

**TABCORP Holdings Limited** Annual Report 1999



Five years of change and growth

Five years of change and growth



5

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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 Wednesday, 10 November 1999 at 10.00 am. A notice of meeting and proxy form is included with this Annual Report.

TABCORP Holdings Limited ACN 063 780 709.

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Over the past five years,  
TABCORP has grown and  
developed to become  
one of Australia's leading  
leisure and entertainment  
companies.

We are moving forward.

LO

- Profit after tax \$63.4 million (for 10.5 months of operation)
- Total dividend for the year of 14.5 cents
- Dividend payout ratio 60.2%
- Number of gaming machines at year end – 10,045
- TABCORP successfully floated

1

1995

- Profit after tax \$87.2 million
- Total dividend for the year 31 cents
- Dividend payout ratio 107.2%
- Number of gaming machines at year end – 11,734
- Development of new computer systems begins

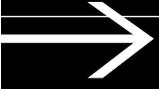
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1996

- Profit after tax \$100.8 million
- Total dividend for the year 35.0 cents
- Dividend payout ratio 105.1%
- Number of gaming machines at year end – 13,004
- 'New look' TAB outlets introduced

3

1997



# LOOK

at us now!

- Profit after tax \$121.3 million
- Total dividend for the year 38.0 cents
- Dividend payout ratio 95.0%
- Number of gaming machines at year end – 13,345
- Tabaret Venue Performance System implemented across the gaming network

4

1998

5

1999

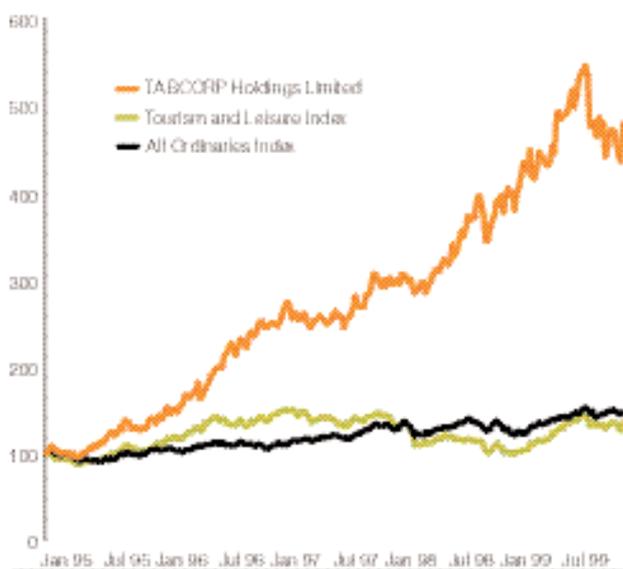
# highlights

- Profit after tax \$143.3 million – up 18.2%
- Revenue \$1,066.2 million – up 13.7%
- Final normal dividend of 16 cents per share fully franked, taking the full year normal dividend to 31 cents – up from 27 cents last year
- Special dividend of 12 cents per share fully franked, taking the total for the year to 43 cents, up from 38 cents last year
- The company paid a return of capital of \$100.4 million, representing 33 cents per ordinary fully paid share, on 12 January 1999
- Earnings per share 47.1 cents – up 17.8%
- Wagering PBIT \$43.7 million – up 16.7%
- Gaming PBIT \$176.4 million – up 20.6%
- State gambling taxes contributed by TABCORP businesses \$499.6 million – up 14.3%
- Revenue generated for the Victorian racing industry \$211.1 million – up 12.1%
- Replacement of wagering and gaming systems
- Offer to merge with Star City announced on 16 April 1999

TABCORP aims to deliver superior returns to its shareholders by providing a total entertainment offering for its customers and pursuing and capitalising on growth opportunities.

TABCORP share performance

Constant Base: 100



Source: Australian Stock Exchange

Wagering and gaming are TABCORP's core activities. Through its wagering business, TABCORP offers pari-mutuel and fixed odds betting on a wide range of sporting events, including thoroughbred, harness and greyhound racing as well as Australian Rules football, golf, soccer and rugby.

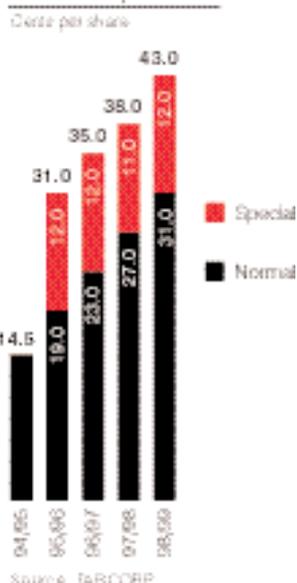
Through its gaming business, TABCORP provides entertainment in hotels and licensed clubs throughout Victoria, under the Tabaret brand. Tabaret venues offer a selection of leisure and entertainment products in attractive, comfortable and contemporary surroundings. The offering includes quality affordable meals and the latest exciting games on state-of-the-art gaming machines.

Earnings per share



Source: TABCORP

Dividends per share



Source: TABCORP

Return on shareholders funds



Source: TABCORP

# 5 years in review

## Financial Summary for year ending 30 June

	1999	1998	1997	1996	1995
	\$'000	\$'000	\$'000	\$'000	(10.5 months) \$'000
Wagering and Gaming revenue	1,066,165	937,953	815,610	733,663	556,977
EBITDA	254,748	216,313	178,832	154,005	107,087
EBIT	220,135	183,753	150,345	129,309	90,284
Operating profit after income tax	143,341	121,317	100,761	87,170	63,433
Dividend	130,884	115,378	106,160	93,553	43,578
Cash and deposits	84,816	141,660	111,454	110,629	86,841
Other current assets	9,958	7,185	4,853	4,340	8,497
Licences	597,472	597,490	597,240	597,240	597,240
Other non-current assets	199,396	147,911	152,202	155,200	144,452
Total assets	891,642	894,246	865,749	867,409	837,030
Current borrowings	38,000	-	-	-	-
Other current liabilities	211,412	171,848	156,076	157,428	123,421
Non-current liabilities	15,027	14,825	13,663	15,552	15,858
Total liabilities	264,439	186,673	169,739	172,980	139,279
Shareholders' funds	627,203	707,573	696,010	694,429	697,751
Capital expenditure	97,101	39,232	34,637	41,079	34,574
Earnings per share (cents)	47.1	40.0	33.3	28.9	24.1
Dividend per share (cents)	43.0	38.0	35.0	31.0	14.5
Return on shareholders' funds (% per annum)	21.5	17.3	14.5	12.5	10.5
Net assets per share (\$)	2.06	2.33	2.30	2.30	2.32



## Chairman's Report

1998/99 was a milestone year for TABCORP, marking five years since the company was floated on the Australian Stock Exchange. Since the float, the company has been transformed into a modern, successful, top-50 Australian company which provides leisure and entertainment products which are in high demand throughout the community. During this time, the company has increased profit consistently and achieved its goals for increasing shareholder value.

TABCORP's profit after tax has grown from \$63.4 million in its first 10.5 months of operation to \$143.3 million in 1998/99, representing a compound per annum increase of 22.6%. The most recent strong performance represents an 18.2% increase on last year's profit of \$121.3 million and has enabled the directors to continue their policy of increasing dividend payments to shareholders. A fully franked final normal dividend of 16 cents per share has been declared, bringing the full year normal dividend to 31 cents per share, up from 27 cents per share last year.

A special dividend of 12 cents has also been declared, taking the total dividend for the year to 43 cents, compared to 38 cents last year. The company listed in August 1994 at a price of \$2.25 per share and subsequent distributions to shareholders have totalled \$1.945 per share, including a \$0.33 return of capital in January 1999.

Since listing, TABCORP has provided superior returns to shareholders both on an annual and a five year cumulative basis. TABCORP's share price increased 23.4% over the year to 30 June 1999 to \$10.18, with the company's market capitalisation totalling \$3.1 billion at that date. Assuming reinvestment of dividends, \$1,000 invested in TABCORP at the time of its float would have grown to \$6,166 as at 30 June 1999. This is a compound annual growth rate of 43.9%. Over the same period, the ASX All Ordinaries Accumulation Index grew 11.2% per annum.

TABCORP is a major corporation that is largely Australian-owned, with Australian institutions and individuals accounting for approximately 75% of its issued capital. As at 30 June 1999, TABCORP had over 40,000 shareholders. The company also provides significant benefits to the community in the form of its leisure products and economic and charitable contributions.

TABCORP's strategic approach of focussing on meeting customer preferences has resulted in a transformation of the leisure opportunities available for Victorians. A large number of hotels and clubs offering Tabaret gaming products have been either newly constructed or refurbished and now provide opportunities for leisure and social interaction that did not exist prior to the introduction of gaming. In addition, TABCORP is taking a progressive approach to the presentation of its wagering outlets with

State Government gambling taxes contributed by TABCORP businesses



Payments to racing industry by TABCORP businesses



the introduction of light, modern and comfortable outlets which appeal to a wider cross section of the community.

The result is that most adults in Victoria can, and do, enjoy one or more of our numerous products at some stage during the year. This participation, in turn, generates significant benefits in both employment and in state taxes which help provide essential services and facilities such as health services, roads and schools.

### Community Contribution

During the year, businesses managed by TABCORP paid almost \$500 million in gambling taxes to the Victorian Government, an increase of 14.3%. This included a payment of \$52.5 million to the Community Support Fund, which supports the arts, sport and recreation projects. It also funds gambling research and problem gambling counselling services in Victoria.

The company also supported a number of charities and non-profit events throughout the year. At the prestigious Melbourne Festival in October 1998, TABCORP was the major sponsor of 'Chromolithe', a spectacular laser lighting display of Flinders Street station. During the second year of TABCORP's principal sponsorship, Surf Life Saving Victoria has reduced the coastal drowning toll and substantially reduced also the number of rescues required. TABCORP's sponsorship helps provide essential rescue equipment to surf clubs throughout Victoria, and supports professional lifeguard services on beaches.

The growing popularity of TABCORP products also has provided substantial benefit to the Victorian racing industry, which is one of Victoria's largest employers. During 1998/99, businesses managed by TABCORP generated \$211.1 million for the industry, which has, in turn, used these funds to provide support to breeders, trainers and owners, to enhance the racing program and to introduce marketing strategies and facilities designed to attract new customers.

### Star City

In April 1999, TABCORP announced a proposal to merge with Star City Holdings Limited, the operator of Star City casino in Sydney pursuant to a takeover scheme. Among other conditions, this proposal is subject to the approval of the New South Wales Casino Control Authority and the acceptance of Star City's shareholders.

If successful, the merger will transform TABCORP into one of the world's major gaming and leisure companies, with an expected market capitalisation in excess of \$4 billion. It will be a significant geographic diversification and a strategic move into the casino, hotel and hospitality industry. The merged company will offer a wide range of leisure and gaming products encompassing over 15,000 gaming machines, over 600 wagering outlets, 491 hotel rooms and apartments, seven restaurants and employ in excess of 6,000 people. Furthermore, the merged company will have enhanced financial strength and scope for long-term growth.

Upon completion of the merger, if TABCORP acquires all of the shares in Star City, three Board seats will be offered to current members of Star City's Board of Directors.

Mr Philip Satre, who is Chairman and CEO of US-based casino company Harrah's, has agreed to be one of those new directors. This association with Harrah's – which is one of the largest casino operators in the world with over 18 major US properties – will be of ongoing benefit to all of TABCORP's operations.

### Company Administration

Mr David Simpson was appointed as an executive director to the TABCORP board in February 1999. He continues in his current role for TABCORP, a position he has held since March 1995. During this time, Mr Simpson has made a significant contribution to TABCORP's development.

In September 1998, Mr Peter Caillard joined TABCORP as General Counsel and Company Secretary.

### Conclusion

TABCORP's achievements in its first five years of operation have been significant. It has integrated and fully modernised the wagering and gaming businesses acquired from the government owned Victorian Totalizator Agency Board and grown to be a major Australian corporation. It has provided superior returns to its shareholders and, with the Star City merger proposal, is in the process of achieving significant business transformation and geographic diversification. The company is well positioned to maximise existing opportunities and to pursue further growth.

1998/99 was an exciting and challenging year. On behalf of the Board, I would like to thank all TABCORP employees for their enthusiasm and support, which has ultimately been the main contributor to our success.

Michael Robinson  
Chairman



## Managing Director's Report

### Performance

1998/99 represented the fifth successive year of strong growth for TABCORP since its formation and float in 1994. Profit after tax for the year increased by 18.2% to \$143.3 million, while revenues increased 13.7% over the previous year to \$1,066.2 million. This latest result has been driven by a continuation of the company's strategic focus on providing our customers with modern, attractive venues and facilities and optimum customer service.

Earnings per share for 1998/99 increased 17.8% from 40.0 cents the previous year to 47.1 cents.

The Gaming Division recorded another excellent result, increasing revenue by 17.2% to \$713.2 million and profit before interest and tax by 20.6% to \$176.4 million. Gaming is relatively new to Victoria and the five years of strong growth achieved by the Division since the company's float are testimony to its efforts in developing this young industry.

The Wagering Division achieved its second successive year of growth, with revenue increasing 7.2% to \$353.0 million and profit before interest and tax increasing 16.7% to \$43.7 million. This is a strong performance after several years of low revenue growth and reflects the sustained efforts of Wagering Division employees and the extent of the ongoing co-operation of the company with the Victorian racing industry.

TABCORP's proposal to merge with Star City represents a major move forward for the company. Star City casino is the premier entertainment facility in Sydney, Australia's most populated city and its major tourist destination. This is an important development for TABCORP which will provide the company with an enhanced platform for future growth and the potential for enhanced shareholder returns. The merged company will have a complementary mix of wagering, hotel and club gaming, casino and hospitality activities.

#### **Five Years of Achievement**

Since the company's formation and float in 1994, TABCORP has achieved a compound annual growth in profit after tax of 22.6% and has achieved substantial returns for shareholders who invested in the company's float.

Since 1994, there have been a number of significant financial and business achievements, which are a reflection of the dedication and enthusiasm of our employees, many of whom were previously employed by the Victorian Totalizator Agency Board.

In particular, these include:

- a shifting of business focus from the provision of 'gambling' to providing customers with an overall leisure experience;
- the privatisation of the previously government owned businesses;
- the transformation from outdated technology to the latest in wagering, gaming and management information systems;
- developing the skills of employees and fostering a progressive culture;
- working with key participants in the Victorian gaming machine industry to develop and implement Australia's first Gaming Machine Industry Accord and Codes of Practice.

#### **The Market**

Trends in Australian society towards increased availability of leisure time and the tendency for Australians to allocate a higher proportion of their discretionary income to entertainment continues to underpin strong rates of growth in Australian and Victorian gambling markets.

Australia-wide, expenditure on gambling is estimated to have grown by 9.8% to \$12.5 billion in 1998/99 and the Victorian gambling market is estimated to have increased by 7.5% over the same period to \$3.5 billion.

Within the Victorian market, expenditure on gaming machines grew by 12.8% over last year, even though there was only a marginal increase in gaming machines due to the cap on machine numbers that has been imposed by the Victorian Government. This growth in expenditure on gaming has been primarily driven through the increasing number of hotels and clubs that provide a quality customer entertainment experience. TABCORP's research indicates that there is substantial scope for further growth in the Victorian gaming machine market through a continuation of the process of upgrading venues.

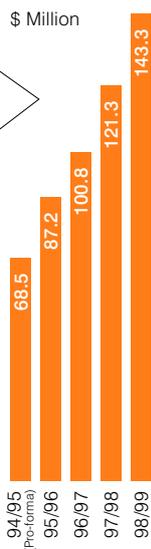
#### **Wagering Division**

In 1998/99, the Wagering Division achieved an increase in profit before interest and tax of 16.7% to \$43.7 million, an excellent performance which exceeded the 13.1% growth in profit achieved in the previous year. This profit result was achieved through a continuing focus on cost control and strong revenue growth of 7.2% for the year. This is the second successive year of strong revenue growth, and following several years of low growth is confirmation of the Division's strategy.

Despite strong competition in recent years from alternative gambling and leisure products, the Wagering Division has demonstrated that revenue and profit growth is achievable. The Division has recorded an 11.1% compound increase in profit before interest and tax over the five year period to 30 June 1999. Over this period, the Division has carried out a comprehensive program of working with the Victorian racing industry to improve the racing program and has also progressively upgraded its outlets, refined its betting products and improved betting technology.

### Profit after tax

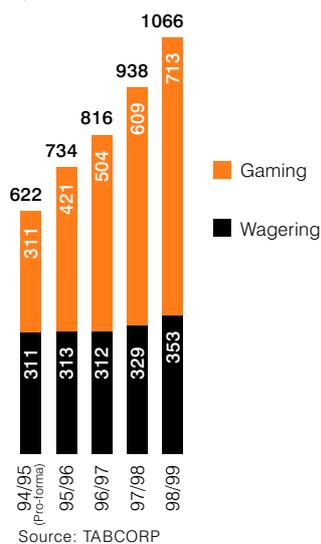
\$ Million



Source: TABCORP

### TABCORP Wagering and Gaming revenue

\$ Million



Source: TABCORP

In recent years, TABCORP and the racing industry have focussed on presenting the racing product to customers at times which are most convenient to them through the introduction of night and Sunday racing. In 1998/99, this approach was extended to twilight racing, with a number of Victorian and interstate greyhound meetings being repositioned to the twilight time period and covered by Sky Channel. This resulted in a 42.5% increase in betting on greyhound racing, which has been a significant contributor to this year's revenue growth.

Telephone betting as a medium of distribution continues to be of increasing importance to the company. Revenue from betting via telephone increased by 22.2% over the previous year. The introduction of racing to Pay TV during the year has brought racing to a wider 'at home' audience and contributed to growth in telephone betting. A higher proportion of telephone betting transactions were placed through BETLINE, the company's interactive voice response betting service, reflecting increasing customer demand for the speed and convenience offered by this service. BETLINE's capacity will be further expanded before the 1999 Spring Racing Carnival.

Our retail network of agencies and PubTABs performed well, with a 4.9% increase in revenue over 1997/98. Contributing to the popularity and overall performance of these outlets was the Division's outlet refurbishment program, with 31 agencies and PubTABs being refurbished during the year.

The Spring Racing Carnival was again extremely successful, with feature races achieving record turnover. Carnival turnover increased 6.8% on the previous year, and on Melbourne Cup day a record \$48.8 million in turnover was achieved.

The Division is taking a national approach to the conduct of sportsbetting and in August 1999 reached agreement to conduct a joint fixed odds sportsbetting service with TABs in Queensland and Tasmania. To reflect this co-operative approach, the product has been rebranded TAB Sportsbet.

The critical task of developing a new wagering system to replace the technically obsolete system inherited in 1994 has been under way for the past three years. The final and most complex stage of this program, being the transfer of retail outlets to the system, was completed in September 1999. With the new system in place, the wagering business is now well positioned to expand its customer base, further refine its product range and seek new markets.

#### Gaming Division

In 1998/99, the Gaming Division achieved an increase in profit before interest and tax of 20.6% to \$176.4 million. This growth was driven by a 17.2% increase in revenue to \$713.2 million.

The Gaming Division has now recorded five successive years of strong revenue and profit growth.

When TABCORP acquired the gaming business in 1994, our research on customers and the nature of the gaming product indicated that gaming is a total leisure experience incorporating the venue facilities, social interaction, customer service and exciting products.

These findings formed the basis for the strategies which we have employed over the past five year period to successfully develop this market.

In 1998/99, the Gaming Division continued its programs of product and venue enhancement, ensuring that TABCORP venues offer the most up-to-date gaming machines in attractive high-quality venues.

The Venue Performance System (VPS), the program for marketing and benchmarking overall venue quality, is now in its second year of operation. During 1998/99, staff continued to work together with venue operators to drive improvements in venue presentation and customer service.

Development of new, and refurbishment of existing, venues continues to be the strategy for obtaining greater utilisation of gaming machines. During the year, 42 venues were refurbished with the assistance of TABCORP's expert staff and computerised venue design program. For the year, the Division achieved a 17.2% increase in revenue, while at the same time machines in the network increased by only 2.6%.

The Division continued its program for upgrading its machine network to provide customers with the latest in machine and game technology. During the year, over 4,000 ageing machines were replaced and several new and exciting games were introduced to the marketplace. Since 1994, the Division has operated two gaming machine monitoring systems with ageing and difficult to support software and hardware. For the last two years, the company has been undertaking the implementation of a single, modern and efficient system. As at 30 June 1999, over 70% of the machines in the network were connected to the new system. All remaining machines will be transferred by December 1999.

The Gaming Division, with this new system and a network of predominantly new gaming machines, is well positioned to improve operating efficiencies and continue its record of growth. The program of upgrading of venues has considerable further scope and will continue to drive performance.

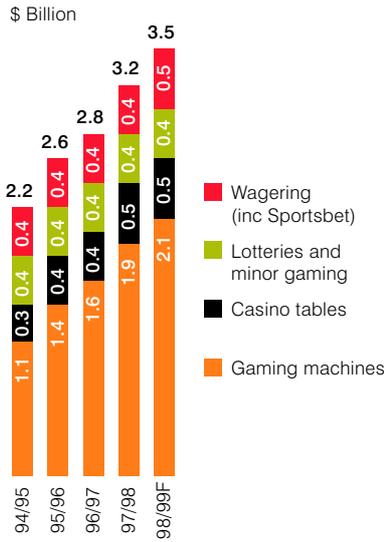
#### Computer Systems Projects

TABCORP's transition to new operating systems in wagering, gaming and financial management has been in progress over the last three years and will shortly be completed. When fully installed by December 1999, TABCORP will have completely new and more efficient systems with improved security, full business recovery capabilities and the capacity to provide enhanced service to our customers. The new systems are designed to be Year 2000 compliant.

Allocation of revenue for 1998/99  
total businesses managed

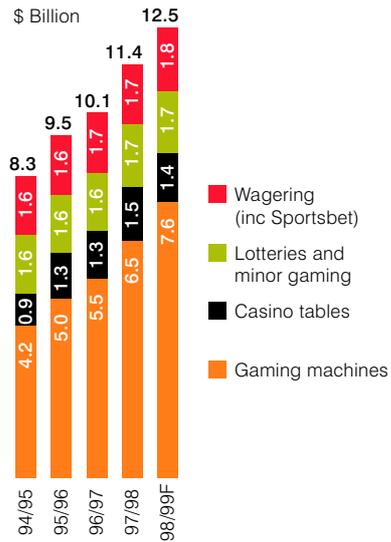


### Victorian gambling market



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

### Australian gambling market



Source: TABCORP internal estimates

#### Benefits to Victoria

TABCORP's gaming venues and wagering outlets offer modern leisure facilities in communities throughout regional and metropolitan Victoria and provide significant enjoyment to our customers, who represent a majority of Victorians. Apart from the intangible benefit derived from our products, all Victorians benefit substantially from TABCORP's businesses as a result of taxes paid, employment created and business generated for suppliers. Nearly \$2 billion in Victorian gambling taxes have been paid over the last five years.

The Victorian racing industry, which is an important component of the Victorian economy, has also received a total of \$865 million from TABCORP's businesses since 1994.

#### Conclusion

1998/99 has been an excellent year for TABCORP, representing the culmination of five exciting years of growth. During this time, TABCORP has met its financial goals while also achieving a complete transformation of the enterprise. With its existing strong businesses and prospects arising from the proposed merger with Star City, the company looks forward to further success.

Ross Wilson  
Managing Director and  
Chief Executive Officer

# TABCORP

## Management

### **Corporate**

I.R. Wilson  
Managing Director and Chief Executive Officer

D.J. Simpson  
Finance Director

P.R. Broberg  
Executive General Manager Information Technology

D.E. Elmslie  
Executive General Manager Development

R.E. Preston  
Executive General Manager Human Resources

P.H. Caillard  
General Counsel and Company Secretary

P.K. Wunsch  
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

P.C. Hassall  
General Manager Operations

P.V. Gulbenkian  
Group Financial Manager

# Wagering

## Division →

TABCORP's Wagering Division offers pari-mutuel and fixed odds betting on a wide range of sporting events, including thoroughbred, harness and greyhound racing as well as Australian Rules football, golf, soccer and rugby.



# highlights

- Revenue \$353.0 million – up 7.2%
- Profit before interest and tax \$43.7 million – up 16.7%



**Principal Activities**

TABCORP holds the exclusive licence under the *Gaming and Betting Act 1994* to sell totalizator bets in Victoria on thoroughbred, harness and greyhound racing in Australia and New Zealand. It also sells totalizator and fixed odds bets on sporting events. The Wagering Division conducts these activities under the brands TAB, FootyTAB and TAB Sportsbet (formerly National Sportsbet). TABCORP is one of two operators of Club Keno under the *Club Keno Act 1993*.

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

**Results**

During 1998/99, the Wagering Division generated revenue of \$353.0 million, an increase of 7.2% on the previous year. This is the Division's highest annual revenue growth since the company listed in 1994 and is a continuation of the Division's strong performance in 1997/98. The result demonstrates that TABCORP's customer-focussed strategies are producing the desired outcomes.

The Division's increased revenue is a direct result of initiatives taken with respect to product distribution and marketing, and in particular the introduction of twilight racing and presentation of racing on Pay TV, which commenced in September 1998.

Revenue growth, combined with effective cost control, resulted in a profit before interest and tax of \$43.7 million, a 16.7% increase on last year, making 1998/99 a milestone year for the Wagering Division.

**The Market**

The Division's 1998/99 revenue performance confirms the gradual resurgence of wagering products, despite continued strong competition in the gambling sector of Victoria's entertainment market.

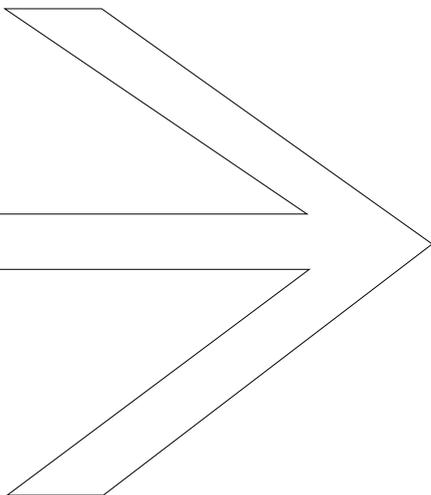
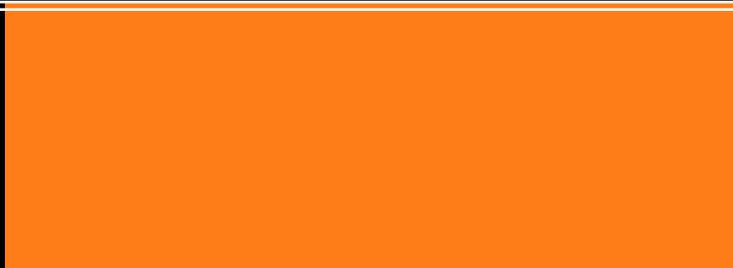
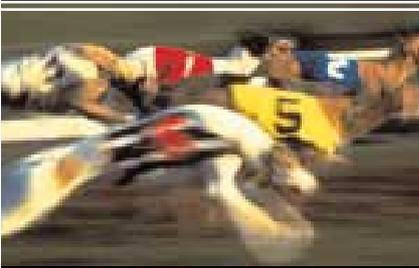
Growth has been assisted by introducing a twilight racing program, primarily for Victorian and interstate greyhound meetings. The greyhound betting product and twilight time combination has had particular appeal to customers and was evident in the expanding PubTAB network, which helped total betting on greyhounds increase by 42.4% over the previous year. Presenting racing on Pay TV has also driven significant growth in home telephone betting on all racing products. The ongoing program of upgrading retail outlets continues to broaden our customer base.

Racing revenue by code/origin 1998/99



Source: TABCORP





TABCORP is confident its wagering business will grow further as:

- Pay TV penetration increases throughout Victoria, exposing more people to racing products;
- the Wagering Division continues enhancing and expanding its distribution channels to provide more convenient and easier access;
- the Victorian racing industry continues its programs for overall improvement of racetracks, racing events and promotion of the sport.

### **Operations**

During 1998/99, Wagering Division customers were able to bet on 4,764 race meetings as well as Australian and international sporting events. Some 266 million bets were placed on race meetings during 1998/99, a 3.5% increase on last year.

Thoroughbred meetings generated \$250.1 million in revenue, a 3.4% increase on the previous year. This growth was mainly due to a successful Spring Racing Carnival, which generated revenue of \$73.1 million, an 8.3% increase on the previous year.

The Moonee Valley Racing Club's night meetings continued to attract large crowds, especially when a feature race was presented. The plan to add a night meeting from Canterbury, New South Wales, next year is indicative of the night racing program's continued success.

Greater quantity and improved quality of interstate racing product, despite a large number of abandonments in New South Wales early in the year, contributed to the growth in revenue from betting on thoroughbred racing.

Harness meetings generated revenue of \$54.0 million, a 4.5% increase on last year, mostly related to betting on New South Wales and Queensland meetings with Pay TV coverage on Friday and Saturday nights. This growth was achieved despite the closure of Moonee Valley harness track for five weeks in April and May 1999 for major track upgrade works.

Greyhound meetings generated revenue of \$42.1 million, a 42.5% increase on the previous year. This impressive growth was primarily a result of the rescheduling of Victorian provincial meetings from evening to twilight, with Sky Channel coverage providing increased exposure.

### **Distribution and Marketing**

The retail network generated \$251.4 million in revenue, a 4.9% increase on the previous year. This growth is a reflection of the enhancements made to a number of our agencies and PubTABs, and is particularly encouraging given the increasing level of home betting during the year driven by the introduction of racing to Pay TV.

During the year, total outlets reached 618, of which 415 were PubTABs. Significant restructuring and refurbishments of agencies and PubTABs over the past few years has created outlets which meet customer needs for information and convenience within a comfortable environment. TABCORP intends further pursuing this strategy, with over 20 TAB outlets identified for major upgrades during the coming year.

Demand for account and home betting continued to increase. Telephone betting revenue grew 22.2% to \$75.0 million, reflecting the impact of the presentation of racing on Pay TV. Use of BETLINE, the interactive voice response system, grew by more than 100%, and access to more lines will be added prior to the 1999 Spring Racing Carnival.

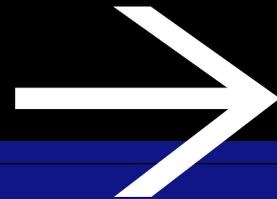
### **Outlook**

The Wagering Division moves forward in its strongest position for many years. The Victorian racing industry has the financial strength to provide a premium product. The wagering systems and distribution infrastructure TABCORP inherited at the time of privatisation have been significantly improved.

Over the past two years, the Wagering Division has revitalised its product, distribution channels and outlets, laying the foundation for ongoing success.

# Gaming

## Division



Under the Tabaret brand, the gaming business provides entertainment in hotels and licensed clubs throughout Victoria. Tabaret venues offer a selection of leisure and entertainment products in attractive, comfortable and contemporary surroundings. The offering includes quality affordable meals and the latest exciting games on state-of-the-art machines.



# highlights

- Revenue \$713.2 million – up 17.2%
- Profit before interest and tax \$176.4 million – up 20.6%



### Principal Activities

TABCORP's Gaming Division owns and operates gaming machines in licensed hotels and clubs, primarily in Victoria. At 30 June 1999, TABCORP operated 13,690 gaming machines in 278 venues in its Victorian network under the Tabaret brand, and owns or monitors 622 gaming machines in Queensland. Tabaret venues provide an appealing and comfortable environment offering an assortment of entertainment options, including in many cases wagering as well as gaming facilities.

### Results

In 1998/99, the Gaming Division's profit before interest and tax increased by 20.6% to \$176.4 million. This result reflects strong revenue growth of 17.2% to \$713.2 million and was achieved by TABCORP and venue staff working co-operatively to maximise the quality of venue presentation, product and customer service.

### The Market

The Victorian gaming machine market continues to develop. Customer expenditure is estimated to have grown from \$1.9 billion in 1997/98 to \$2.1 billion in 1998/99. TABCORP's 17.2% revenue growth in that period accounts for more than half of the total estimated Victorian gaming machine market growth.

With gaming's popularity as an entertainment choice growing, the adult Victorian per capita spend on gaming machines increased from \$537 in 1997/98 to \$600 in 1998/99.

Further growth is expected as TABCORP works with its venue operators to continue the process of upgrading of venues, products, and customer service.

### Gaming venues – hotels and clubs

Number of venues



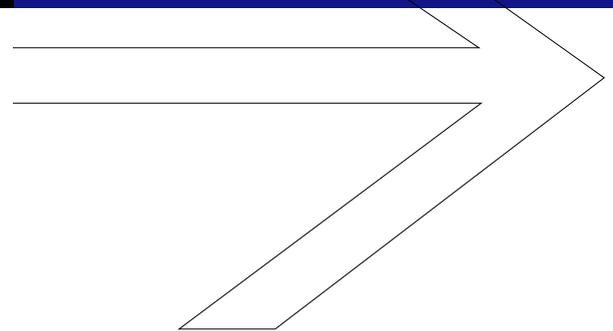
Source: TABCORP

### Business Performance

During 1998/99, the Gaming Division added 345 machines to its network, bringing the total to 13,690 at 30 June 1999. Despite this marginal growth in machine numbers, revenue growth of 17.2% was achieved, primarily by introducing more appealing gaming machines and games, improving venues and extending trading hours.

Efforts to maximise the efficient utilisation of our network increased average daily revenue per machine by 13.6% to \$192.





TABCORP works with its venue partners on improving venue presentation to ensure customer needs for contemporary surroundings are met. TABCORP's computerised design program displays a visual representation of the venue to be refurbished and provides varied design options. This allows a venue operator to select the most suitable style for their local market. During 1998/99, 42 venues were refurbished.

TABCORP's commitment to consistent, high-quality venue appearance and customer service through the Venue Performance System continued, with excellent results. Regular monitoring of performance against key performance criteria has demonstrated an overall improvement across the network. Because of the program's success, further training modules in areas such as security and community relations have been added and well received.

The Gaming Division continued its machine replacement program, with 4,227 new gaming machines replacing older machines in the network during the year.

TABCORP customers seek variety in games with themes and visual and audio effects. To satisfy this need, 31 new games were introduced during 1998/99.

The company's in-venue Wildcash Jackpot system continues to be popular. It offers flexibility and can be scaled to meet local market requirements. Customers in this market segment prefer the opportunity to win smaller prizes more frequently while playing in their favourite local venue.

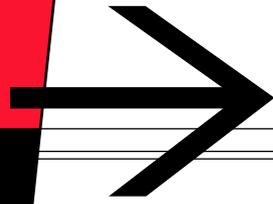
Introduction of the single central monitoring and control system to replace the existing two systems is nearing completion. At 30 June 1999, over 70% of the network, 9,768 gaming machines, was installed on the new system.

Having been granted one of eight licences to centrally monitor gaming machines in Queensland in April 1998, TABCORP entered into agreements with Surf Lifesaving and other Queensland clubs. In March 1999, the Queensland Government passed legislation which retrospectively rendered invalid some of these agreements, although not having an impact on venues where machines were already in place. TABCORP currently owns or monitors more than 600 machines in Queensland clubs, and will maintain its contractual commitment to these clubs while reviewing its future plans in that market.

### **Outlook**

The Gaming Division is committed to enhancing its partnership with venues to ensure that together they provide the best possible integrated entertainment offer to customers.

The substantial capital investment in new gaming machines and systems, combined with ongoing venue refurbishments, provides a strong basis for future growth.



## Contributing to the Community

TABCORP is an active participant in the community.

During 1998/99, TABCORP and its employees supported a range of community organisations and activities.

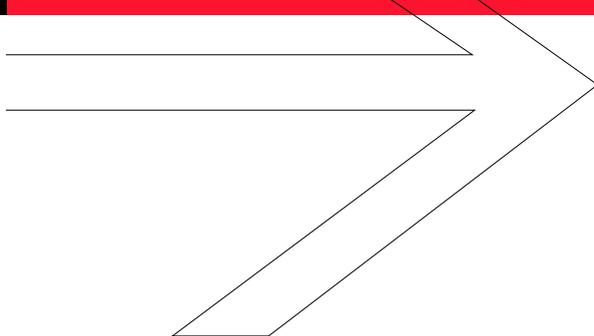
The company was principal sponsor of the prestigious 1998 Melbourne Festival's most spectacular event, Patrice Warrener's Chromolithe, which 'painted' Flinders Street station with coloured laser light (pictured at right). An estimated 50,000 spectators viewed Chromolithe on the festival's opening night alone.

TABCORP's principal sponsorship of Surf Life Saving Victoria entered its second year. Through the TABCORP Surf Rescue Fund, the company provides essential life-saving equipment to clubs throughout Victoria, and also supports the professional lifeguard service. A number of Tabaret venues, in co-operation with Surf Life Saving Victoria, hosted free cardio-pulmonary resuscitation workshops in their communities.

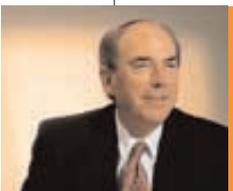
TABCORP employees enthusiastically and generously participated in an increasing number of TABCORP supported activities through the year. Entering a team in Walk for the Cure, a fundraiser for juvenile diabetes that has become an annual event.

TABCORP also sponsored a number of industry-related events which encourage excellence in customer service. These include the Victorian Country Racing Association Awards, the Australian Hotels Association Awards for Excellence and the Licensed Clubs Association Awards.

One of the world's premier harness racing events, the Interdominion championship, will be sponsored by the company. The TABCORP Interdominion Melbourne 2000 will be hosted by Harness Racing Victoria during January and February 2000.



# Board of Directors



M.B. Robinson



I.R. Wilson



A.G. Hodgson



P.H. Wade



W.V. Wilson



D.J. Simpson

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

Michael 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 and the Committee for the Economic Development of Australia. He is a member of the Board of Management of Epworth Hospital and of the Chairman's Consultative Group of the Australian Securities and Investments Commission, President of the Bionic Ear Institute, Chairman of the Melbourne University Law School Foundation and the President of the Institute of Public Affairs. 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)

Ross 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 TABCORP in 1994. He is a member of the Business Council of Australia and a member of the Council of Swinburne University of Technology. Mr Wilson is a member of the TABCORP Audit, Remuneration and Compliance Committees.

## **A.G. Hodgson** FCPA (Deputy Chairman)

Tony 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 a Committee Member of the Chairman's Consultative Group of the Australian Securities and Investments Commission.

## **P.H. Wade** FCPA

Peter Wade was Managing Director of North Broken Hill Peko Limited until his retirement in 1993. He is Chairman of Acacia Resources Limited and Deputy Chairman 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.

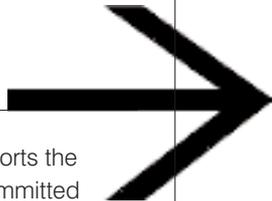
## **W.V. Wilson**

Warren 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.

## **D.J. Simpson** FCPA (Finance Director)

David Simpson was Executive General Manager – Finance of Southcorp Holdings Limited from 1988 until taking up the position of Executive General Manager – Finance of TABCORP in March 1995. He has over 33 years experience in accounting and finance. He was appointed an executive director of TABCORP on 24 February 1999.

# 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 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 auditors 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.

Currently, in conjunction with the Compliance Committee, the Audit Committee also monitors and reviews the status of the company's Year 2000 project.

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.

TABCORP's remuneration philosophy comprises a market competitive base salary and fringe benefits as designated, a performance based incentive plan which provides a payment based on achievement of budgeted targets, and a long-term incentive plan based on an allocation of shares subject to performance criteria and Board approval.

The base salary component of remuneration is reviewed annually, taking into account market movements based on an assessment of individual and company performance. Payments made under the short-term incentive plan are dependent upon individual and company performance. In addition, senior executives are encouraged to participate in the long-term incentive plan, which provides an annual allocation of shares at prevailing market prices. Annual allocation of shares under the long-term incentive plan is subject to Board approval and also dependent upon individual and company performance.

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 six 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.

On 16 April 1999, the company announced a proposal to merge with Star City Holdings Limited under a takeover scheme. At that time, it announced its intention to offer three Board seats to current members of Star City Holdings Limited's Board of Directors if it is successful in acquiring all of Star City's shares. Mr Philip Satre, Chairman and Chief Executive Officer of Harrah's Entertainment Inc, has agreed to be one of those new directors, and his vast experience in casino management will add to the strength of the merged entity. No decision has been made in relation to the other appointments, and all appointments will be subject to receiving necessary regulatory approvals.

The company's constitution requires 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 board has the power to appoint any person as a director, either to fill a casual vacancy or as an addition to the Board, but that person only holds office until the next Annual General Meeting.

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.

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**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.

The company established a Year 2000 project team in 1996 and is well advanced in its preparation for the Year 2000. Its critical finance, gaming and wagering systems will be replaced by 31 December 1999 and have all been designed to be Year 2000 compliant.

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 staff from the Corporate Finance Group.

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.

**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 and Betting Act 1994*. It is also the holder of a Monitoring Operator's Licence issued under the Queensland *Gaming Machine Act*, and recently offered to merge with Star City Holdings Limited under a takeover scheme which may result in the TABCORP group becoming the holder of a casino licence issued under the New South Wales *Casino Control Act*.

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. As part of this process, the company has introduced a program of risk management workshops throughout its business and corporate groups.

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 Victorian 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 its directors have undergone extensive probity investigation by the Victorian Casino and Gaming Authority and the Queensland Office of Gaming Regulation.

The company has established comprehensive policies 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, e.g. 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 employs a Shareholder Liaison Officer to assist in responding promptly to all shareholder inquiries and maintains a website to keep them informed of any significant developments in a timely manner. The company also has a policy of informing shareholders of significant issues as they arise, in addition to sending out the Half-Yearly Report and Annual Report.

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 memoranda, where considered appropriate, are included with the Notice of Annual General Meeting in respect of items to be voted on at the meeting.

# Financial Statements

and reports

for the year ended 30 June 1999

# 1999

# Directors' Report

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 1999, and the related profit and loss statement 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)

Michael 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 and the Committee for the Economic Development of Australia. He is a member of the Board of Management of Epworth Hospital and of the Chairman's Consultative Group of the Australian Securities and Investments Commission, President of the Bionic Ear Institute, Chairman of the Melbourne University Law School Foundation and the President of the Institute of Public Affairs. 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)

Ross 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 TABCORP in 1994. He is a member of the Business Council of Australia and a member of the Council of Swinburne University of Technology. Mr Wilson is a member of the TABCORP Audit, Remuneration and Compliance Committees.

### **A.G. Hodgson** FCPA (Deputy Chairman)

Tony 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 a Committee Member of the Chairman's Consultative Group of the Australian Securities and Investments Commission.

### **D.J. Simpson** FCPA (Finance Director)

David Simpson was Executive General Manager – Finance of Southcorp Holdings Limited from 1988 until taking up the position of Executive General Manager – Finance of TABCORP in March 1995. He has over 33 years experience in accounting and finance. He was appointed an executive director of TABCORP on 24 February 1999.

### **P.H. Wade** FCPA

Peter Wade was Managing Director of North Broken Hill Peko Limited until his retirement in 1993. He is Chairman of Acacia Resources Limited and Deputy Chairman 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**

Warren 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' Interests

At the date of this report, the relevant interests of the directors in the shares, options or other instruments 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	51,500
I.R. Wilson	3,926,000
A.G. Hodgson	70,000
D.J. Simpson	400,000
P.H. Wade	20,000
W.V. Wilson	50,000

## Directors' Meetings

During the year, the company held fourteen meetings of directors. The attendances of the directors at meetings of the Board and its committees were:

	Board of Directors		Committees of the Board of Directors	
	Attended	Maximum possible attended	Attended	Maximum possible attended
M.B. Robinson	14	14	8	8
I.R. Wilson	14	14	8	8
A.G. Hodgson	14	14	4	4
D.J. Simpson <sup>(1)</sup>	4	5	–	–
P.H. Wade	13	14	6	6
W.V. Wilson	14	14	3	3

<sup>(1)</sup> Mr Simpson was appointed as an executive director on 24 February 1999. All other directors held their position as a director throughout the entire financial year and up to the date of this report.

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

As at the date of this report, the company had an audit committee of the Board of Directors, which met four times during the year. The other committees of the Board, being the Compliance and Remuneration committees, each met twice during the year. The details of the functions and memberships of the committees of the Board are presented in the Statement of Corporate Governance Practices contained in the 1999 Annual Report.

## Directors' and Officers' Remuneration

Remuneration of directors and senior executives of the company is established by the Remuneration Committee. Remuneration is determined as part of an annual performance review, having regard to market factors, a performance evaluation process and independent remuneration advice. For executive directors and officers, remuneration packages generally comprise salary, a performance-based bonus and superannuation. Executives are also provided with longer-term incentives through the Senior Executive Long Term Incentive Plan and the General Employee Share Plan, which act to align the executives' actions with the interests of the shareholders. Non-executive directors are not entitled to performance based bonuses.

The remuneration provided to directors and the five most highly remunerated officers are as follows:

	Base Salary <sup>(1)</sup>	Bonus	Super-annuation	Other Benefits	FBT	Loans	Total
<i>Directors</i>							
M.B. Robinson	150,000	–	6,854	–	–	–	156,854
I.R. Wilson	1,003,468	254,305	–	82,150	131,168	86,839	1,557,930
A.G. Hodgson	80,000	–	5,600	–	–	–	85,600
D.J. Simpson <sup>(2)</sup>	94,572	21,448	19,134	11,692	11,011	–	157,857
P.H. Wade	72,000	–	5,040	–	–	–	77,040
W.V. Wilson	72,000	–	5,040	–	–	–	77,040
<i>Officers</i>							
P.R. Broberg	273,041	61,606	54,958	34,668	32,648	–	456,921
M.J. Piggott	320,243	86,528	61,065	38,821	36,561	–	543,218
D.E. Elmslie	246,291	52,466	46,804	30,146	28,390	–	404,097
A.H. Goodfellow	346,886	70,809	6,854	31,906	30,047	–	486,502
D.J. Simpson <sup>(2)</sup>	189,566	42,896	38,267	23,385	22,022	–	316,136

<sup>(1)</sup> Salary includes accrual for annual and long service leave.

<sup>(2)</sup> As Mr D.J. Simpson was appointed as an executive director on 24 February 1999, the remuneration disclosed under the heading 'Directors' only includes remuneration provided to him after that date. Remuneration provided to Mr D.J. Simpson prior to his appointment as an executive director has been included under the heading 'Officers'.

# Directors' Report

## 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*. It is also the holder of a monitoring operator's licence issued under the *Queensland Gaming Machine Act 1991* and conducts activities associated with that licence.

## Results

The consolidated profit after income tax of the economic entity for the financial year was \$143.3 million, being 18.2% 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:

	\$'000
Final fully franked dividend for 1998 of 14.0 cents per share on ordinary shares as declared by directors on 20 August 1998 and paid 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 on 20 August 1998 and paid on 1 October 1998	33,401
Interim fully franked dividend for 1999 of 15.0 cents per share on ordinary shares as declared by directors on 25 February 1999 and paid on 31 March 1999	45,657
Final fully franked dividend for 1999 of 16.0 cents per share on ordinary shares as declared by the directors payable on 30 September 1999	48,701
Special fully franked dividend for 1999 of 12.0 cents per share on ordinary shares as declared by the directors payable on 30 September 1999	36,526

## Review of operations

The economic entity generated profit before interest and tax of \$220.1 million, which was \$36.3 million (19.8%) above the previous financial year. It generated revenue of \$1,066.2 million, which was \$128.2 million (13.7%) above the revenue achieved in the previous financial year of \$938.0 million. Turnover increased by \$1,048.0 million (12.7%) to \$9,301.0 million.

During the financial year, the company paid an interim dividend of 15.0 cents per share as well as a return of capital of 33.0 cents per share. This was possible because of the strong cashflows which continued to be generated by its businesses. The closing net cash position at the end of the financial year remained strong at \$46.8 million.

Operating expenses have continued to be well controlled, with an increase of \$7.5 million (6.2%). Cost increases over the period were largely related to the company's program of upgrading its major wagering and gaming systems, which will be completed by the end of this calendar year.

## Wagering

The Wagering Division generated profit before interest and tax of \$43.7 million, which was \$6.2 million (16.7%) above the previous financial year. Wagering revenue increased by \$23.7 million (7.2%) to \$353.0 million.

This growth is partly attributable to a range of initiatives aimed at providing customer focussed distribution and improved racing product. For example, the Wagering Division continued its program of upgrading its network of agencies and PubTABs.

The introduction of Pay TV in September 1998 also contributed to the increase in Wagering revenue. It has had a positive impact on telephone betting, with a 22.1% increase in revenue growth in telephone betting sales over the corresponding period last year.

## Gaming

The Gaming Division continued to provide strong growth with profit before interest and tax of \$176.4 million, which was \$30.1 million (20.6%) above the previous financial year. Gaming revenue increased by \$104.5 million (17.2%) to \$713.2 million.

With the number of gaming machines which can be operated by the economic entity in Victoria being restricted to 13,750, strategies have been implemented to improve the performance and entertainment offering of the gaming product and venues. An additional 345 gaming machines were deployed bringing the total number of gaming machines in the network to 13,690 as at 30 June 1999.

The economic entity is a licensed monitoring operator in Queensland and entered into agreements with 29 surf life saving supporters clubs and other sporting clubs in that State to monitor gaming machines and develop their facilities. In light of retrospective amendments to Queensland's *Gaming Machine Act 1991*, the company is reviewing these commercial arrangements.

## Year 2000

The economic entity is well prepared for the Year 2000 issue. Its finance, wagering and gaming systems will be replaced by new generation systems by 31 December 1999. These systems offer improved efficiencies and advanced functionality. They are 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, other than its offer to merge with Star City under a takeover scheme which is referred to below.

## Significant events after balance date

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 economic entity will continue with the strategies largely responsible for generating the growth in the year under review and is confident that the results achieved in the last financial year can be sustained.

On 16 April 1999, the economic entity announced a proposal to merge with Star City under a takeover scheme. The merger consideration will be one TABCORP share and \$1.97 for every eight Star City shares. The offer documents were dispatched to Star City shareholders on 21 June 1999 and Star City's Board has recommended that following the offers becoming unconditional, shareholders accept the economic entity's offers in the absence of a more favourable offer. The offers are conditional on receiving approval from the New South Wales Casino Control Authority and on no prescribed occurrences (as defined in the Corporations Law) occurring in relation to Star City.

The directors believe that the proposed merger with Star City will benefit both companies as it will provide geographical diversification into new business and increased financial strength. The merger will result in the creation of a major Australian leisure and entertainment company with revenues likely to exceed \$1.5 billion per annum and an expected market capitalisation in excess of \$4 billion.

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' 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 29(d), which forms an integral part of this report. In addition, 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.

## Indemnification of officers

TABCORP Holdings Limited has entered into 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 Australian Securities and Investments Commission class order 98/0100. In accordance with that class order, 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  
19 August 1999

# Profit and Loss Statement

for the year ended 30 June 1999

	Note	Consolidated		TABCORP Holdings	
		1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
<b>Wagering and Gaming turnover</b>		9,300,968	8,253,005	–	–
Wagering and Gaming revenue		1,066,165	937,953	20,517	9,221
Other revenue		19,026	15,795	161,888	140,841
<b>Operating revenue</b>	2	1,085,191	953,748	182,405	150,062
<b>Operating profit before income tax</b>		224,474	189,166	139,540	116,939
Income tax expense attributable to operating profit	4	(81,133)	(67,849)	(1,906)	(1,165)
<b>Operating profit after income tax</b>		143,341	121,317	137,634	115,774
Retained profits at the beginning of the financial year		14,012	8,073	581	185
<b>Total available for appropriation</b>		157,353	129,390	138,215	115,959
Dividends provided for or paid	5	(130,884)	(115,378)	(130,884)	(115,378)
<b>Retained profits at the end of the financial year</b>		26,469	14,012	7,331	581
Basic earnings per share (cents per share)	6	47.1	40.0		

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

# Balance Sheet

as at 30 June 1999

	Note	Consolidated		TABCORP Holdings	
		1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
<b>Current Assets</b>					
Cash	8	84,816	141,660	252	32,170
Receivables	9	1,316	1,731	195,754	172,465
Inventories	10	3,011	3,942	–	–
Other	11	5,631	1,512	1,957	1,430
Total current assets		94,774	148,845	197,963	206,065
<b>Non-Current Assets</b>					
Property, plant and equipment	13	172,051	122,973	10,217	8,256
Licences	14	597,472	597,490	597,472	597,490
Other	15	27,345	24,938	23,731	22,472
Total non-current assets		796,868	745,401	631,420	628,218
<b>TOTAL ASSETS</b>		<b>891,642</b>	<b>894,246</b>	<b>829,383</b>	<b>834,283</b>
<b>Current Liabilities</b>					
Accounts payable	16	70,122	50,204	93,597	60,505
Borrowings	17	38,000	–	38,000	–
Provisions	19	141,290	121,644	88,807	78,536
Total current liabilities		249,412	171,848	220,404	139,041
<b>Non-Current Liabilities</b>					
Provisions	20	15,027	14,825	914	1,100
Total non-current liabilities		15,027	14,825	914	1,100
<b>TOTAL LIABILITIES</b>		<b>264,439</b>	<b>186,673</b>	<b>221,318</b>	<b>140,141</b>
<b>NET ASSETS</b>		<b>627,203</b>	<b>707,573</b>	<b>608,065</b>	<b>694,142</b>
<b>Shareholders' Equity</b>					
Share capital	21	600,734	303,648	600,734	303,648
Reserves	22	–	389,913	–	389,913
Retained profits		26,469	14,012	7,331	581
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>627,203</b>	<b>707,573</b>	<b>608,065</b>	<b>694,142</b>

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

# Statement of Cash Flows

for the year ended 30 June 1999

	Note	Consolidated		TABCORP Holdings	
		1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
<b>Cash Flows from Operating Activities</b>					
Cash receipts in the course of operations		9,302,050	8,253,005	47,033	31,925
Cash returns to customers in the course of operations		(8,234,098)	(7,313,397)	–	–
Payments to suppliers, service providers and employees		(421,675)	(384,875)	(39,252)	(31,467)
Payment of Victorian Government betting taxes		(372,604)	(326,333)	–	–
Dividends received		–	–	122,000	115,200
Interest received		5,469	5,428	1,509	1,161
Borrowing costs paid		(684)	–	(656)	–
Income tax paid		(73,331)	(53,891)	(1,774)	(325)
<i>Net cash provided by operating activities</i>	25(b)	205,127	179,937	128,860	116,494
<b>Cash Flows from Investing Activities</b>					
Loans pursuant to employee share plan		4,141	2,500	4,141	2,500
Payment for property, plant and equipment		(86,116)	(41,566)	(2,744)	(2,026)
Proceeds from sale of property, plant and equipment		2,275	790	168	34
Payment for the acquisition of licences		–	(250)	–	–
Payment of acquisition costs		(390)	–	–	–
Other		2,163	963	2,163	963
Loans advanced to controlled entities		–	–	(11,740)	(4,000)
Loans repaid by controlled entities		–	–	–	11,900
<i>Net cash (used in)/provided by investing activities</i>		(77,927)	(37,563)	(8,012)	9,371
<b>Cash Flows from Financing Activities</b>					
Loans from controlled entities		–	–	31,278	–
Proceeds from borrowings		47,000	–	47,000	–
Repayment of borrowings		(9,000)	–	(9,000)	–
Return of capital and associated costs paid		(100,475)	–	(100,475)	–
Dividends paid		(121,569)	(112,168)	(121,569)	(112,168)
<i>Net cash used in financing activities</i>		(184,044)	(112,168)	(152,766)	(112,168)
<b>Net increase in cash held</b>		(56,844)	30,206	(31,918)	13,697
<b>Cash at the beginning of the financial year</b>		141,660	111,454	32,170	18,473
<b>Cash at the end of the financial year</b>	25(a)	84,816	141,660	252	32,170

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

# Notes to and forming part of the financial statements

for the year ended 30 June 1999

## 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. Operating revenue includes revenue derived from monitoring operations which is recognised as earned.

#### *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.

Bank loans are carried at cost. Borrowing costs, including interest, are expensed as incurred.

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 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.

# Notes to and forming part of the financial statements

for the year ended 30 June 1999

## **(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.

The Queensland licence is 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 twelve months are discounted using the interest rate applicable to 10-year Commonwealth Government bonds at balance date.

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

### *Employee Share Plan*

A TABCORP Employee Share Plan has been established under which shares in TABCORP Holdings Limited and loans to acquire shares in the parent entity would be available to eligible employees (refer Note 23).

### *Superannuation*

TABCORP Holdings Limited and its controlled entities contribute to two employee superannuation funds. Contributions are charged against income as incurred (refer Note 23).

## **(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 27).

## **(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	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
<b>Note 2</b> Operating Profit				
Operating profit has been determined after crediting the following revenues:				
OPERATING REVENUE				
Wagering and Gaming revenue	1,066,165	937,953	20,517	9,221
Other revenue:				
Interest received or due and receivable from:				
– other than related parties	5,336	5,413	1,462	1,155
– related parties	–	–	–	476
Dividends received or due and receivable from related parties	–	–	135,000	114,800
Gross proceeds from sale of non-current assets <sup>(a)</sup>	2,275	790	168	34
Other revenue items	11,415	9,592	25,258	24,376
Total other revenue	19,026	15,795	161,888	140,841
Total operating revenue	1,085,191	953,748	182,405	150,062
<sup>(a)</sup> Net profit on sale of non-current assets	803	162	92	4
Operating profit has been determined after charging the following expenses:				
Depreciation of property, plant and equipment:				
– buildings	631	649	171	171
– leasehold improvements	1,320	973	–	–
– plant and equipment	32,644	30,938	892	231
	34,595	32,560	1,063	402
Amortisation of other licences	18	–	–	–
Operating lease rentals	13	–	–	–
Borrowing costs – other parties	1,099	–	1,071	–
Net bad and doubtful debts expense	348	114	–	–
Amounts set aside to provisions for:				
– employee entitlements	1,364	1,331	744	922
– reorganisation	833	338	–	–
– inventory obsolescence	630	95	–	–
Total amount set aside to provisions	2,827	1,764	744	922
<b>Note 3</b> Auditors' Remuneration				
Total remuneration received or due and receivable by the auditor of TABCORP Holdings Limited and its controlled entities in respect of:				
– audit and review services	236	236	173	173
– other services	89	119	3	95

# Notes to and forming part of the financial statements

for the year ended 30 June 1999

	Consolidated		TABCORP Holdings	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
<b>Note 4</b> 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	224,474	189,166	139,540	116,939
Prima facie tax thereon at 36%	80,811	68,100	50,234	42,098
Tax effect of permanent and other differences:				
– dividends received	–	–	(48,600)	(41,328)
– sundry items	297	(178)	267	432
– overprovision in prior year	25	(73)	5	(37)
Total income tax attributable to operating profit	81,133	67,849	1,906	1,165
Total income tax expense comprises movements in:				
– provision for income tax	(82,831)	(65,318)	(2,495)	(1,221)
– provision for deferred income tax	160	(2,541)	199	(243)
– future income tax benefits	1,538	10	390	299
Income tax expense	(81,133)	(67,849)	(1,906)	(1,165)
<b>Note 5</b> Dividends				
Dividends provided for or paid by the economic entity are:				
(a) an interim dividend of 15.0 cents per share, franked to 100% with Class C (36%) franking credits, was paid on 31 March 1999 (1998: 13.0 cents per share, franked to 100% with Class C (36%) franking credits was paid on 3 April 1998)	45,657	39,466	45,657	39,466
(b) a final dividend of 16.0 cents per share, franked to 100% with Class C (36%) franking credits, is provided (1998: 14.0 cents per share, franked to 100% with Class C (36%) franking credits was paid on 1 October 1998)	48,701	42,511	48,701	42,511
(c) a special dividend of 12.0 cents per share, franked to 100% with Class C (36%) franking credits, is provided (1998: 11.0 cents per share, franked to 100% with Class C (36%) franking credits was paid on 1 October 1998)	36,526	33,401	36,526	33,401
	130,884	115,378	130,884	115,378
<b>FRANKING CREDITS</b>				
Franking credits available at the 36% corporate tax rate after allowing for tax payable	1,974	(14,418)	(1,114)	(9,946)

	<b>Consolidated</b>	
	<b>1999</b>	<b>1998</b>
<b>Note 6</b> Earnings per share		
Basic earnings per share (cents per share)	47.1	40.0
Weighted average number of ordinary shares used in the calculation of basic earnings per share	304,072,491	303,141,217

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.

	<b>Consolidated</b>		<b>TABCORP Holdings</b>	
	<b>1999 \$'000</b>	<b>1998 \$'000</b>	<b>1999 \$'000</b>	<b>1998 \$'000</b>
<b>Note 8</b> Cash				
Cash comprises:				
– cash on hand and in banks	17,433	9,875	12	124
– short term deposits	27,750	36,033	240	17,142
– bank accepted bills	39,633	95,752	–	14,904
	84,816	141,660	252	32,170

Bank short term deposits maturing within 30 days (1998: 60 days) and paying interest at rates between 4.65% and 4.83% (1998: 4.90% and 5.50%).

Bank accepted bills maturing within 30 days (1998: 60 days) and paying interest at rates between 4.80% and 4.99% (1998: 5.01% and 5.50%).

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.

	<b>Consolidated</b>		<b>TABCORP Holdings</b>	
	<b>1999 \$'000</b>	<b>1998 \$'000</b>	<b>1999 \$'000</b>	<b>1998 \$'000</b>
<b>Note 9</b> Receivables (Current)				
Trade debtors	1,510	1,507	–	–
Provision for doubtful debts	(517)	(163)	–	–
	993	1,344	–	–
Sundry debtors	144	75	65	20
Amounts receivable from controlled entities	–	–	195,682	172,391
Accrued interest income	179	312	7	54
	1,316	1,731	195,754	172,465

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 to and forming part of the financial statements

for the year ended 30 June 1999

	Consolidated		TABCORP Holdings	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
<b>Note 10</b> Inventories (Current)				
Consumable stores at cost	3,829	3,962	–	–
Provision for obsolescence	(818)	(20)	–	–
	3,011	3,942	–	–
<b>Note 11</b> Other Assets (Current)				
Prepayments	1,631	332	302	250
Loans pursuant to employee share plan	1,655	1,180	1,655	1,180
Acquisition costs	2,345	–	–	–
	5,631	1,512	1,957	1,430

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% per annum.

Acquisition costs relate to the proposed acquisition of Star City Holdings Limited.

## **Note 12** Investments (Non-Current)

Investments in controlled entities are valued at cost of \$9 (refer Note 26).

	Consolidated		TABCORP Holdings	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
<b>Note 13</b> Property, Plant and Equipment				
Land and buildings:				
Freehold land:				
– at cost <sup>(a)</sup>	5,639	5,639	2,000	2,000
– at cost <sup>(b)</sup>	4,434	246	–	–
	10,073	5,885	2,000	2,000
Buildings:				
– at cost <sup>(a)</sup>	8,951	9,844	4,065	4,065
– at cost <sup>(b)</sup>	880	36	–	–
– accumulated depreciation	(2,767)	(2,362)	(820)	(650)
	7,064	7,518	3,245	3,415
Total land and buildings, net	17,137	13,403	5,245	5,415
Leasehold improvements:				
– at cost	14,493	10,469	–	–
– accumulated amortisation	(5,033)	(3,323)	–	–
Total leasehold improvements, net	9,460	7,146	–	–

	Consolidated		TABCORP Holdings	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
<b>Note 13</b> Property, Plant and Equipment ( <i>continued</i> )				
Plant and equipment:				
– at cost	298,104	231,195	5,934	3,220
– accumulated depreciation	(152,650)	(128,771)	(962)	(379)
Total plant and equipment, net	145,454	102,424	4,972	2,841
	172,051	122,973	10,217	8,256

<sup>(a)</sup>An independent valuation of freehold land and buildings was carried out as at 30 June 1998 by Richard Ellis (Victoria) Pty Limited 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. During the year, properties with a 1998 valuation of \$925,000 were disposed of leaving properties with a valuation of \$15,230,000 still held at balance date.

<sup>(b)</sup>In addition, properties costing \$5,314,000 were acquired and recorded at cost less depreciation. There were no changes to properties held by TABCORP Holdings Limited.

	Note	Consolidated		TABCORP Holdings	
		1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
<b>Note 14</b> Licences					
Wagering and Gaming licence at cost	1(h)	597,240	597,240	597,240	597,240
Other licences:					
– at cost	1(h)	250	250	250	250
– accumulated amortisation		(18)	–	(18)	–
		232	250	232	250
		597,472	597,490	597,472	597,490
<b>Note 15</b> Other Assets (Non-Current)					
Future income tax benefits – timing difference		4,984	3,446	1,370	980
Loans to executive directors	29(c)	8,275	8,079	8,275	8,079
Loans pursuant to employee share plan		14,086	13,413	14,086	13,413
		27,345	24,938	23,731	22,472

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% per annum.

# Notes to and forming part of the financial statements

for the year ended 30 June 1999

	Consolidated		TABCORP Holdings	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
<b>Note 16</b> Accounts Payable (Current)				
Trade creditors and accrued expenses – unsecured	70,122	50,204	3,933	2,075
Amounts due to controlled entities	–	–	89,664	58,430
	70,122	50,204	93,597	60,505
<b>Note 17</b> Borrowings (Current)				
Bank loans – unsecured	38,000	–	38,000	–
<b>Note 18</b> Financing Arrangements				
The economic entity has access to the following financing facilities:				
Total facilities available:				
Bank loans	675,000	–	100,000	–
Facilities utilised at balance date:				
Bank loans	38,000	–	38,000	–
Facilities not utilised at balance date:				
Bank loans	637,000	–	62,000	–

The economic entity has two separate loan facilities: \$100 million for funding general corporate requirements and \$575 million for funding the acquisition of Star City Holdings Limited and the associated management agreement. Levels of drawdown against this facility will be dependent on New South Wales Casino Control Authority approval of the acquisition. Both loans are in Australian dollars and are repayable within twelve months.

Existing loans draw interest at the bank bill swap rate (BBSY) on the date of funding for the term equivalent to the funding period plus an agreed margin.

All loan facilities are subject to a negative pledge agreement under which the economic entity undertakes to comply with financial undertakings as to its tangible net worth, gearing and interest cover.

	Note	Consolidated		TABCORP Holdings	
		1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
<b>Note 19</b> Provisions (Current)					
Dividends	5	85,227	75,912	85,227	75,912
Taxation		49,494	39,994	1,823	1,102
Employee entitlements		5,658	5,092	1,757	1,522
Other		911	646	–	–
		141,290	121,644	88,807	78,536
<b>Note 20</b> Provisions (Non-Current)					
Employee entitlements		3,165	2,803	399	386
Provision for deferred income tax – timing difference		11,862	12,022	515	714
		15,027	14,825	914	1,100

	Consolidated		TABCORP Holdings	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
<b>Note 21</b> Share Capital				
Issued and paid up capital: 304,380,206 (1998: 303,648,006 of \$1.00 par value each) ordinary shares, fully paid	600,734	303,648	600,734	303,648
Movements in share capital:				
Balance at beginning of year	303,648	302,921	303,648	302,921
– transfer of balance of Share Premium Reserve 1 July 1998	389,913	–	389,913	–
– 732,200 (1998: 727,100) shares issued under Employee Share Plan <sup>(a)</sup>	7,648	727	7,648	727
– return of capital <sup>(b)</sup>	(100,475)	–	(100,475)	–
Balance at end of year	600,734	303,648	600,734	303,648

<sup>(a)</sup>TABCORP Holdings Limited issued:

in the current year:

- 60,000 ordinary shares on 13 October 1998 at \$9.94
- 349,800 ordinary shares on 5 November 1998 at \$9.97
- 222,400 ordinary shares on 11 December 1998 at \$10.68
- 100,000 ordinary shares on 12 March 1999 at \$11.90

in the prior year:

- 497,000 ordinary shares on 3 March 1998 at \$7.67
- 170,100 ordinary shares on 16 March 1998 at \$7.67
- 60,000 ordinary shares on 7 May 1998 at \$8.46

to employees under the Employee Share Plan (refer Note 23 for details of the Employee Share Plan).

<sup>(b)</sup>On 12 January 1999, the company made a return of capital of 33.0 cents per ordinary fully paid share, approved by shareholders on 27 October 1998.

The return of capital, amounting to \$100,412,468, together with transaction costs of \$63,101, was accounted for as a reduction in share capital.

	Consolidated		TABCORP Holdings	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
<b>Note 22</b> Reserves				
Share premium	–	389,913	–	389,913
Movement during the year:				
Balance at beginning of year	389,913	385,016	389,913	385,016
– premium on ordinary shares issued during the year	–	4,897	–	4,897
– transfer to Share Capital 1 July 1998	(389,913)	–	(389,913)	–
Balance at end of year	–	389,913	–	389,913

# Notes to and forming part of the financial statements

for the year ended 30 June 1999

	Note	Consolidated		TABCORP Holdings	
		1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
<b>Note 23</b> Employee Entitlements					
<b>Aggregate employee entitlements, including on-costs</b>					
Current	19	5,658	5,092	1,757	1,522
Non-current	20	3,165	2,803	399	386
		8,823	7,895	2,156	1,908

## 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) 1999	(b) 1999	(a) 1998	(b) 1998
Total number issued to employees during the year ('000)	742	100	628	100
Total number issued to employees since commencement of the plan ('000)	5,479	3,500	4,737	3,400
Total number that have become available for purchase since commencement of the plan ('000)	11,689	3,500	10,120	3,400
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	1,733	1	1,765	1
Total number of employees participating in this plan at balance date	1,155	1	1,212	1
Total market value, at date of issue, of issues during the year (\$'000)	7,407	1,190	4,850	767
Proceeds received from issues during the year (\$'000)	7,546	1,190	4,865	767

<sup>(a)</sup> Shares issued to employees.

<sup>(b)</sup> Shares issued to a director under a service agreement.

**Note 23** 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 1998 by Mr A. Sach, FIAA, 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 2001.

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:

	<b>TABCORP Superannuation Fund \$'000</b>	<b>TABCORP Staff Superannuation Fund \$'000</b>	<b>Total \$'000</b>
At 30 June 1998			
Fund assets at market value	34,323	39,923	74,246
Accrued benefits	16,070	17,262	33,332
Excess of Fund assets over accrued benefits	18,253	22,661	40,914
Information disclosed in the most recent audited financial statements of both Funds is as follows:			
At 30 June 1998			
– fund assets at market value	34,323	39,923	74,246
– vested benefits	14,814	16,012	30,826
At 30 June 1997			
– fund assets at market value	30,754	37,342	68,096
– vested benefits	11,563	13,988	25,551

	<b>Consolidated</b>		<b>TABCORP Holdings</b>	
	<b>1999 \$'000</b>	<b>1998 \$'000</b>	<b>1999 \$'000</b>	<b>1998 \$'000</b>
<b>Note 24</b> Commitments				
<b>(a) Capital Expenditure Commitments</b>				
Contracted but not provided for and payable not later than one year	29,951	12,815	571	119
<b>(b) Leasehold Premises Rental Commitments</b>				
Contracted but not provided for and payable:				
– not later than one year	5,391	5,896	1,932	1,826
– later than one year but not later than two years	4,277	4,478	2,073	1,942
– later than two years but not later than five years	9,430	10,740	6,692	6,511
– later than five years	6,248	8,888	6,237	8,560
	25,346	30,002	16,934	18,839

# Notes to and forming part of the financial statements

for the year ended 30 June 1999

	Note	Consolidated		TABCORP Holdings	
		1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
<b>Note 25</b>	Notes to the Statement of Cash Flows				
<b>(a) Reconciliation of cash</b>					
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	84,816	141,660	252	32,170
		84,816	141,660	252	32,170
<b>(b) Reconciliation of net cash provided by operating activities to operating profit after income tax</b>					
Operating profit after income tax		143,341	121,317	137,634	115,774
Add/(less) items classified as investing/financing activities:					
– profit on sale of non-current assets		(803)	(162)	(92)	(4)
Add/(less) non-cash income and expense items:					
– depreciation expense		34,595	32,560	1,063	402
– amortisation expense		18	–	–	–
– write-off fixed assets		191	249	–	–
Net cash provided by operating activities before change in assets and liabilities		177,342	153,964	138,605	116,172
Change in assets and liabilities:					
(Increase)/decrease in:					
– trade and sundry debtors		282	(195)	(45)	41
– inventories		931	(2,130)	–	–
– prepayments		(1,299)	252	(52)	219
– accrued interest income		133	15	47	7
– amounts receivable from controlled entities		–	–	(11,978)	(1,847)
– future income tax benefits		(1,538)	(10)	(390)	(301)
(Decrease)/increase in:					
– trade creditors and accrued expenses		18,475	14,310	1,502	384
– provisions		1,461	(237)	649	681
– provision for deferred income tax		(160)	2,541	(199)	243
– provision for income tax		9,500	11,427	721	895
Net cash provided by operating activities		205,127	179,937	128,860	116,494

## Note 26 Controlled Entities

The following were controlled entities at 30 June 1999 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	
			1999 %	1998 %
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 (Queensland) Pty Ltd	Australia	ordinary	100	100
TABCORP Investments Pty Ltd	Australia	ordinary	100	–

TABCORP Assets Pty Ltd, TABCORP Manager Pty Ltd, TABCORP Participant Pty Ltd and TABCORP (Queensland) Pty Ltd 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 and Investments Commission, TABCORP Assets Pty Ltd and TABCORP Participant Pty Ltd are relieved from the requirements to prepare financial statements. TABCORP Manager Pty Ltd, TABCORP (Queensland) Pty Ltd and TABCORP Investments Pty Ltd are relieved from the requirements to prepare financial statements as they are small proprietary companies as defined by the Corporations Law.

The consolidated financial statements represent the financial statements of the parties to the deed of cross guarantee, with the exception of TABCORP Investments Pty Ltd, which was not a party to the deed as at 30 June 1999. TABCORP Investments Pty Ltd did not operate during the year and had assets of \$2.345 million and corresponding liabilities of \$2.345 million.

	1999 \$'000	1998 \$'000
Assets	889,297	894,246
Liabilities	262,094	186,673
Operating profit after tax	143,341	121,317

## Note 27 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.

# Notes to and forming part of the financial statements

for the year ended 30 June 1999

## Note 28 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	
	1999	1998
\$60,000 – \$69,999	–	2
\$70,000 – \$79,999	2	1
\$80,000 – \$89,999	1	–
\$130,000 – \$139,999	–	1
\$150,000 – \$159,999	2	–
\$1,520,000 – \$1,529,999	–	1
\$1,550,000 – \$1,559,999	1	–
	<b>\$'000</b>	<b>\$'000</b>
The aggregate remuneration of the directors referred to in the above bands was	2,112	1,862

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 \$2.121 million (1998: \$1.877 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 gross cost to the entity of remuneration paid or payable or otherwise made available.

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	
	1999	1998	1999	1998
\$130,000 – \$139,999	1	–	–	–
\$150,000 – \$159,999	1	1	1	1
\$170,000 – \$179,999	–	3	–	1
\$180,000 – \$189,999	2	1	2	–
\$190,000 – \$199,999	2	1	–	–
\$210,000 – \$219,999	1	–	–	–
\$220,000 – \$229,999	–	1	–	–
\$230,000 – \$239,999	2	1	–	–
\$360,000 – \$369,999	–	1	–	1
\$400,000 – \$409,999	1	–	1	–
\$420,000 – \$429,999	–	1	–	1
\$430,000 – \$439,999	–	1	–	1
\$450,000 – \$459,999	1	–	1	–
\$460,000 – \$469,999	–	1	–	–
\$470,000 – \$479,999	1	–	1	–
\$480,000 – \$489,999	1	1	–	–
\$540,000 – \$549,999	1	–	–	–
\$1,520,000 – \$1,529,999	–	1	–	1
\$1,550,000 – \$1,559,999	1	–	1	–
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
The aggregate remuneration of the executives referred to in the above bands was	5,661	5,200	3,420	3,077

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

**Note 29** 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

D.J. Simpson (appointed on 24 February 1999)

**(b) Directors' shareholdings**

**Shares issued by Parent Entity**

	1999 Number	1998 Number
Shares acquired from the entity during the year:		
Ordinary shares	100,000	100,000
Shares held at end of the year:		
Directly or indirectly		
Ordinary shares	4,517,500	4,021,500

**(c) Directors' loans**

Director loans have been made to executive directors I.R. Wilson and D.J. Simpson. Interest, where applicable, is charged at a rate to a maximum of 5%. 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 directors. During the year, TABCORP Holdings Limited made a loan, approved by shareholders, of \$1.190 million (1998: \$0.767 million) to I.R. Wilson as provided for under his service agreement. He repaid \$2.163 million (1998: \$0.964 million) of the balance outstanding on his loans during the year.

	Consolidated		TABCORP Holdings	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Loans to directors outstanding at year end:				
Non-current	8,275	8,079	8,275	8,079

**(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:

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

# Notes to and forming part of the financial statements

for the year ended 30 June 1999

## Note 29 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. The loans were repaid on 30 June 1998, and no interest was receivable by TABCORP Holdings Limited (1998: \$0.476 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 26.

### (f) Ultimate controlling entity

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

## Note 30 Contingent Liabilities

#### Parent entity

As explained in Note 26, the parent entity has entered into a deed of cross guarantee in accordance with a Class Order issued by the Australian Securities and Investments 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	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
<b>Service agreement</b>				
The maximum contingent liabilities for termination benefits under a service agreement with a director in the economic entity amount to	1,275	1,200	1,275	1,200

## Directors' Declaration

The directors declare that:

- (a) the financial statements and associated notes comply with the accounting standards and Urgent Issues Group Consensus Views;
- (b) the financial statements and notes give a true and fair view of the financial position as at 30 June 1999 and performance of the company and economic entity for the year then ended;
- (c) in the directors' opinion:
  - (i) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and the companies and parent entity who are party to the deed described in Note 26, 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; and
  - (ii) the financial statements and notes are in accordance with the Corporations law, including sections 296 and 297.

Made in accordance with a resolution of directors.



M.B. Robinson  
Director



I.R. Wilson  
Director

Melbourne  
19 August 1999

## Independent Audit Report

To the Members of TABCORP Holdings Limited

### Scope

We have audited the financial report of TABCORP Holdings Limited for the year ended 30 June 1999 as set out on pages 38 to 57. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, 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 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 and performance as represented by 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 report of TABCORP Holdings Limited is in accordance with:

- (a) the Corporations Law, including:
  - (i) giving a true and fair view of the company and consolidated entity's financial position as at 30 June 1999 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations; and;
- (b) other mandatory professional reporting requirements.



Arthur Andersen  
Chartered Accountants



Partner

Melbourne  
19 August 1999

# Shareholder Information

## Substantial Shareholders as at 30 August 1999\*

Name	Number of ordinary shares
------	---------------------------

Permanent Trustee Company Limited (ACN 000 000 993) 23-25 O'Connell Street, Sydney	16,760,330
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 30 August 1999

Shares held	Number of shareholders
-------------	------------------------

1 – 1,000	28,749
1,001 – 5,000	12,135
5,001 – 10,000	1,111
10,001 – 100,000	584
100,001 and over	162
Total	42,741

Less than marketable parcel (\$500) based on market price of \$10.98 on 30 August 1999	24
---	----

## 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 1994* can result in suspension of voting rights.

**Twenty Largest Shareholders as at 30 August 1999\***

<b>Name</b>	<b>Ordinary shares</b>	
	<b>Number</b>	<b>%</b>
Westpac Custodian Nominees Limited	36,273,457	11.92
Chase Manhattan Nominees Limited	28,171,152	9.26
National Nominees Limited	25,958,775	8.53
Permanent Trustee Australia Limited	12,644,627	4.15
Perpetual Trustees Victoria Limited	9,172,800	3.01
Citicorp Nominees Pty Limited	9,110,542	2.99
ANZ Nominees Limited	8,657,201	2.85
Perpetual Trustees Nominees Limited	6,712,359	2.21
AMP Life Limited	6,653,454	2.19
Queensland Investment Corporation	5,352,128	1.76
BT Custodial Services Pty Ltd	5,302,599	1.74
The National Mutual Life Association of Australasia Ltd	5,085,620	1.67
Perpetual Trustee Company Limited	4,672,105	1.53
AMP Nominees Pty Ltd	3,841,212	1.26
Commonwealth Custodial Services Limited	3,783,498	1.24
Mr Ian Ross Wilson	3,740,000	1.23
Zurich Australia Limited	3,105,738	1.02
Permanent Trustee Company Limited	3,085,030	1.01
MLC Limited	2,973,292	0.98
Perpetual Trustees Australia Limited	2,533,608	0.83
	<b>186,829,197</b>	<b>61.38</b>

\*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: +61 3 9205 4999  
Toll Free (within Australia): 1800 420 044  
Facsimile: +61 3 9205 4900  
E-mail: registry\_melb@perpetual.com.au  
Perpetual Registrars' Web Site: [www.perpetual.com.au/prl](http://www.perpetual.com.au/prl)

Shareholders should have their Shareholder Reference Number (SRN) available to assist in responding to their enquiries.

## General enquiries about TABCORP

TABCORP's Shareholder Liaison Officer – Brendan Fahy  
Telephone: +61 3 9868 2779  
Facsimile: +61 3 9868 2639  
E-mail: [fahyb@tabcorp.com.au](mailto:fahyb@tabcorp.com.au)  
Website: [www.tabcorp.com.au](http://www.tabcorp.com.au)

## 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. The last two Annual Reports are currently available from the Investor Information section of the company's website. This report and future reports will be made available on the website shortly after being mailed to shareholders.

## TABCORP on the Web

Investor information is available on TABCORP's website at [www.tabcorp.com.au](http://www.tabcorp.com.au)

This site includes key ASX releases, Annual and Half-Yearly Reports and general company information.

## Stock Exchange Listing

The company's shares are listed on the Australian Stock Exchange (ASX). 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 receive their dividends in US dollars.

Enquiries about ADRs should be made to Gina Avençena, The Bank of New York – ADR Division, 101 Barclay Street, New York 10286 USA

Telephone: +1 212 815 5838

Facsimile: +1 212 571 3050.

Website: [www.bankofny.com/adr](http://www.bankofny.com/adr)

## Change of address

Shareholders should advise the Share Registry immediately in writing as soon as there is a change to their registered address. Broker sponsored shareholders should advise their sponsoring broker.

## 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.

## 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 provided this information and would like to do so, please call the company's Share Registry on the above telephone number.

## Consolidation of Shareholdings

If you have received more than one Annual Report for the same shareholding, please contact the company's Share Registry. Broker sponsored shareholders should advise their sponsoring stockbroker.

# Company Directory

## **Directors**

### ***M.B. Robinson***

Chairman

### ***I.R. Wilson***

Managing Director and Chief Executive Officer

### ***A.G. Hodgson***

Deputy Chairman

### ***D.J. Simpson***

Finance Director

### ***P.H. Wade***

### ***W.V. Wilson***

## **Company Secretary**

P.H. Caillard

## **Registered Office**

TABCORP Holdings Limited

ACN 063 780 709

5 Bowen Crescent

Melbourne Vic 3004

Telephone +61 3 9868 2100

Facsimile +61 3 9868 2300

## **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. ASX code is TAH.

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