrill Lynch Australasia Advisory Board and also a Director of Gandel Management Limited, the Asia Society AustralAsia Centre, the Australia-Malaysia Society, The Bionic Ear Institute and the Committee for 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 and Investments 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 and Investments 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 Chairman of the South Australian Lotteries Commission. Mr Wilson is also 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	55,500
I.R. Wilson	3,826,000
A.G. Hodgson	70,000
P.H. Wade	20,000
W.V. Wilson	50,000

Directors' meetings

During the year the company held eleven 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	11	11	7	9
I.R. Wilson	10	11	8	9
A.G. Hodgson	11	11	5	5
P.H. Wade	10	11	6	6
W.V. Wilson	9	11	4	4

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 five times during the year. The other Committees of the Board, being the Compliance and Remuneration Committees, met three times and once 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 \$121.3 million, being 20.4% 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 1997 of 12.0 cents per share on ordinary shares as declared by directors on 21 August 1997 and paid on 2 October 1997.	36,351
Special fully franked dividend for 1997 of 12.0 cents per share on ordinary shares as declared by directors on 21 August 1997 and paid on 2 October 1997.	36,351
Interim fully franked dividend for 1998 of 13.0 cents per share on ordinary shares as declared by directors on 26 February 1998 and paid on 3 April 1998.	39,466
Final fully franked dividend for 1998 of 14.0 cents per share on ordinary shares as declared by directors payable on 1 October 1998.	42,511
Special fully franked dividend for 1998 of 11.0 cents per share on ordinary shares as declared by directors payable on 1 October 1998.	33,401

Review of operations

During the financial year, the economic entity generated revenue of \$938.0 million being 15.0% above that of the previous year.

Cost increases over the period were largely related to the implementation of the initiatives which generated the substantial growth in revenue. Discipline with respect to operating expenses continued to be maintained across all businesses and notwithstanding increases in depreciation associated with the development and implementation of key computer system upgrades and ongoing acquisition of gaming machines, the growth in revenue translated to growth in profit before tax of 20.7% to \$189.2 million.

Capital expenditure of \$39.2 million and payment of a special dividend of \$36.4 million over and above normal dividends pertaining to the 1996/97 financial year were able to be met from the strong cash flows which continued to be generated by the economic entity's businesses.

The economic entity's balance sheet was further strengthened during the period. The closing net cash position of \$141.7 million compares favourably to \$111.5 million at the close of the previous financial year.

Wagering

The Wagering business generated revenue of \$329.3 million, up 5.6% on the previous year, comparing favourably with a minor reduction in revenue experienced in the previous financial year.

This growth in Wagering revenue reflected the successful implementation of a number of initiatives in the Wagering business together with a record Melbourne Cup and Spring Racing Carnival in the first half of the year under review.

Of the initiatives implemented, the most significant was the establishment of the initial group of retail supersites, which heralded a new generation of retail betting outlets offering a wide range of betting options, including sports betting, in attractive and spacious surroundings conducive to attracting new customers to the Wagering business.

In addition, key programming initiatives by Victorian racing, particularly the successful introduction of the highly acclaimed night racing series and the programming of additional Sunday race meetings principally in the first half, as well as favourable weather over the period under review resulting in less abandoned meetings, assisted in generating revenue growth.

Operating expenses in the Wagering business were again well controlled, increasing by 3.2% including expenses associated with the implementation of these initiatives. As a result, the increased revenues translated to profit before interest and tax of \$37.5 million, being 13.1% above that achieved in the previous year.

Gaming

Revenue growth of 20.8% to \$608.7 million was generated by the Gaming business during the year.

The revenue growth was achieved predominantly through the implementation of a strategy designed by the economic entity to lift per machine performance in its gaming network. The elements of the strategy designed to improve the performance and entertainment offering of the gaming product and the venues through which it is delivered are ongoing.

Per machine revenue growth of 12.7% was achieved over the year while at the same time a further 341 gaming machines were deployed, bringing to 13,345 the total number of machines in the network, being 405 below the per operator cap currently in place in the State.

During the year, the Gaming Division opened a further four venues bringing the total number of venues in the gaming network as at 30 June 1998 to 282.

Operating expenses in the Gaming business were well controlled with the result that profit before interest and tax of \$146.3 million was achieved, being 24.8% ahead of the previous corresponding period.

Critical systems

Each of the company's three critical systems are being replaced with new generation systems. The development of these new generation systems is primarily driven by the efficiencies and advanced functionality offered by them. All of the new generation systems are designed to be Year 2000 compliant.

Wagering Host System

The new wagering host system has been developed to replace the aging Crisp system inherited by the company in its acquisition of the assets of the former government owned Totalizator Agency Board, as was foreshadowed in the company's 1994 float prospectus. The implementation of the system has been progressively reported to shareholders. This system is designed to be Year 2000 compliant.

Gaming Host Systems

The project to replace the company's two existing gaming host systems is driven primarily by the desire to gain the efficiencies afforded and greater product functionality offered by a new generation system. The new system is designed to be Year 2000 compliant.

A complementary program of upgrading and/or replacement of gaming machines has also been initiated.

Finance System

The project to replace the existing finance system is primarily driven by the desire to achieve the greater efficiencies and increased analytical and advanced management reporting facilities offered by this new generation system. The new finance system was implemented on 1 May 1998 and quality assurance testing of Year 2000 compliance will continue into the third quarter of 1998. This system is designed to be Year 2000 compliant.

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

The directors have resolved, subject to the approval of shareholders, to make a return of capital of 33.0 cents per ordinary fully paid share. The approval of the proposed return of capital will be sought from shareholders at the company's Annual General Meeting to be held 27 October 1998. It is anticipated that the record date for determining entitlements to participate in the return of capital will be 21 December 1998.

No other 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 Wagering and Gaming businesses conducted by the economic entity will continue to be developed by the ongoing implementation of the strategies largely responsible for generating the growth in the year under review.

The economic entity will continue to take advantage of the strong growth being experienced in the markets in which it operates and the unsatisfied demand for its products to generate continuing strong revenue growth.

The economic entity has enhanced its balance sheet strength during the year and, in addition to the \$36.4 million special dividend in respect of the previous financial year paid to shareholders on 2 October 1997, continues to generate significant cash reserves, making it well placed to capitalise upon expansion opportunities as they arise.

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 will 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 \$149,454 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
20 August 1998

Profit

and loss account

for the year ended 30 June 1998

	Note	Consolidated		TABCORP Holdings	
		1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
Wagering and Gaming turnover		8,253,005	7,087,255	–	–
Wagering and Gaming revenue		937,953	815,610	9,221	–
Other revenue		15,795	15,361	140,841	124,420
Operating revenue	2	953,748	830,971	150,062	124,420
Operating profit before income tax		189,166	156,726	116,939	102,099
Income tax expense attributable to operating profit	4	(67,849)	(55,965)	(1,165)	(678)
Operating profit after income tax		121,317	100,761	115,774	101,421
Retained profits at the beginning of the financial year		8,073	13,472	185	4,924
Total available for appropriation		129,390	114,233	115,959	106,345
Dividends provided for or paid	5	(115,378)	(106,160)	(115,378)	(106,160)
Retained profits at the end of the financial year		14,012	8,073	581	185
Basic earnings per share (cents per share)	6	40.0	33.3		

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

Balance

sheet

as at 30 June 1998

	Note	Consolidated		TABCORP Holdings	
		1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
Current Assets					
Cash	8	141,660	111,454	32,170	18,473
Receivables	9	1,731	1,551	137,557	144,147
Inventories	10	3,942	1,812	–	–
Other	11	1,512	1,490	1,430	1,375
Total current assets		148,845	116,307	171,157	163,995
Non-Current Assets					
Property, plant and equipment	13	122,973	129,161	8,256	6,772
Licences	14	597,490	597,240	597,490	597,240
Other	15	24,938	23,041	22,472	20,422
Total non-current assets		745,401	749,442	628,218	624,434
TOTAL ASSETS		894,246	865,749	799,375	788,429
Current Liabilities					
Creditors and borrowings	16	50,204	47,310	25,597	25,323
Provisions	17	121,644	108,766	78,536	74,217
Total current liabilities		171,848	156,076	104,133	99,540
Non-Current Liabilities					
Creditors and borrowings	18	–	1,822	–	–
Provisions	19	14,825	11,841	1,100	767
Total non-current liabilities		14,825	13,663	1,100	767
TOTAL LIABILITIES		186,673	169,739	105,233	100,307
NET ASSETS		707,573	696,010	694,142	688,122
Shareholders' Equity					
Share capital	20	303,648	302,921	303,648	302,921
Reserves	21	389,913	385,016	389,913	385,016
Retained profits		14,012	8,073	581	185
TOTAL SHAREHOLDERS' EQUITY		707,573	696,010	694,142	688,122

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

Statement

of cash flows

for the year ended 30 June 1998

	Note	Consolidated		TABCORP Holdings	
		1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
Cash Flows from Operating Activities					
Cash receipts in the course of operations		8,253,005	7,087,255	31,925	19,199
Cash returns to customers in the course of operations		(7,313,397)	(6,270,227)	–	–
Payments to suppliers, service providers and employees		(384,875)	(351,138)	(31,467)	(23,603)
Payment of Victorian Government betting taxes		(326,333)	(280,703)	–	–
Dividends received		–	–	115,200	99,300
Interest received		5,428	6,831	1,161	2,093
Income tax paid		(53,891)	(60,457)	(325)	(254)
<i>Net cash provided by operating activities</i>	24(b)	179,937	131,561	116,494	96,735
Cash Flows from Investing Activities					
Loans pursuant to employee share plan		2,500	1,947	2,500	1,947
Payment for property, plant and equipment		(41,566)	(34,287)	(2,026)	(1,106)
Proceeds from sale of property, plant and equipment		790	644	34	–
Payment for the acquisition of licences		(250)	–	–	–
Other		963	811	963	811
Loans advanced to controlled entities		–	–	(4,000)	–
Loans repaid by controlled entities		–	–	11,900	–
<i>Net cash used in investing activities</i>		(37,563)	(30,885)	9,371	1,652
Cash Flows from Financing Activities					
Loans from controlled entities		–	–	–	6,379
Dividends paid		(112,168)	(99,851)	(112,168)	(99,851)
<i>Net cash used in financing activities</i>		(112,168)	(99,851)	(112,168)	(93,472)
Net increase in cash held		30,206	825	13,697	4,915
Cash at the beginning of the financial year		111,454	110,629	18,473	13,558
Cash at the end of the financial year	24(a)	141,660	111,454	32,170	18,473

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) Financial Instruments

Trade accounts receivable generally settled within 60 days are carried at amounts due, and are non-interest bearing.

A provision is raised for any doubtful debts based on a review of all outstanding amounts at balance date. Bad debts are written off in the period in which they are identified.

Short term deposits and bank accepted bills are carried at cost. Interest revenue is recognised on an effective yield basis.

Trade accounts payable, including accruals not yet billed, are recognised when the economic entity becomes obliged to make future payments as a result of a purchase of assets or services. Trade accounts payable are generally settled within 30 days, and are non-interest bearing.

Loans pursuant to employee share plan are held at the outstanding value applicable to the loan at balance date.

The provision for dividend is payable on the day as disclosed in the Directors' Report, and is non-interest bearing.

Ordinary share capital is recorded at par value, with consideration received in excess of par recorded in the share premium reserve. Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

The carrying amount of the entity's financial assets and financial liabilities approximate their net fair value.

(g) 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.

The depreciation rates used for each class of asset are within the following ranges:

– buildings	4.00% to 11.10%
– leasehold improvements	14.00%
– plant and equipment	10.00% to 33.33%

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.

(h) Licences

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.

All other licences are amortised over the period of operation of the licence.

(i) 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.

(j) 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.

(k) 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 12 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).

(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.

	Consolidated		TABCORP Holdings	
	1998	1997	1998	1997
	\$'000	\$'000	\$'000	\$'000
Note 2 Operating Profit				
Operating profit has been determined after crediting the following revenues:				
OPERATING REVENUE				
Wagering and Gaming revenue	937,953	815,610	9,221	–
Other revenue:				
Interest received or due and receivable from:				
– other than related parties	5,413	6,381	1,155	1,488
– related parties	–	–	476	659
Dividends received or due and receivable from related parties	–	–	114,800	101,400
Gross proceeds from sale of non-current assets (a)	790	644	34	–
Other revenue items	9,592	8,336	24,376	20,873
Total other revenue	15,795	15,361	140,841	124,420
Total operating revenue	953,748	830,971	150,062	124,420
<i>(a) Net profit on sale of non-current assets</i>	162	163	4	–
Operating profit has been determined after charging the following expenses:				
Depreciation of property, plant and equipment:				
– buildings	649	579	171	170
– leasehold improvements	973	922	–	–
– plant and equipment	30,938	26,986	231	91
Operating lease rentals	–	74	–	–
Net bad and doubtful debts expense	114	38	–	–
Amounts set aside to provisions for:				
– employee entitlements	1,331	968	922	417
– reorganisation	338	–	–	–
Total amount set aside to provisions	1,669	968	922	417
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:				
– audit services	236	239	173	175
– other services	119	–	95	–

	Consolidated		TABCORP Holdings	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'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	189,166	156,726	116,939	102,099
Prima facie tax thereon at 36%	68,100	56,421	42,098	36,756
Tax effect of permanent and other differences:				
– dividends received	–	–	(41,328)	(36,504)
– sundry items	(178)	(372)	432	430
– overprovision in prior year	(73)	(84)	(37)	(4)
Total income tax attributable to operating profit	67,849	55,965	1,165	678
Total income tax expense comprises movements in:				
– provision for income tax	(65,318)	(50,949)	(1,221)	(308)
– provision for deferred income tax	(2,541)	(4,392)	(243)	(409)
– future income tax benefits	10	(624)	299	39
Income tax expense	(67,849)	(55,965)	(1,165)	(678)
Note 5 Dividends				
Dividends provided for or paid by the economic entity are:				
(a) an interim dividend of 13.0 cents per share, franked to 100% with Class C (36%) franking credits, was paid on 3 April 1998 (1997: 11.0 cents per share, franked to 100% with Class C (36%) franking credits, was paid on 10 April 1997)	39,466	33,321	39,466	33,321
(b) a final dividend of 14.0 cents per share, franked to 100% with Class C (36%) franking credits, is provided (1997: 12.0 cents per share, franked to 100% with Class C (36%) franking credits, was paid on 2 October 1997)	42,511	36,351	42,511	36,351
(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 11.0 cents per share, franked to 100% with Class C (36%) franking credits, is provided (1997: 12.0 cents per share, franked to 100% with Class C (36%) franking credits, was paid on 2 October 1997)	33,401	36,351	33,401	36,351
(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
	115,378	106,160	115,378	106,160
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	(14,418)	(15,153)	(9,946)	(4,536)

	Consolidated	
	1998	1997
Note 6 Earnings per Share		
Basic earnings per share (cents per share)	40.0	33.3
Weighted average number of ordinary shares used in the calculation of basic earnings per share	303,141,217	302,537,591

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 Australia.

	Consolidated		TABCORP Holdings	
	1998	1997	1998	1997
	\$'000	\$'000	\$'000	\$'000
Note 8 Cash				
Cash comprises:				
Cash on hand and in banks	9,875	12,449	124	499
Short term deposits	36,033	53,346	17,142	4,034
Bank accepted bills	95,752	45,659	14,904	13,940
	141,660	111,454	32,170	18,473

Bank short term deposits maturing within 60 days and paying interest at rates between 4.90% and 5.50% (1997: 5.35% and 5.54%).

Bank accepted bills maturing within 60 days and paying interest at rates between 5.01% and 5.50% (1997: 5.44% and 5.55%).

The credit risk on financial assets which have been recognised on the balance sheet is the carrying amount. The economic entity minimises credit risk via adherence to a strict cash management policy.

	Consolidated		TABCORP Holdings	
	1998	1997	1998	1997
	\$'000	\$'000	\$'000	\$'000
Note 9 Receivables (Current)				
Trade debtors	1,507	1,267	–	–
Provision for doubtful debts	(163)	(150)	–	–
	1,344	1,117	–	–
Sundry debtors	75	107	20	61
Amounts receivable from controlled entities	–	–	137,483	144,025
Accrued interest income	312	327	54	61
	1,731	1,551	137,557	144,147

The credit risk on financial assets which have been recognised on the balance sheet is the carrying amount net of any provision for doubtful debts.

The economic entity is not materially exposed to one individual debtor.

Notes

for the year ended 30 June 1998

to and forming part of the financial statements

	Consolidated		TABCORP Holdings	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
Note 10 Inventories (Current)				
Consumable stores at cost	3,942	1,812	–	–
Note 11 Other Assets (Current)				
Prepayments	332	584	250	469
Loans pursuant to employee share plan	1,180	906	1,180	906
	1,512	1,490	1,430	1,375

Loans pursuant to employee share plan mature at either five years from the date of the loan or cessation of employment. Interest, where applicable, is charged at a rate to a maximum of 5% p.a.

Note 12 Investments (Non-Current)

Investments in controlled entities are valued at cost of \$8 (refer Note 25).

	Consolidated		TABCORP Holdings	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
Note 13 Property, Plant and Equipment				
Land and buildings:				
Freehold land:				
– at cost	5,885	5,639	2,000	2,000
Buildings:				
– at cost	9,880	10,031	4,065	4,065
– accumulated depreciation	(2,362)	(1,744)	(650)	(479)
	7,518	8,287	3,415	3,586
Total land and buildings, net	13,403	13,926	5,415	5,586
Leasehold improvements:				
– at cost	10,469	6,964	–	–
– accumulated amortisation	(3,323)	(2,046)	–	–
Total leasehold improvements, net	7,146	4,918	–	–
Plant and equipment:				
– at cost	231,195	198,290	3,220	1,342
– accumulated depreciation	(128,771)	(87,973)	(379)	(156)
Total plant and equipment, net	102,424	110,317	2,841	1,186
	122,973	129,161	8,256	6,772

An independent valuation of freehold land and buildings was carried out as at 30 June 1998 by Richard Ellis (Victoria) Pty Ltd and is on the basis of the open market value of the properties concerned in either their existing use or alternative use where the properties are identified as not long term operational assets. The directors are of the opinion that these bases provide a reasonable estimate of recoverable amount.

The amount of the valuation is: – Consolidated : \$16,155,000
– TABCORP Holdings: \$7,300,000

This valuation is in accordance with the economic entity's policy of obtaining an independent valuation of land and buildings every three years.

	Note	Consolidated		TABCORP Holdings	
		1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
Note 14 Licences					
Wagering and Gaming licence at cost	1(h)	597,240	597,240	597,240	597,240
Other licences	1(h)	250	–	250	–
		597,490	597,240	597,490	597,240

Note 15 Other Assets (Non-Current)					
Future income tax benefits		3,446	3,436	980	817
Loans to executive director	28(c)	8,079	8,276	8,079	8,276
Loans pursuant to employee share plan		13,413	11,329	13,413	11,329
		24,938	23,041	22,472	20,422

Loans pursuant to employee share plan mature at either five years from the date of the loan or cessation of employment. Interest, where applicable, is charged at a rate to a maximum of 5% p.a.

	Note	Consolidated		TABCORP Holdings	
		1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
Note 16 Creditors and Borrowings (Current)					
Trade creditors and accrued expenses		50,204	47,310	2,075	1,801
Amounts due to controlled entities		–	–	23,522	23,522
		50,204	47,310	25,597	25,323

Note 17 Provisions (Current)					
Dividends	5	75,912	72,702	75,912	72,702
Taxation		39,994	28,567	1,102	207
Employee entitlements		5,092	4,466	1,522	1,308
Other		646	3,031	–	–
		121,644	108,766	78,536	74,217

Note 18 Creditors and Borrowings (Non-Current)					
Trade creditors		–	1,822	–	–

Note 19 Provisions (Non-Current)					
Employee entitlements		2,803	2,360	386	296
Provision for deferred income tax		12,022	9,481	714	471
		14,825	11,841	1,100	767

	Consolidated		TABCORP Holdings	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
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:				
303,648,006 ordinary shares of \$1.00 each	303,648	302,921	303,648	302,921
Movement in issued shares for the year:				
	Number of ordinary shares			
Opening number of shares	302,920,906			
Issued under Employee Share Plan (a)	727,100			
Closing number of shares	303,648,006			
<i>(a) TABCORP Holdings Limited issued:</i>				
<i>– 497,000 ordinary shares on 3 March 1998</i>				
<i>– 170,100 ordinary shares on 16 March 1998</i>				
<i>– 60,000 ordinary shares on 7 May 1998</i>				
<i>to employees under the Employee Share Plan</i>				
<i>(refer Note 22 for details of the Employee Share Plan).</i>				
Note 21 Reserves				
Share premium	389,913	385,016	389,913	385,016
Movement during the year:				
Balance at beginning of year	385,016	379,174	385,016	379,174
Premium on ordinary shares issued during the year	4,897	5,842	4,897	5,842
Balance at end of year	389,913	385,016	389,913	385,016

	Note	Consolidated		TABCORP Holdings	
		1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
Note 22 Employee Entitlements					
Aggregate employee entitlements, including on-costs					
Current	17	5,092	4,466	1,522	1,308
Non-current	19	2,803	2,360	386	296
		7,895	6,826	1,908	1,604

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) 1998	(b) 1998	(a) 1997	(b) 1997
Total number issued to employees during the year ('000)	628	100	938	200
Total number issued to employees since commencement of the plan ('000)	4,737	3,400	4,109	3,300
Total number that have become available for purchase since commencement of the plan ('000)	10,120	3,400	8,433	3,300
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	1,765	1	1,912	1
Total number of employees participating in this plan at balance date	1,212	1	1,374	1
Total market value, at date of issue, of issues during the year (\$'000)	4,850	767	5,749	1,175
Proceeds received from issues during the year (\$'000)	4,865	767	5,805	1,175

(a) shares issued to employees

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

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 being 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 1997			
Fund assets at market value	30,754	37,342	68,096
Vested benefits	11,563	13,988	25,551
At 30 June 1996			
Fund assets at market value	26,977	31,679	58,656
Vested benefits	9,641	11,868	21,509
	Consolidated	TABCORP Holdings	
	1998	1997	1998
	\$'000	\$'000	\$'000
			1997
			\$'000

Note 23 Commitments**(a) Capital Expenditure Commitments**

Contracted but not provided for and payable not later than one year

12,815 10,688 119 –

(b) Leasehold Premises Rental Commitments

Contracted but not provided for and payable:

Not later than one year

5,896 5,810 1,826 1,600

Later than one year but not later than two years

4,478 4,359 1,942 1,839

Later than two years but not later than five years

10,740 9,994 6,511 6,259

Later than five years

8,888 11,253 8,560 10,869

30,002 31,416 18,839 20,567

	Note	Consolidated		TABCORP Holdings	
		1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
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:					
Cash	8	141,660	111,454	32,170	18,473
		141,660	111,454	32,170	18,473
(b) Reconciliation of net cash provided by operating activities to operating profit after income tax					
Operating profit after income tax		121,317	100,761	115,774	101,421
Add/(less) items classified as investing/financing activities:					
Profit on sale of non-current assets		(162)	(163)	(4)	–
Add/(less) non-cash income and expense items:					
Depreciation expense		32,560	28,487	402	261
Write-off fixed assets		249	–	–	–
Write back of unclaimed Wagering return to customers		–	(530)	–	–
Net cash provided by operating activities before change in assets and liabilities		153,964	128,555	116,172	101,682
Change in assets and liabilities:					
(Increase)/decrease in:					
– trade and sundry debtors		(195)	(151)	41	(61)
– inventories		(2,130)	(423)	–	–
– prepayments		252	(11)	219	(430)
– accrued interest income		15	450	7	125
– amounts receivable from controlled entities		–	–	(1,847)	(6,610)
– future income tax benefits		(10)	624	(301)	(39)
(Decrease)/increase in:					
– trade creditors and accrued expenses		14,310	8,492	384	1,357
– provisions		(237)	(859)	681	248
– provision for deferred income tax		2,541	4,392	243	409
– provision for income tax		11,427	(9,508)	895	54
Net cash provided by operating activities		179,937	131,561	116,494	96,735

Note 25 Controlled Entities

The following were controlled entities at 30 June 1998, 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	
			1998 %	1997 %
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:

	1998 \$'000	1997 \$'000
Assets	894,246	865,749
Liabilities	186,673	169,739
Operating profit after tax	121,317	100,761

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 within the state of Victoria. The economic entity receives 75% of the product and expenses of the joint venture.

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	
	1998	1997
\$50,000 – \$59,999	–	2
\$60,000 – \$69,999	2	1
\$70,000 – \$79,999	1	–
\$130,000 – \$139,999	1	1
\$1,370,000 – \$1,379,999	–	1
\$1,520,000 – \$1,529,999	1	–
	\$'000	\$'000
The aggregate remuneration of the directors referred to in the above bands was	1,862	1,694

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 \$1.877 million (1997: \$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 numbers 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	
	1998	1997	1998	1997
\$120,000 – \$129,999	–	2	–	2
\$130,000 – \$139,999	–	1	–	1
\$140,000 – \$149,999	1	2	1	–
\$150,000 – \$159,999	2	2	1	–
\$160,000 – \$169,999	1	1	–	–
\$170,000 – \$179,999	1	–	–	–
\$180,000 – \$189,999	1	–	–	–
\$190,000 – \$199,999	1	–	–	–
\$200,000 – \$209,999	1	1	–	–
\$220,000 – \$229,999	–	1	–	1
\$300,000 – \$309,999	1	–	1	–
\$340,000 – \$349,999	–	2	–	1
\$360,000 – \$369,999	–	1	–	1
\$380,000 – \$389,999	–	1	–	–
\$390,000 – \$399,999	1	–	1	–
\$400,000 – \$409,999	1	–	1	–
\$420,000 – \$429,999	1	–	–	–
\$440,000 – \$449,999	1	–	–	–
\$1,210,000 – \$1,219,999	–	1	–	1
\$1,360,000 – \$1,369,999	1	–	1	–
	\$'000	\$'000	\$'000	\$'000
The aggregate remuneration of the executives referred to in the above bands was	4,712	4,239	2,777	2,537

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

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.H. Wade

W.V. Wilson

(b) Directors' shareholdings

	Shares issued by Parent Entity	
	1998 Number	1997 Number
Shares acquired from the entity during the year:		
Ordinary shares	100,000	200,000
	1998 Number	1997 Number
Shares held at end of the year :		
Directly or indirectly		
Ordinary shares	4,021,500	3,919,000

(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 \$0.767 million (1997: \$1.175 million) to I. R. Wilson as provided for under his service agreement, approved by shareholders. He repaid \$0.964 million (1997: \$0.811 million) of the balance outstanding on his loans during the year.

	Consolidated		TABCORP Holdings	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
Loans to director outstanding at year end:				
Non-current	8,079	8,276	8,079	8,276

(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.

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 \$0.476 million (1997: \$0.659 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:

	Consolidated		TABCORP Holdings	
	1998	1997	1998	1997
	\$'000	\$'000	\$'000	\$'000
Service agreement				
The maximum contingent liabilities for termination benefits under a service agreement with a director in the economic entity amount to	1,200	1,140	1,200	1,140

Note 30 Subsequent Event

The directors have resolved, subject to the approval of shareholders, to make a return of capital of 33.0 cents per ordinary fully paid share. The approval of the proposed return of capital will be sought from shareholders at the company's Annual General Meeting to be held on 27 October 1998.

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 1998;
- (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 1998;
- (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 1998; 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
20 August 1998

To the Members of TABCORP Holdings Limited

Scope

We have audited the financial statements of TABCORP Holdings Limited for the year ended 30 June 1998 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.

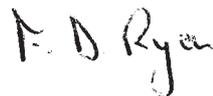
Audit Opinion

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 1998 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
20 August 1998

Substantial shareholders as at 18 August 1998*

Name	Number of ordinary shares
Permanent Trustee Company Limited (ACN 000 000 993) 23-25 O'Connell Street, Sydney	22,164,036
Colonial Limited (ACN 074 042 112) 330 Collins Street, Melbourne	16,460,461

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

Distribution of shareholdings as at 18 August 1998

Holdings	Number of holders of ordinary shares
1 – 1,000	25,411
1,001 – 5,000	10,143
5,001 – 10,000	882
10,001 – 100,000	496
100,001 and over	177
Less than marketable parcel	28

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.

Name	Number of fully paid shares of \$1.00 each
Westpac Custodian Nominees Limited	32,241,790
Chase Manhattan Nominees Limited	29,450,109
National Nominees Limited	22,495,469
Permanent Trustee Australia Limited	14,854,601
Perpetual Trustees Victoria Limited	12,639,017
AMP Life Limited	7,813,268
Citicorp Nominees Pty Limited	7,290,776
ANZ Nominees Limited	7,288,100
Commonwealth Custodial Services Limited	5,993,959
Queensland Investment Corporation	5,846,355
MLC Limited	5,616,536
Perpetual Trustee Company Limited	4,616,577
The National Mutual Life Association of Australasia Ltd	4,591,442
National Mutual Trustees Limited	4,514,689
BT Custodial Services Pty Ltd	4,190,830
Mr Ian Ross Wilson	3,640,000
Permanent Trustee Company Limited	3,564,133
Perpetual Trustees Nominees Limited	3,491,324
Permanent Nominees (Aust) Limited	3,108,517
Westpac Life Insurance Services Limited	2,935,263
	186,182,755
Total held by twenty largest shareholders as a percentage of class:	61.3%
Total held by non-resident shareholders as a percentage of class:	24.1%

* On a grouped basis as identified to the company.

Shareholder Enquiries

Investors seeking information about their shareholding should contact the company's Share Registry:

Perpetual Registrars Limited*
GPO Box 1736P
Melbourne Vic 3001
Telephone: 03 9205 4999
Toll Free: 1800 331 721
Facsimile: 03 9205 4900
E-mail: registry_melb@au.coopers.com
Website: www.au.coopers.com/srs/index.htm

*Share Registry was previously maintained by Coopers & Lybrand

Shareholder Liaison

TABCORP's Shareholder Liaison Officer – Brendan Fahy
Telephone: 03 9868 2779
Facsimile: 03 9868 2639
E-mail: fahyb@tabcorp.com.au

All enquiries must include your shareholder reference number (SRN).

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.

TABCORP on the Web

Investor information is now available on TABCORP's website at www.tabcorp.com.au. This site includes media and ASX releases, Annual and Half-Yearly Reports, and general company information.

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.

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.

Clearing House Electronic Subregister System (CHESS)

The company's securities have been uncertificated (i.e. 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.

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 SRNs. Please note that if one or more of your shareholdings is sponsored (i.e. the SRN starts with the letter 'X') you should contact your sponsoring broker in the first instance.

Lost Shareholder Reference Number

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.

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 Tisa Bogovich, The Bank of New York – ADR Division, 101 Barclay Street, New York 10286 USA.

Telephone: 0011 1 212 815 2218
Facsimile: 0011 1 212 571 3050

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

D. J. Simpson

(Acting)

Registered Office

5 Bowen Crescent
Melbourne VIC 3004
Telephone 03 9868 2100

Share Register

Perpetual Registrars Limited
Level 4
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.

