

FINANCIAL | **Statements**
and reports for the year ended 30 June 2000





The Board of Directors of TABCORP Holdings Limited has pleasure in submitting the consolidated balance sheet of the Company and the economic entity in respect of the financial year ended 30 June 2000, and the related profit and loss statement and statement of cash flows for the year then ended.

Directors

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

M.B. Robinson (*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 and the Australia-Malaysia Society. He is a member of the Chairman's Consultative Group of the Australian Securities and Investments Commission and President of the Bionic Ear Institute. He is a member of the TABCORP Audit, Remuneration and Compliance Committees.

I.R. Wilson (*Managing Director & 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, Compliance and Risk Management Committees.

A.G. Hodgson (*Deputy Chairman*)

Tony Hodgson is Chairman of the TABCORP Risk Management and Audit Committees, Chairman of RMG Limited and Chairman of Melbourne Port Corporation. Mr Hodgson is a member of the Committee of the Moonee Valley Racing Club, Chairman of the Advisory Board to the Victorian Rugby Union and a member of the Chairman's Consultative Group of the Australian Securities and Investments Commission. He was formerly Senior Partner of the chartered accounting firm Ferrier Hodgson.

G.H. Bennett

George Bennett is a Chartered Accountant and is currently a Director of Tempo Services Limited, Australian Pipelines Limited, Bank of Tokyo – Mitsubishi (Australia) Limited, Macquarie Leisure Management Limited, Macquarie Property Management Limited, Harrington Partners Limited, sanity.com Limited, Fantastic Furniture Holdings Limited, Tourism Asset Holdings Limited and Brazin Limited. He was previously Executive Chairman of KPMG Peat Marwick. He was appointed a Director of TABCORP on 28 June 2000 and is a member of the TABCORP Audit Committee.

P.G. Satre

Philip Satre holds the position of Chairman, President and Chief Executive Officer of Harrah's Entertainment Inc., one of the world's leading casino companies. He is one of the most respected casino executives, and his credentials were recognised when he was awarded Gaming Executive of the Year in November 1998 by the Casino Journal Publishing Group. He was appointed a Director of TABCORP on 28 June 2000 and is a member of the TABCORP Risk Management Committee.

D.J. Simpson (*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.

P.H. Wade

Peter Wade was Managing Director of North Broken Hill Peko Limited until his retirement in 1993. He is 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.

R.F.E. Warburton

Richard Warburton was formerly Chairman of Star City Holdings Limited. He is currently Chairman of David Jones Limited and Goldfields Limited and is a Board member of the Reserve Bank of Australia. Mr Warburton is also a Director of Southcorp Holdings Limited, Caltex Australia Limited, Nufarm Limited and IAMA Limited, as well as Chairman of the NSW Olympics Business Roundtable and National President of the Australian Institute of Company Directors. He was appointed a Director of TABCORP on 28 June 2000 and is a member of the TABCORP Remuneration 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. Mr Wilson is Chairman of the TABCORP Compliance Committee and a member of the Risk Management Committee.

With the exception of Messrs. Bennett, Satre and Warburton, all directors held their positions as a director throughout the entire financial year and up to the date of this report.

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 205G(1) of the Corporations Law, are:

	TABCORP Holdings Limited	
	Ordinary Shares	Options
M.B. Robinson	55,500	
I.R. Wilson	3,926,000	3,000,000*
A.G. Hodgson	100,000	
G.H. Bennett	37,500	
P.G. Satre		
D.J. Simpson	450,000	
P.H. Wade	30,000	
R.F.E. Warburton	12,500	
W.V. Wilson	50,000	

**3,000,000 options were issued to Mr I.R. Wilson on terms approved at the Annual General Meeting on 10 November 1999 and can only be exercised if certain performance criteria are satisfied (see page 44).*

Directors' Meetings

During the year, the company held 12 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	12	12	8	8
I.R. Wilson	12	12	9	9
A.G. Hodgson	11	12	5	5
G.H. Bennett ⁽¹⁾	1	1	—	—
P.G. Satre ⁽¹⁾	—	1	—	—
D.J. Simpson	12	12	5	5
P.H. Wade	11	12	6	6
R.F.E. Warburton ⁽¹⁾	1	1	—	—
W.V. Wilson	11	12	4	4

(1) Messrs Bennett, Satre and Warburton were appointed on 28 June 2000.

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

The company has an Audit Committee of the Board of Directors which met four times during the year, and a Risk Management Committee, which met once. 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 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 ⁽¹⁾	Incentive	Superannuation Contributions	Benefits	FBT Payable	Loans ⁽²⁾	Total
Directors							
M.B. Robinson	192,500		35,035				\$227,535
I.R. Wilson	1,560,837	796,598		90,382	138,349	107,624	\$2,693,790
A.G. Hodgson	107,500		18,245				\$125,745
G.H. Bennett ⁽³⁾	7,500		1,275				\$8,775
P.G. Satre ⁽³⁾	7,500						\$7,500
D.J. Simpson	344,318	99,995	64,751	33,966	32,715		\$575,745
P.H. Wade	86,000		17,458				\$103,458
R.F.E. Warburton ⁽³⁾	7,500		1,275				\$8,775
W.V. Wilson	86,000		15,652				\$101,652
Senior Executives							
P.R. Broberg	296,675	89,112	57,883	32,716	30,810		\$507,196
A.H. Goodfellow ⁽⁴⁾	796,982	64,871	7,067	33,490	31,539		\$933,949
M.J. Piggott	323,469	82,787	64,314	29,459	27,771		\$527,800
D.E. Elmslie	299,738	89,246	56,926	31,244	29,424		\$506,578
D. Banks ⁽⁵⁾	370,760	123,053	73,496	27,744	26,129		\$621,182

(1) Salaries for executive directors and senior executives include accruals for annual and long service leave.

(2) Cost to company to provide low interest/interest free loan(s).

(3) Messrs Bennett, Satre and Warburton were appointed on 28 June 2000.

(4) Mr Goodfellow resigned from the company during the financial period and all termination benefits have been included in his salary.

(5) The remuneration for Mr Banks is for the period from 15 October 1999 being the date on which the economic entity assumed control of Star City Holdings Limited.

Share Options

At the 1999 Annual General Meeting, shareholders approved the granting of 3,000,000 options to acquire ordinary shares in TABCORP Holdings Limited to Mr I.R. Wilson. These options were granted in four tranches and will be exercisable at \$10.18, subject to the achievement of certain annual and cumulative performance benchmarks. These benchmarks require the company to reach a minimum ranking of the 50th percentile of a peer group of companies listed on the Australian Stock Exchange before any options become available to be exercised, and require the company to reach the 80th percentile for 100% of the available options to be exercisable. To the extent to which any options are not able to be exercised or are not exercised by 30 June 2004, they will lapse. At 30 June 2000, which is the end of the first performance period, despite the record profit achieved by the company, the performance benchmark was not reached and therefore no options are available to be exercised by Mr I.R. Wilson at this time.

The directors believe that as the options cannot be traded, and given the nature of the performance benchmarks, it is not feasible to apply a credible value, or range of values, to the options at this stage. This position will be reviewed annually and if a point is reached where a value can realistically be placed on the options, this will be done.

No other options have been granted by the economic entity.

Principal Activities

The principal activities of the economic entity during the financial year comprised the provision of gambling and other entertainment services.

Results

The consolidated profit after income tax of the economic entity for the financial year was \$174.8 million, being 21.9% 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 1999 of 16.0 cents per share on ordinary shares as declared by directors on 19 August 1999 and paid on 30 September 1999.	48,701
Special fully franked dividend for 1999 of 12.0 cents per share on ordinary shares as declared by directors on 19 August 1999 and paid on 30 September 1999.	36,526
Interim fully franked dividend for 2000 of 23.0 cents per share on ordinary shares as declared by directors on 24 February 2000 and paid on 31 March 2000.	85,456
Final fully franked dividend for 2000 of 24.0 cents per share on ordinary shares as declared by directors payable on 29 September 2000.	89,183

Review of Operations

Consolidated profit after income tax of \$174.8 million was \$31.5 million (21.9%) above the previous financial year. The economic entity generated profit before abnormal items, interest and tax of \$319.9 million, which was \$99.8 million (45.3%) above the previous financial year. It generated revenue of \$1,625.8 million, which was \$559.6 million (52.5%) above the revenue achieved in the previous financial year of \$1,066.2 million.

Star City

During the financial year, the economic entity acquired Star City Holdings Limited, the operator of Sydney's Star City casino complex, as well as an 85% interest in the management contract for that facility. The acquisition diversifies the economic entity's product portfolio into casinos and hospitality, as well as providing a major presence in the New South Wales market.

Since 15 October 1999, Star City has performed strongly, achieving profit before interest and tax of \$79.3 million and revenue of \$468.3 million. The economic entity has reviewed a number of options to maximise its investment by improving the operation of its businesses and enhancing the Star City casino complex.

Wagering

The Wagering Division generated profit before interest and tax of \$47.8 million, which was \$4.1 million (9.3%) above the previous financial year. Wagering revenue increased by \$10.1 million (2.9%) to \$363.1 million.

On 14 April 2000, the economic entity acquired Structured Data Systems Ltd ('SDS'). SDS is the owner of a computer simulated racing product known as 'Trackside', which has been trialled successfully in certain Victorian wagering outlets. Trackside is also operating successfully in the Wrest Point, Launceston Country Club and Christchurch Casinos as well as the *Spirit of Tasmania*, *The Fair Princess* and North Sydney Leagues Club.



Another major highlight of the financial period was to complete the implementation of the new wagering host computer system. This new system was implemented well under budget and provides enhanced functionality and efficiency.

Gaming

The Gaming Division continued to provide strong growth with profit before interest and tax of \$202.0 million, which was \$25.6 million (14.5%) above the previous financial year. Gaming revenue increased by \$81.2 million (11.4%) to \$794.4 million. During the financial period, the economic entity completed its program of replacing 7,400 older gaming machines. It also successfully replaced its gaming machine monitoring systems with one of the most technically advanced wide area gaming networks.

On 16 May 2000, the economic entity was granted a licence by the Tasmanian Gaming Commission to conduct Internet gambling. The economic entity is continuing to assess the opportunities available in relation to offering internet gaming products in light of the Federal Government's announcement that it intends to introduce a moratorium.

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 in relation to its acquisition of Star City Holdings Limited under a takeover scheme and an interest in the management contract for Star City casino.

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.

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.

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 35(d), which forms an integral part of this report. 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. In addition, Mr P.G. Satre is Chairman, President and Chief Executive Officer of Harrah's Entertainment Inc., which has entered into a Casino Services Agreement with the economic entity. This Agreement gives the economic entity access to the knowledge and experience of Harrah's Entertainment Inc. in operating casinos for use in the management of the operations of Star City casino.

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. In accordance with section 300(9) of the Corporations Law, further details have not been disclosed due to confidentiality provisions in the insurance contracts.

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
17 August 2000

PROFIT AND LOSS Statement

for the year ended 30 June 2000

	Note	Consolidated		TABCORP Holdings	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Operating revenue	2	1,660,547	1,085,191	224,296	182,405
Operating profit before abnormal items and income tax		274,251	224,474	163,309	139,540
Abnormal items	2	6,325	–	6,325	–
Operating profit before income tax		280,576	224,474	169,634	139,540
Income tax expense attributable to operating profit	4	(105,796)	(81,133)	(2,076)	(1,906)
Operating profit after income tax		174,780	143,341	167,558	137,634
Retained profits at the beginning of the financial year		26,469	14,012	7,331	581
Total available for appropriation		201,249	157,353	174,889	138,215
Dividends provided for or paid	5	(174,639)	(130,884)	(174,639)	(130,884)
Retained profits at the end of the financial year		26,610	26,469	250	7,331
Basic earnings per share (cents per share)	6	50.1	47.1		
Basic earnings per share (cents per share) (pre amortisation of goodwill)	6	53.7	47.1		

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

BALANCE Sheet

as at 30 June 2000



	Note	Consolidated		TABCORP Holdings	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Current Assets					
Cash	8	91,019	84,816	403	252
Receivables	9	5,726	1,316	795,235	195,754
Inventories	10	4,925	3,011	–	–
Other	11	19,749	5,631	3,265	1,957
Total current assets		121,419	94,774	798,903	197,963
Non-Current Assets					
Investments	12	–	–	3,192	–
Property, plant and equipment	13	898,251	172,051	5,212	10,217
Licences	14	839,133	597,472	597,476	597,472
Intangibles excluding licences	15	550,293	–	–	–
Other	16	162,052	27,345	37,777	23,731
Total non-current assets		2,449,729	796,868	643,657	631,420
TOTAL ASSETS		2,571,148	891,642	1,442,560	829,383
Current Liabilities					
Accounts payable	17	98,724	70,122	136,400	93,597
Borrowings	18	196,871	38,000	–	38,000
Provisions	20	187,957	141,290	92,814	88,807
Other	21	586	–	–	–
Total current liabilities		484,138	249,412	229,214	220,404
Non-Current Liabilities					
Accounts payable	22	9,928	–	428	–
Borrowings	23	780,154	–	–	–
Provisions	24	57,217	15,027	1,214	914
Other	25	1,647	–	–	–
Total non-current liabilities		848,946	15,027	1,642	914
TOTAL LIABILITIES		1,333,084	264,439	230,856	221,318
NET ASSETS		1,238,064	627,203	1,211,704	608,065
Shareholders' Equity					
Share capital	26	1,211,454	600,734	1,211,454	600,734
Retained profits		26,610	26,469	250	7,331
TOTAL SHAREHOLDERS' EQUITY		1,238,064	627,203	1,211,704	608,065

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

STATEMENT | **of Cash Flows**
for the year ended 30 June 2000

	Note	Consolidated		TABCORP Holdings	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Cash Flows from Operating Activities					
Net cash receipts in the course of operations		1,639,929	1,067,952	45,743	47,033
Payments to suppliers, service providers and employees		(710,884)	(421,675)	(43,825)	(39,252)
Payment of State Government betting taxes		(501,901)	(372,604)	–	–
Dividends received		–	–	5,226	122,000
Interest received		3,730	5,469	693	1,509
Interest and other costs of finance paid		(51,751)	(684)	(3,283)	(656)
Income tax paid		(92,170)	(73,331)	(3,876)	(1,774)
<i>Net operating cash flows</i>	30(b)	286,953	205,127	678	128,860
Cash Flows from Investing Activities					
Loans pursuant to employee share plan		4,102	4,141	4,102	4,141
Payment for controlled entities (net of cash acquired)	30(c)	(473,347)	–	(2,703)	–
Payment for unlisted securities		(258)	–	(258)	–
Redemption of unlisted securities		–	–	258	–
Payment for property, plant and equipment		(75,916)	(86,116)	(2,059)	(2,744)
Proceeds from sale of property, plant and equipment		13,975	2,275	11,479	168
Payment for the acquisition of licences		(30)	–	(30)	–
Payment of acquisition costs		–	(390)	–	–
Other		(135)	2,163	(135)	2,163
Loans advanced to controlled entities		–	–	(9,941)	(11,740)
<i>Net investing cash flows</i>		(531,609)	(77,927)	713	(8,012)
Cash Flows from Financing Activities					
Loans from controlled entities		–	–	157,472	31,278
Proceeds from issue of securities		92,270	–	–	–
Proceeds from borrowings		629,898	47,000	122,000	47,000
Repayment of borrowings		(310,133)	(9,000)	(110,000)	(9,000)
Proceeds from loans repaid		703	–	–	–
Return of capital and associated costs paid		–	(100,475)	–	(100,475)
Dividends paid		(170,683)	(121,569)	(170,683)	(121,569)
Other		(29)	–	(29)	–
<i>Net financing cash flows</i>		242,026	(184,044)	(1,240)	(152,766)
Net increase/(decrease) in cash held		(2,630)	(56,844)	151	(31,918)
Cash at the beginning of the financial year		84,816	141,660	252	32,170
Cash at the end of the financial year	30(a)	82,186	84,816	403	252

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



Note 1 → Statement of Significant Accounting Policies

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

(a) Basis of Preparation

The financial statements have been drawn up as a general purpose financial report in accordance with Australian 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'. Where an entity began to be controlled during the year, the results are included only from the date control commenced. The balances, and effects of transactions, between controlled entities included in the consolidated financial statements have been eliminated.

(c) Goodwill

Goodwill, representing the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired on the acquisition of a controlled entity, is amortised over the period of time during which benefits are expected to arise.

Goodwill is amortised on a straight line basis over 20 years.

The unamortised balance of goodwill is reviewed at least at each reporting date. Where the balance exceeds the value of expected future benefits, the difference is charged to the profit and loss statement.

In establishing the fair value of the identifiable net assets acquired, a liability for restructuring costs is only recognised at the date of acquisition where there is a demonstrable commitment and a detailed plan. The liability is only recognised where there is little or no discretion to avoid payment to other parties in settlement of costs of the restructuring and a reliable estimate of the amount of the liability as at the date of acquisition can be made.

(d) Revenue Recognition

Revenue

Wagering and gaming revenue is recognised as the residual value after deducting the statutory return to customers from the wagering and gaming turnover. Casino revenue is the net gaming win plus the retail sales of food, beverages, accommodation and other services.

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.

(e) Foreign Currency

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the profit and loss statement in the financial period in which the exchange rates change.

(f) Taxation

The economic entity follows the policy of tax effect accounting. The income tax expense in the profit and loss statement 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.

Future income tax benefits relating to entities with tax losses are only brought to account when their realisation is virtually certain.

(g) 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.

Note 1 → Statement of Significant Accounting Policies (continued)

(h) 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 overdraft and loans are carried at cost. Borrowing costs, including interest, are expensed as incurred.

Bank bills are carried at the principal amount.

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.

Refer to Note 37(a) for details of interest rate swap agreements.

(i) 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	1.05% to 11.10%
– leasehold improvements	1.05% to 14.00%
– plant and equipment	5.26% to 33.33%
– consumables	20.00% to 33.33%

Freehold land is recorded at cost or valuation and is not depreciated.

Assets acquired under finance leases are capitalised and amortised over the life of the relevant lease, or where ownership is likely to be obtained on expiration of the lease, over the expected useful life of the asset. Lease payments are allocated between interest expense and reduction in the lease liability.

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. Provision is made for future operating lease payments in relation to surplus lease space.

(j) 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 casino licence is amortised over the life of the casino licence, being ninety-nine years, from the date of issue, being 14 December 1994.

Other licences are amortised over the period of operation of the licences.

(k) Rights to Management Agreement

The rights to the Casino Complex Management Agreement in relation to the operation, management and supervision of the casino is being amortised over the life of the agreement, which coincides with the term of the casino licence.

(l) Rental Expenditure

The payment made for rental in advance for the casino site for twelve years has been deferred in the balance sheet and is being amortised over twelve years commencing from the date of issue of the casino licence, being 14 December 1994.

The payment made for rental in advance in respect of a property (switching station) has been deferred in the balance sheet and is being amortised over ninety-five years commencing from the date of acquisition of the site, being 5 December 1997.

(m) Deferred Revenue

Deferred revenue comprises two elements, being an amount representing an initial lease incentive period at the commencement of a non-cancellable operating lease, which is being reduced on an imputed interest basis over the lease term at the rate implicit in the lease; and deferred revenue relating to exclusivity contracts, which is being reduced over the period of the contracts.

(n) 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.

(o) Inventories

Inventories include consumable stores, food and beverages, finished goods and work in progress, and are carried at the lower of cost and net realisable value. Costs are assigned on a weighted average basis.



(p) Employee Entitlements

Annual Leave

The provision for employee entitlements to annual 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 are made available to eligible employees (refer Note 28).

Superannuation

TABCORP Holdings Limited and its controlled entities contribute to three employee superannuation funds. Contributions are charged against income as incurred (refer Note 28).

Workers' compensation

Star City Holdings Limited self-insures in relation to workers' compensation, and a provision has been brought to account.

(q) Joint Venture Operation

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

- the economic entity's interest in each of the individual assets employed and liabilities incurred in the joint venture operation; and
- the economic entity's share of product and expenses relating to the joint venture operation (refer Note 33).

(r) Comparative Information

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

NOTES to and forming part of the financial statements

for the year ended 30 June 2000

	Consolidated		TABCORP Holdings	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Note 2 → Operating Profit				
Operating profit has been determined after crediting the following revenues:				
OPERATING REVENUE				
Wagering and Gaming revenue	1,157,424	1,066,165	20,980	20,517
Casino revenue	459,276	–	–	–
Other operating revenue	9,069	–	–	–
	1,625,769	1,066,165	20,980	20,517
Other revenue:				
Interest received or due and receivable from:				
– other than related parties	3,664	5,336	689	1,462
Dividends received or due and receivable from related parties	–	–	164,250	135,000
Gross proceeds from sale of non-current assets ^(a)	13,975	2,275	11,479	168
Rental	3,060	577	314	274
Net foreign exchange gain	1,257	–	–	–
Other revenue items	12,822	10,838	26,584	24,984
Total other revenue	34,778	19,026	203,316	161,888
Total operating revenue	1,660,547	1,085,191	224,296	182,405
<i>(a) Net profit on sale of non-current assets (including abnormal items)</i>	6,806	803	6,355	92
Operating profit has been determined after charging the following expenses:				
Depreciation of:				
– buildings	3,771	631	176	171
– leasehold improvements	2,023	1,320	–	–
– plant and equipment	65,504	32,644	1,447	892
– consumables	1,085	–	–	–
Total depreciation	72,383	34,595	1,623	1,063



	Consolidated		TABCORP Holdings	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Note 2 → Operating Profit (continued)				
Amortisation of:				
– goodwill	12,696	–	–	–
– casino licence	1,840	–	–	–
– other licences	26	18	–	–
– rights to management agreement	1,025	–	–	–
– leased assets capitalised	7	–	–	–
– rental in advance	7,203	–	–	–
Total amortisation	22,797	18	–	–
Operating lease rentals:				
– other – minimum lease payments	5,419	3,969	1,931	1,822
Borrowing costs:				
– other parties	49,307	1,099	2,744	1,071
– finance charges on capitalised leases	3	–	–	–
Net bad and doubtful debts expense	2,478	348	–	–
Research and development expenditure written off	30	–	–	–
Amounts set aside to provisions for:				
– employee entitlements	11,040	1,364	1,157	744
– reorganisation	–	833	–	–
– inventory obsolescence	519	630	–	–
Total amount set aside to provisions	11,559	2,827	1,157	744
Abnormal items				
Profit on sale of land and buildings	6,325	–	6,325	–
Income tax effect	(1,893)	–	(1,893)	–
Abnormal items after income tax	4,432	–	4,432	–
Note 3 → Auditors' Remuneration				
Total remuneration received or due and receivable by the auditor of TABCORP Holdings Limited and its controlled entities in respect of:				
– audit and review services	461	236	209	173
– other services	354	89	27	3

NOTES to and forming part of the financial statements

for the year ended 30 June 2000

	Note	Consolidated		TABCORP Holdings	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Note 4 → Income Tax					
Income Tax Expense					
The difference between income tax expense provided in the financial statements and the prima facie income tax expense is reconciled as follows:					
Operating profit		280,576	224,474	169,634	139,540
Prima facie tax thereon at 36%		101,008	80,811	61,068	50,234
Tax effect of permanent and other differences:					
– dividends received		–	–	(59,130)	(48,600)
– amortisation of goodwill		4,570	–	–	–
– amortisation of rights to management agreement		369	–	–	–
– amortisation of licences		671	–	–	–
– sundry items		359	297	(73)	267
– overprovision in prior year		12	25	–	5
– restatement due to change in tax rates		(1,193)	–	211	–
Total income tax attributable to operating profit		105,796	81,133	2,076	1,906
Total income tax expense comprises movements in:					
– provision for income tax – (increase)		(89,126)	(82,831)	(3,388)	(2,495)
– provision for deferred income tax – (increase)/decrease		(5,939)	160	(147)	199
– future income tax benefits – increase/(decrease)		(10,731)	1,538	1,459	390
Income tax expense		(105,796)	(81,133)	(2,076)	(1,906)
Future Income Tax Benefit					
Future income tax benefit comprises the estimated future benefit at current income tax rates on the following items:					
– tax losses carried forward		34,210	–	–	–
– timing differences		26,198	4,984	2,782	1,370
	16	60,408	4,984	2,782	1,370



	Consolidated		TABCORP Holdings	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Note 5 → Dividends				
Dividends provided for or paid by the economic entity are:				
(a) an interim dividend of 23.0 cents per share, franked to 100% with Class C (36%) franking credits, was paid on 31 March 2000 (1999: 15.0 cents per share, franked to 100% with Class C (36%) franking credits was paid on 31 March 1999)	85,456	45,657	85,456	45,657
(b) a final dividend of 24.0 cents per share, franked to 100% with Class C (34%) franking credits, is provided (1999: 16.0 cents per share, franked to 100% with Class C (36%) franking credits was paid on 30 September 1999)	89,183	48,701	89,183	48,701
(c) in the prior year, a special dividend of 12.0 cents per share, franked to 100% with Class C (36%) franking credits was paid on 30 September 1999	–	36,526	–	36,526
	174,639	130,884	174,639	130,884
FRANKING CREDITS				
Franking credits/(debits) available at the 34% (1999: 36%) corporate tax rate after allowing for tax payable	(5,903)	1,974	(5,247)	(1,114)

	Consolidated	
	2000 \$'000	1999 \$'000
Note 6 → Earnings Per Share		
Basic earnings per share (cents per share)	50.1	47.1
Basic earnings per share (cents per share) (pre amortisation of goodwill)	53.7	47.1
Weighted average number of ordinary shares used in the calculation of basic earnings per share	348,845,111	304,072,491

Diluted earnings per share is not materially 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.

NOTES to and forming part of the financial statements

for the year ended 30 June 2000

	Note	Consolidated		TABCORP Holdings	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Note 8 → Cash					
Cash comprises:					
Cash on hand and in banks		40,395	17,433	–	12
Short-term deposits, maturing within 30 days (1999: 30 days)		35,699	27,750	403	240
Bank accepted bills, maturing within 60 days (1999: 30 days)		14,925	39,633	–	–
	30(a)	91,019	84,816	403	252
Note 9 → Receivables (Current)					
Trade debtors		11,311	1,510	–	–
Provision for doubtful debts		(5,961)	(517)	–	–
		5,350	993	–	–
Sundry debtors		262	144	53	65
Amounts receivable from controlled entities		–	–	795,179	195,682
Accrued interest income		114	179	3	7
		5,726	1,316	795,235	195,754
Note 10 → Inventories (Current)					
Consumable stores at cost		5,171	3,829	–	–
Provision for obsolescence		(429)	(818)	–	–
		4,742	3,011	–	–
Finished goods and stores at net realisable value		177	–	–	–
Work in progress at cost		6	–	–	–
		4,925	3,011	–	–
Note 11 → Other Assets (Current)					
Rental in advance		10,222	–	–	–
Prepayments		6,572	1,631	381	302
Loans pursuant to employee share plan		2,884	1,655	2,884	1,655
Acquisition costs		–	2,345	–	–
Other		71	–	–	–
		19,749	5,631	3,265	1,957

Loans pursuant to employee share plan mature at either five years from the date of the loan or cessation of employment. Acquisition costs in the prior year related to the then proposed acquisition of Star City Holdings Limited.

Note 12 → Investments (Non-Current)

Investments in controlled entities are valued at cost of \$3,191,809 (1999: \$9) (refer Note 32).



	Consolidated		TABCORP Holdings	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Note 13 → Property, Plant and Equipment				
Land and buildings:				
Freehold land				
– at cost ^(a)	3,639	5,639	–	2,000
– at cost ^(b)	4,678	4,434	–	–
– at independent valuation ^{(c)(i)}	12,200	–	–	–
	20,517	10,073	–	2,000
Buildings:				
– at cost ^(a)	3,966	8,951	–	4,065
– at cost ^(b)	469,775	880	–	–
– accumulated depreciation	(15,856)	(2,767)	–	(820)
	457,885	7,064	–	3,245
Total land and buildings, net	478,402	17,137	–	5,245
Capital works in progress:				
– at valuation ^{(c)(ii)}	794	–	–	–
Leasehold improvements:				
– at cost	19,437	14,493	–	–
– accumulated amortisation	(7,837)	(5,033)	–	–
Total leasehold improvements, net	11,600	9,460	–	–
Consumables:				
– at cost	10,294	–	–	–
– accumulated depreciation	(4,006)	–	–	–
Total consumables, net	6,288	–	–	–
Leased plant and equipment:				
– at cost	45	–	–	–
– accumulated amortisation	(18)	–	–	–
Total leased plant and equipment, net	27	–	–	–
Plant and equipment:				
– at cost	683,352	298,104	7,541	5,934
– accumulated depreciation	(282,212)	(152,650)	(2,329)	(962)
Total plant and equipment, net	401,140	145,454	5,212	4,972
	898,251	172,051	5,212	10,217

NOTES to and forming part of the financial statements

for the year ended 30 June 2000

Note 13 → Property, Plant and Equipment (continued)

(a) 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 \$8,090,000 were disposed of (1999: \$925,000), leaving properties with a valuation of \$7,140,000 (1999: \$15,230,000) still held at balance date.

(b) In addition, properties costing \$467,424,000 were acquired as a result of the acquisition of Star City Holdings Limited, and further properties costing \$1,726,000 (1999: \$5,314,000) were acquired and recorded at cost less depreciation. There were no changes to properties held by TABCORP Holdings Limited.

(c) Mr N.J. Smith, A.A.P.I. conducted independent valuations of (i) freehold land as at 31 December 1999 and (ii) capital works in progress as at 30 June 2000, on the basis of their current market values. The directors are of the opinion that this basis provides a reasonable estimate of the recoverable amount.

	Note	Consolidated		TABCORP Holdings	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Note 14 → Licences					
Wagering and Gaming licence at cost	1(j)	597,240	597,240	597,240	597,240
Casino licence:					
– at cost	1(j)	256,000	–	–	–
– accumulated amortisation		(14,343)	–	–	–
		241,657	–	–	–
Other licences:					
– at cost	1(j)	280	250	280	250
– accumulated amortisation		(44)	(18)	(44)	(18)
		236	232	236	232
		839,133	597,472	597,476	597,472



	Note	Consolidated		TABCORP Holdings	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Note 15 → Intangibles Excluding Licences					
Goodwill:					
– at cost		358,790	–	–	–
– accumulated amortisation		(12,696)	–	–	–
		346,094	–	–	–
Rights to Management Agreement:					
– at cost		205,224	–	–	–
– accumulated amortisation		(1,025)	–	–	–
		204,199	–	–	–
		550,293	–	–	–
Note 16 → Other Assets (Non-Current)					
Rental in advance		66,614	–	–	–
Future income tax benefits	4	60,408	4,984	2,782	1,370
Loans to executive directors	35(c)	7,241	8,275	7,241	8,275
Loans pursuant to employee share plan		27,754	14,086	27,754	14,086
Other		35	–	–	–
		162,052	27,345	37,777	23,731

Loans pursuant to employee share plan mature at either five years from the date of the loan or cessation of employment.

	Note	Consolidated		TABCORP Holdings	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Note 17 → Accounts Payable (Current)					
Trade creditors and accrued expenses – unsecured		98,724	70,122	3,154	3,933
Amounts due to controlled entities		–	–	133,246	89,664
		98,724	70,122	136,400	93,597
Note 18 → Borrowings (Current)					
Bank loans – unsecured	19	187,898	38,000	–	38,000
Bank overdraft – secured	19, 30(a)	8,833	–	–	–
Other loans		133	–	–	–
Lease liabilities		7	–	–	–
		196,871	38,000	–	38,000

NOTES to and forming part of the financial statements

for the year ended 30 June 2000

	Note	Consolidated		TABCORP Holdings	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Note 19 → Financing Arrangements					
The economic entity has access to the following financing facilities:					
Total facilities available:					
Working capital		200,000	–	–	–
Bank loans		–	675,000	–	100,000
Term debt/Revolving		1,235,000	–	–	–
		1,435,000	675,000	–	100,000
Facilities utilised at balance date:					
Working capital	18, 23	58,833	–	–	–
Bank loans		–	38,000	–	38,000
Term debt/Revolving	18, 23	917,898	–	–	–
		976,731	38,000	–	38,000
Facilities not utilised at balance date:					
Working capital		141,167	–	–	–
Bank loans		–	637,000	–	62,000
Term debt/Revolving		317,102	–	–	–
		458,269	637,000	–	62,000

The economic entity has two distinct financing facilities. One to meet the general requirements of the group, and the other established by Star City Holdings Limited and its controlled entities ('Star').

General Requirements

This facility, entered into on 30 June 2000, consists of:

- A \$100 million working capital facility for a term of 364 days;
- A \$200 million short-term facility expiring 31 December 2000; and
- A \$350 million revolving facility expiring 30 June 2003.

Existing loans incur 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.

Each of the above facilities is 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.

Star Facilities

Star have a facility as follows:

- A \$400 million term facility expiring 30 April 2004;
- A \$285 million revolving facility, which reduces by \$30 million per annum until 30 June 2004 when the balance of the facility expires; and
- A \$100 million working capital facility, which is to be utilised for general corporate purposes and the Star City Complex. This is a three year facility expiring 21 April 2001 renewable annually with one year maturity extensions.

Bank bills have an average maturity of 90 days.

Star was granted a Group Limit Facility on 10 May 1996, which enables certain of the controlled entities of Star to net the balances of the bank accounts required as part of the working capital facility.

These facilities have been secured by charges over assets, undertakings and cash flows of Star.



	Note	Consolidated		TABCORP Holdings	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Note 20 → Provisions (Current)					
Dividends	5	89,183	85,227	89,183	85,227
Taxation		73,756	49,494	1,478	1,823
Employee entitlements		17,864	5,658	2,153	1,757
Workers' compensation		1,418	—	—	—
Surplus lease space	29(b)	168	—	—	—
Restructuring costs		2,791	—	—	—
Other		2,777	911	—	—
		187,957	141,290	92,814	88,807
Note 21 → Other Liabilities (Current)					
Deferred revenue		586	—	—	—
Note 22 → Accounts Payable (Non-Current)					
Trade creditors and accrued expenses – unsecured		9,928	—	428	—
Note 23 → Borrowings (Non-Current)					
Bank Loans – unsecured	19	350,000	—	—	—
Bank Loans – secured	19	430,000	—	—	—
Other loans		133	—	—	—
Lease liabilities		21	—	—	—
		780,154	—	—	—
Note 24 → Provisions (Non-Current)					
Employee entitlements		5,669	3,165	552	399
Provision for deferred income tax – timing difference		48,086	11,862	662	515
Surplus lease space	29(b)	1,835	—	—	—
Other		1,627	—	—	—
		57,217	15,027	1,214	914
Note 25 → Other Liabilities (Non-Current)					
Deferred revenue		1,647	—	—	—

NOTES to and forming part of the financial statements

for the year ended 30 June 2000

	Consolidated		TABCORP Holdings	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Note 26 → Share Capital				
Issued and paid up capital:				
371,593,834 (1999: 304,380,206) ordinary shares, fully paid	1,211,454	600,734	1,211,454	600,734
Movements in share capital:				
Balance at beginning of year	600,734	303,648	600,734	303,648
Transfer of balance of Share Premium Reserve 1 July 1998	–	389,913	–	389,913
65,443,628 shares issued as acquisition consideration ^(a)	592,890	–	592,890	–
1,770,000 (1999: 732,200) shares issued under Employee Share Plan ^(b)	17,830	7,648	17,830	7,648
Return of capital ^(c)	–	(100,475)	–	(100,475)
Balance at end of year	1,211,454	600,734	1,211,454	600,734

(a) TABCORP Holdings Limited issued in the current year:

- 59,424,729 ordinary shares on 28 October 1999 at \$9.06
- 3,105,339 ordinary shares on 10 November 1999 at \$9.06
- 2,720,929 ordinary shares on 9 December 1999 at \$9.06
- 77,607 ordinary shares on 14 December 1999 at \$9.06
- 2,750 ordinary shares on 21 December 1999 at \$9.06
- 8,441 ordinary shares on 18 January 2000 at \$9.06
- 103,833 ordinary shares on 31 January 2000 at \$9.06

as part of the consideration for the acquisition of Star City Holdings Limited.

Transaction costs of \$28,536 were recognised as a reduction of the proceeds of issue.

(b) TABCORP Holdings Limited issued:

in the current year:

- 670,500 ordinary shares on 11 November 1999 at \$10.65
- 240,000 ordinary shares on 7 March 2000 at \$9.74
- 814,500 ordinary shares on 10 March 2000 at \$9.74
- 30,000 ordinary shares on 3 May 2000 at \$9.29
- 15,000 ordinary shares on 15 May 2000 at \$9.29

in the prior 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

to employees under the Employee Share Plan (refer Note 28 for details of the Employee Share Plan).

(c) In the prior year 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.



	Note	Consolidated		TABCORP Holdings	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Note 27 → Reserves					
Share premium		–	–	–	–
Movement during the year:					
Balance at beginning of year		–	389,913	–	389,913
Transfer to Share Capital 1 July 1998		–	(389,913)	–	(389,913)
Balance at end of year		–	–	–	–
Note 28 → Employee Entitlements					
Aggregate employee entitlements, including on-costs					
Current	20	17,864	5,658	2,153	1,757
Non-current	24	5,669	3,165	552	399
		23,533	8,823	2,705	2,156

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			
	2000 ^(a)	2000 ^(b)	1999 ^(a)	1999 ^(b)
Total number issued to employees during the year ('000)	1,770	–	742	100
Total number issued to employees since commencement of the plan ('000)	7,249	3,500	5,479	3,500
Total number that have become available for purchase since commencement of the plan ('000)	16,694	3,500	11,689	3,500
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	4,191	1	1,733	1
Total number of employees participating in this plan at balance date	1,629	1	1,155	1
Total market value, at date of issue, of issues during the year (\$'000)	17,277	1,190	7,407	1,190
Proceeds received from issues during the year (\$'000)	17,830	1,190	7,546	1,190

(a) shares issued to employees.

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

NOTES | to and forming part of the financial statements
for the year ended 30 June 2000

Note 28 → Employee Entitlements (continued)

Superannuation Funds

The economic entity maintains three superannuation funds covering all of its employees and the employees of controlled entities.

The TABCORP Superannuation Fund and the TABCORP Staff Superannuation Fund comprise:

- (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.

An additional section is included in the TABCORP Staff Superannuation Fund covering non-executive directors of TABCORP Holdings Limited which provides benefits based on remuneration and period of service, as approved by shareholders.

The Star City Superannuation Fund is an accumulation fund.

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 will be 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 TABCORP Superannuation Fund and the TABCORP Staff Superannuation Fund is as follows:

	TABCORP Superannuation Fund \$'000	TABCORP Staff Superannuation Fund \$'000	Total \$'000
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 1999			
Fund assets at market value	36,529	43,478	80,007
Vested benefits	17,887	20,214	38,101
At 30 June 1998			
Fund assets at market value	34,323	39,923	74,246
Vested benefits	14,814	16,012	30,826



	Note	Consolidated		TABCORP Holdings	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Note 29 → Commitments					
(a) Capital Expenditure Commitments					
Contracted but not provided for and payable not later than one year		4,565	29,951	881	571
(b) Operating Lease Commitments					
Contracted but not provided for and payable:					
Not later than one year		8,746	5,391	2,062	1,932
Later than one year but not later than five years		25,817	13,707	8,985	8,765
Later than five years		38,357	6,248	3,850	6,237
		72,920	25,346	14,897	16,934
Surplus lease space exists in relation to the operating lease commitments disclosed above, in respect of which a liability has been recognised in the financial statements as follows:					
Current provisions	20	168	–	–	–
Non-current provisions	24	1,835	–	–	–
		2,003	–	–	–
Non-cancellable sub-leases exist in relation to the operating lease commitments disclosed above with the following future minimum lease payments expected to be received:					
Not later than one year		3,086	–	–	–
Later than one year but not later than five years		4,545	–	–	–
Later than five years		2,147	–	–	–
		9,778	–	–	–

The consolidated entity leases property under operating leases expiring from one year to ninety-three years. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or are subject to market rate review.

		Consolidated		TABCORP Holdings	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
(c) Finance Lease Commitments					
Not later than one year		9	–	–	–
Later than one year but not later than five years		21	–	–	–
Later than five years		–	–	–	–
		30	–	–	–
Future finance charges		(2)	–	–	–
		28	–	–	–
Lease liabilities provided for in the financial statements:					
Current		7	–	–	–
Non-current		21	–	–	–
		28	–	–	–

The consolidated entity leases a motor vehicle under a finance lease expiring from one to two years. At the end of the lease term the consolidated entity has the option to purchase the motor vehicle at a price of \$18,179.

NOTES to and forming part of the financial statements

for the year ended 30 June 2000

	Note	Consolidated		TABCORP Holdings	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Note 30 →	Notes to the Statement of Cash Flows				
(a) Reconciliation of cash					
For the purposes of the statement of cash flows, cash includes cash on hand and in banks, deposits at call and bank accepted bills, net of outstanding bank overdrafts.					
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	91,019	84,816	403	252
Bank Overdraft	18	(8,833)	–	–	–
		82,186	84,816	403	252
(b) Reconciliation of net cash provided by operating activities to operating profit after income tax					
Operating profit after income tax		174,780	143,341	167,558	137,634
Add/(less) items classified as investing/financing activities:					
Profit on sale of non-current assets		(6,806)	(803)	(6,355)	(92)
Add/(less) non-cash income and expense items:					
Depreciation expense		72,383	34,595	1,623	1,063
Amortisation expense		15,594	18	–	–
Write-off fixed assets		(255)	191	–	–
Net cash provided by operating activities before change in assets and liabilities		255,696	177,342	162,826	138,605
Change in assets and liabilities:					
(Increase)/decrease in:					
– trade and sundry debtors		4,870	282	12	(45)
– inventories		(281)	931	–	–
– prepayments		9,107	(1,299)	(79)	(52)
– accrued interest income		65	133	4	47
– amounts receivable from controlled entities		–	–	(160,563)	(11,978)
– future income tax benefits		10,729	(1,538)	(1,699)	(390)
(Decrease)/increase in:					
– trade creditors and accrued expenses		7,072	18,475	(571)	1,502
– provisions		(3,281)	1,461	946	649
– provision for deferred income tax		5,940	(160)	147	(199)
– provision for income tax		(3,043)	9,500	(345)	721
– deferred revenue		79	–	–	–
Net cash provided by operating activities		286,953	205,127	678	128,860



	Note	Consolidated	
		2000 \$'000	1999 \$'000
Note 30 → Notes to the Statement of Cash Flows (continued)			
(c) Acquisition of controlled entities			
During the financial year, the consolidated entity purchased 100% of the ordinary shares of Star City Holdings Limited, 100% of the ordinary shares of Showboat Australia Pty Ltd and 100% of the ordinary shares of Structured Data Systems Limited.			
Details of the acquisitions are as follows:			
Consideration		(1,112,053)	–
Net Cash acquired		44,881	–
Shares issued by TABCORP Holdings Limited (non-cash)		592,919	–
Other non-cash consideration (accruals for pre-acquisition costs, escrow funds)		906	–
Outflow of cash		(473,347)	–
Fair value of net assets of entities acquired:			
Net Cash		44,881	–
Accounts Receivable		101,713	–
Prepayments		89,957	–
Inventory		1,633	–
Property, plant and equipment		764,776	–
Rights to Management Agreement		205,225	–
Casino Licence		243,497	–
Other Assets		66,890	–
Accounts Payable		(54,854)	–
Borrowings		(610,524)	–
Provisions ⁽ⁱ⁾		(97,546)	–
Other Liabilities		(2,385)	–
		753,263	–
Goodwill on acquisition		358,790	–
Consideration (total)	31	1,112,053	–
Less non-cash consideration		(593,825)	–
Consideration (cash)		518,228	–

(i) Includes \$6,200,000 provision for restructuring in relation to Star City Holdings Limited covering staff rationalisation and review of operations.

NOTES to and forming part of the financial statements

for the year ended 30 June 2000

Note 31 → Acquisition of Controlled Entities

The following controlled entities were acquired at the dates stated and their operating results have been included in the profit and loss statement from the relevant date.

Entity and consideration given	Date acquired	Cost of acquisition \$'000	The consolidated entity's interest %
Star City Holdings Limited and its controlled entities: – cash – issue of 65,443,628 ordinary shares in TABCORP Holdings Limited at \$9.06 per share	14 October 1999	902,327	100
Showboat Australia Pty Ltd and its controlled entity: – cash	11 January 2000	206,534	100
Structured Data Systems Limited: – cash	14 April 2000	3,192	100
		1,112,053	

Note 32 → Controlled Entities

The following were controlled entities at 30 June 2000, 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, other than as indicated in note (e) below.

Name of controlled entity	Note	Place of incorporation	Type of shares	Interest held	
				2000 %	1999 %
TABCORP Holdings Limited		Australia	–	–	–
TABCORP Assets Pty Ltd	(a)	Australia	ordinary	100	100
TABCORP Manager Pty Ltd	(a)(b)	Australia	ordinary	100	100
TABCORP Participant Pty Ltd	(a)	Australia	ordinary	100	100
TABCORP (Queensland) Pty Ltd	(a)(b)	Australia	ordinary	100	100
TABCORP Investments Pty Ltd		Australia	ordinary	100	100
TABCORP Online Pty Ltd	(b)	Australia	ordinary	100	–
Star City Holdings Limited	(c)	Australia	ordinary	100	–
Star City Pty Ltd	(c)	Australia	ordinary	100	–
Star City Entertainment Pty Ltd	(c)	Australia	ordinary	100	–
Sydney Harbour Casino Properties Pty Ltd	(c)	Australia	ordinary	100	–
Sydney Harbour Apartments Pty Ltd	(c)	Australia	ordinary	100	–
Star City Investments Pty Ltd	(c)	Australia	ordinary	100	–
Showboat Australia Pty Ltd	(e)	Australia	ordinary	100	–
Sydney Casino Management Pty Limited	(e)	Australia	ordinary	85	–
Structured Data Systems Limited		Australia	ordinary	100	–

(a) These companies 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.

The consolidated profit and loss statement and balance sheet of all entities included in the class order 'closed group' are set out at footnote (f).

(b) These companies are relieved from the requirements to prepare financial statements as they are all small proprietary companies as defined by the Corporations Law.

(c) These companies have provided a charge over their assets and undertakings and have entered into a guarantee and indemnity agreement as explained in Note 36(c) and (d).

(d) TABCORP Superannuation Pty Ltd, TABCORP Staff Superannuation Pty Ltd and Star City Superannuation Fund Pty Ltd are wholly owned subsidiaries of TABCORP Holdings Limited, and are not considered to be controlled entities in accordance with section 50AA(4) of the Corporations Law.

(e) The financial year of these controlled entities ends on 31 December.


TABCORP Holdings Limited Closed Group
2000
\$'000
1999
\$'000
Note 32 → **Controlled Entities (continued)**

(f) Financial information for class order closed group

Profit and Loss Statement for the year ended 30 June 2000
Operating profit before income tax

237,785

224,474

Income tax attributable to operating profit

(84,736)

(81,133)

Operating profit after income tax

153,049

143,341

Retained profits at the beginning of the financial year

26,469

14,012

Dividends provided for or paid

(174,639)

(130,884)

Retained profits at the end of the financial year

4,879

26,469

Balance Sheet as at 30 June 2000

Cash

59,861

84,816

Receivables

1,113,106

1,706

Inventories

3,381

3,011

Other

4,961

3,286

Total current assets

1,181,309

92,819

Property, plant and equipment

171,970

172,051

Investments

3,192

–

Licences

597,476

597,472

Other

40,746

27,345

Total non-current assets

813,384

796,868

Total assets

1,994,693

889,687

Accounts payable

86,125

68,167

Borrowings

187,898

38,000

Provisions

140,508

141,290

Total current liabilities

414,531

247,457

Accounts payable

428

–

Borrowings

350,000

–

Provisions

13,401

15,027

Total non-current liabilities

363,829

15,027

Total liabilities

778,360

262,484

Net Assets

1,216,333

627,203

Share capital

1,211,454

600,734

Retained profits

4,879

26,469

Total shareholders' equity

1,216,333

627,203

NOTES to and forming part of the financial statements

for the year ended 30 June 2000

Note 33 → Interest in Joint Venture Operation

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

Note 34 → 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	
	2000	1999
\$ 0 – \$ 9,999	3	–
\$ 70,000 – \$ 79,999	–	2
\$ 80,000 – \$ 89,999	–	1
\$ 100,000 – \$ 109,999	2	–
\$ 120,000 – \$ 129,999	1	–
\$ 150,000 – \$ 159,999	–	2
\$ 220,000 – \$ 229,999	1	–
\$ 570,000 – \$ 579,999	1	–
\$1,550,000 – \$1,559,999	–	1
\$2,690,000 – \$2,699,999	1	–
	\$'000	\$'000
The aggregate remuneration of the directors referred to in the above bands was	3,853	2,112

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 \$3.862 million (1999: \$2.121 million). This amount includes the value of insurance premiums paid for the benefit of directors.



Note 34 → Staff Costs (continued)

(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	
	2000	1999	2000	1999
\$ 100,000 – \$ 109,999	1	–	1	–
\$ 120,000 – \$ 129,999	1	–	1	–
\$ 130,000 – \$ 139,999	1	1	1	–
\$ 140,000 – \$ 149,999	2	–	2	–
\$ 150,000 – \$ 159,999	1	1	1	1
\$ 180,000 – \$ 189,999	–	2	–	2
\$ 190,000 – \$ 199,999	1	2	1	–
\$ 200,000 – \$ 209,999	2	–	1	–
\$ 210,000 – \$ 219,999	4	1	3	–
\$ 220,000 – \$ 229,999	2	–	1	–
\$ 230,000 – \$ 239,999	3	2	1	–
\$ 250,000 – \$ 259,999	3	–	2	–
\$ 260,000 – \$ 269,999	1	–	1	–
\$ 400,000 – \$ 409,999	–	1	–	1
\$ 450,000 – \$ 459,999	–	1	–	1
\$ 470,000 – \$ 479,999	–	1	–	1
\$ 480,000 – \$ 489,999	–	1	–	–
\$ 500,000 – \$ 509,999	2	–	2	–
\$ 520,000 – \$ 529,999	1	–	–	–
\$ 540,000 – \$ 549,999	–	1	–	–
\$ 570,000 – \$ 579,999	1	–	1	–
\$ 620,000 – \$ 629,999	1	–	1	–
\$ 930,000 – \$ 939,999	1	–	–	–
\$1,550,000 – \$1,559,999	–	1	–	1
\$2,690,000 – \$2,699,999	1	–	1	–
	\$'000	\$'000	\$'000	\$'000
The aggregate remuneration of the executives referred to in the above bands was	10,825	5,661	7,996	3,420

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

NOTES to and forming part of the financial statements
for the year ended 30 June 2000

Note 35 → 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)
G.H. Bennett (appointed on 28 June 2000)
P.G. Satre (appointed on 28 June 2000)
R.F.E. Warburton (appointed on 28 June 2000)

	Shares issued by Parent Entity	
	2000 Number	1999 Number
(b) Directors' shareholdings		
Shares and share options acquired from the entity during the year:		
Ordinary shares	50,000	100,000
Options over ordinary shares	3,000,000	–
Shares and share options held at end of the year:		
Directly or indirectly		
Ordinary shares	4,661,500	4,517,500
Options over ordinary shares	3,000,000	–

(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% and totalled \$53,142 (1999: \$12,236) during the year. 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 \$381,250 (1999: \$1.190 million) to I.R. Wilson as provided for under his service agreement. I.R. Wilson repaid \$1.395 million (1999: \$2.163 million) and D.J. Simpson repaid \$20,377 (1999: \$10,852) of the balance outstanding on their loans during the year.

	Consolidated		TABCORP Holdings	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Loans to directors outstanding at year end:				
Non-current	7,241	8,275	7,241	8,275



(d) Director transactions

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

- (i) Mr M.B. Robinson is a partner in the legal firm of Arthur Robinson & Hedderwicks. This firm renders legal advice to the economic entity. All dealings with the firm are in the ordinary course of business and on normal commercial terms and conditions.
- (ii) Mr P.G. Satre is the Chairman, President and Chief Executive Officer of Harrah's Entertainment Inc. This company provides the economic entity with access to their knowledge and experience in operating casinos via a three year agreement commencing January 2000. An amount of \$10 million is payable by the economic entity for the first year. All dealings with the company are in the ordinary course of business and on normal commercial terms and conditions.

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

In addition to those transactions disclosed in Note 2, the parent entity entered into the following transactions during the year with related parties in the wholly owned group:

- loans were advanced and repayments received on short-term intercompany accounts;
- loans were advanced between controlled entities and are not expected to be repaid within the next twelve months; and
- management and service fees were received from certain wholly owned controlled entities.

These transactions were undertaken on commercial terms and conditions. Certain loans advanced which are sourced from debt capital are charged interest at a rate at or above the bank bill rate plus net settlement payments on interest rate swaps (refer note 37(a)) and bank fees on facilities, with other loans being interest free.

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 32.

(f) Transactions with other related parties

The economic entity has one partly-owned (85%) controlled entity, Sydney Casino Management Pty Ltd (SCM). This entity acts as nominee for the Showboat Leighton Partnership.

Star City Pty Ltd and Sydney Harbour Casino Properties Pty Ltd entered into a Casino Complex Management Agreement with SCM in previous years. Under this agreement, SCM provides services to Star City Pty Ltd and Sydney Harbour Casino Properties Pty Ltd in relation to planning, decorating, furnishing, managing and equipping of the Star City Casino Complex.

SCM is paid a fee equal to the sum of (i) 1.5% of Casino Revenue, (ii) 6% of Casino Gross Operating Profit, (iii) 3.5% of Non-Casino Revenue, and (iv) 10% of Non-Casino Complex Gross Operating Profit, each fiscal year for services rendered by SCM pursuant to the management agreement. Casino Gross Operating Profit and Non-Casino Gross Operating Profit are determined after deducting revenue-based management fees. A management fee of \$9.452 million was paid or payable for the period from 12 January 2000 (the date the company became a controlled entity) to 30 June 2000.

SCM is also paid a supplemental management fee by Star City Pty Ltd for expenses incurred by Showboat Australia Pty Ltd, which are reimbursed by SCM. This fee is based on salary and related costs incurred. The total supplemental fee paid or payable for the period from 12 January 2000 to 30 June 2000 was \$0.408 million.

(g) Ultimate controlling entity

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

NOTES to and forming part of the financial statements

for the year ended 30 June 2000

Note 36 → Contingent Liabilities

(a) Parent entity

As explained in Note 32, 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.

(b) Director related

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

	Consolidated		TABCORP Holdings	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Service agreement				
The maximum contingent liabilities for termination benefits under a service agreement with a director in the economic entity amount to	1,800	1,275	1,800	1,275

(c) CCA charge

The controlled entities denoted (c) in Note 32 have provided the NSW Casino Control Authority (CCA) with a fixed and floating charge over all of the assets and undertakings of each company to secure payment of all monies and the performance of all obligations which they have to the CCA. The charge has a value of \$1.5 billion and ranks second behind the Commonwealth Bank of Australia charge under its facility agreement.

(d) Cross guarantee

The controlled entities denoted (c) in Note 32 have entered into a guarantee and indemnity agreement in favour of the CCA whereby all parties to the agreement are jointly and severally liable for the performance of the obligations and liabilities of each company participating in the agreement with respect to agreements entered into and guarantees given.

(e) Legal challenges

There are outstanding legal actions between controlled entities and third parties as at 30 June 2000. The economic entity has notified its insurance carrier of all litigation, and believes that any damages (other than exemplary damages) that may be awarded against the economic entity, in addition to its costs incurred in connection with the action, will be covered by its insurance policies. However, given the nature of insurance, no assurance can be given that any such claims are not likely to have a material adverse effect on the economic entity.

Note 37 → Additional Financial Instruments Disclosure

(a) Unrecognised financial instruments – Interest rate swaps

A controlled entity enters into interest rate swap agreements that are used to convert the variable interest rate of its long-term borrowings to medium-term fixed interest rates. The swaps are entered into with the objective of hedging a portion of the interest rate risk in respect of its term and revolving debt facilities.

At 30 June 2000, a controlled entity has forward rate swap agreements which hedge a portion of the debt facilities through to their maturity in June 2004.

The controlled entity will pay fixed interest rates ranging from 7.275% to 8.61% and receive the bank bill swap rate calculated on the notional principal amount of the contracts.

At 30 June 2000, the notional principal amount of swaps in place at each year end through to the maturity of the contracts will be:

	2000	2001	30 June 2002	2003	2004
\$ million	286	446	394	350	–

The economic entity's policy is not to recognise interest rate swaps in the financial statements. Net settlement receipts and payments are recognised as an adjustment to interest expense on an accruals basis over the term of the swaps such that the overall interest expense on term debt reflects the average long-term cost of funds achieved by entering into the swap agreements.



Note 37 → Additional Financial Instruments Disclosure (continued)

(b) Interest Rate Risk

The consolidated entity's exposure to interest rate risk and the effective interest rate for classes of financial assets and financial liabilities is set out below:

	Note	Effective interest rate %	Floating Interest rate \$'000	Fixed interest maturing in:			Non-interest bearing \$'000	Total per Balance Sheet \$'000
				1 year or less \$'000	1 to 5 years \$'000	more than 5 years \$'000		
2000								
FINANCIAL ASSETS								
Cash	8	5.50	14,744				25,651	40,395
Short-term deposits	8	5.85-5.90		35,699				35,699
Bank accepted bills	8	6.10-6.18		14,925				14,925
Receivables	9	–					5,726	5,726
Loans pursuant to employee share plan	11, 16	up to 5.00		2,884	17,273		10,481	30,638
Loans to executive directors	16	up to 5.00			1,149		6,092	7,241
Total Financial Assets			14,744	53,508	18,422		47,950	134,624
FINANCIAL LIABILITIES								
Bank overdraft	18	8.47	8,833					8,833
Trade creditors and accrued expenses	17, 22	–					108,652	108,652
Bank loans – unsecured	18, 23	6.46-6.55	537,898					537,898
Bank loans – secured	23	7.94*	430,000					430,000
Other loans	18, 23	4.50		133	133			266
Finance lease liability	18,23	7.25		7	21			28
Dividend payable	20	–					89,183	89,183
Total Financial Liabilities			976,731	140	154		197,835	1,174,860
Interest rate swaps**	37(a)		(461,000)	15,000	446,000			–
1999								
FINANCIAL ASSETS								
Cash	8	4.30	17,433					17,433
Short-term deposits	8	4.65-4.83		27,750				27,750
Bank accepted bills	8	4.80-4.99		39,633				39,633
Receivables	9	–					1,316	1,316
Loans pursuant to employee share plan	11, 16	up to 5.00		1,655	3,254		10,832	15,741
Loans to executive directors	16	up to 5.00			1,169		7,106	8,275
Total Financial Assets			17,433	69,038	4,423		19,254	110,148
FINANCIAL LIABILITIES								
Trade creditors and accrued expenses	17	–					70,122	70,122
Bank loans – unsecured	18	4.96	38,000					38,000
Dividend payable	20	–					85,227	85,227
Total Financial Liabilities			38,000				155,349	193,349

* The effective interest rate incorporates the effect of interest rate swaps.

** Notional principal amounts.

Note 37 → Additional Financial Instruments Disclosure (continued)

(c) Net fair values

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

The net fair value of interest rate swap contracts, being unrecognised financial instruments amounts to \$22 million. This value represents the estimated cost of cancelling the instruments (net of transaction costs) at balance date and is determined using independent market quotations and adopting conventional market valuation techniques.

(d) Credit risk exposures

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. The economic entity minimises credit risk via adherence to a strict cash management policy.

In relation to unrecognised financial liabilities, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The economic entity's maximum credit risk exposure in relation to these is in respect of the interest rate swap contracts, which is limited to the net fair value of the swap agreements at balance date, being \$22 million.

Credit risk in trade receivables is managed in the following ways:


- the provision of cheque cashing facilities for casino gaming patrons is subject to detailed policies and procedures designed to minimise any potential loss, including the taking up of bank opinions and the use of a central credit agency which collates information from major casinos around the world; and
- the provision of non-gaming credit is covered by a risk assessment process for all customers using the Credit Reference Association of Australia, bank opinions and trade references.

The maximum credit exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.


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 2000 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 32, 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
17 August 2000

To the Members of TABCORP Holdings Limited

Scope

We have audited the financial report of TABCORP Holdings Limited for the year ended 30 June 2000, as set out on pages 46 to 77. 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 report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and statutory requirements in Australia, so as to present a view which is consistent with our understanding of the company's and the consolidated 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 2000 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

Melbourne
17 August 2000



Partner

Five Years in Review	2000 \$'000	1999 \$'000	1998 \$'000	1997 \$'000	1996 \$'000
Wagering, Gaming and Star City revenue	1,625,769	1,066,165	937,953	815,610	733,663
EBITDA	414,962	254,748	216,313	178,832	154,005
EBIT	319,894	220,135	183,753	150,345	129,309
Operating profit after income tax	174,780	143,341	121,317	100,761	87,170
Operating profit after income tax (pre goodwill)	187,476	143,341	121,317	100,761	87,170
Dividend	174,639	130,884	115,378	106,160	93,553
Cash and deposits	91,019	84,816	141,660	111,454	110,629
Other current assets	30,400	9,958	7,185	4,853	4,340
Licences/Management Agreement Rights	1,043,332	597,472	597,490	597,240	597,240
Goodwill	346,094	—	—	—	—
Other non-current assets	1,060,303	199,396	147,911	152,202	155,200
Total assets	2,571,148	891,642	894,246	865,749	867,409
Current borrowings	196,871	38,000	—	—	—
Other current liabilities	287,267	211,412	171,848	156,076	157,428
Non-current borrowings	780,154	—	—	—	—
Non-current liabilities	68,792	15,027	14,825	13,663	15,552
Total liabilities	1,333,084	264,439	186,673	169,739	172,980
Shareholders' funds	1,238,064	627,203	707,573	696,010	694,429
Capital expenditure	67,715	97,101	39,232	34,637	41,079
Earnings per share (cents) – post goodwill	50.1	47.1	40.0	33.3	28.9
Earnings per share (cents) – pre goodwill	53.7	47.1	40.0	33.3	28.9
Dividend per share (cents)	47.0	43.0	38.0	35.0	31.0
Operating cash flow per share (cents)	60.5	39.1	45.6	32.2	31.0
Return on shareholders' funds (% per annum)	18.7%	21.5%	17.3%	14.5%	12.5%
Net assets per share (\$)	3.33	2.06	2.33	2.30	2.30



Substantial shareholders as at 24 August 2000*

Name	Ordinary shares	
	Number	%
Commonwealth Bank of Australia	21,393,246	5.76
National Australia Bank Limited	20,250,034	5.45

*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 24 August 2000

Shares held	Number of shareholders
1 – 1,000	42,891
1,001 – 5,000	16,607
5,001 – 10,000	1,407
10,001 – 100,000	799
100,001 and over	175
Total	61,879
Less than marketable parcel (\$500) based on market price of \$9.90 on 24 August 2000	51

Voting Rights

All ordinary shares issued by TABCORP Holdings Limited carry one vote per share. Part 4 of the *Gaming and Betting Act 1994* and Rules 134 to 141 of the company's Constitution set out the regulation of shareholding interests. Failure to comply with certain provisions of the *Gaming and Betting Act 1994* or the Constitution can result in suspension of voting rights.

Twenty largest shareholders as at 24 August 2000**

Name	Number of Ordinary shares	%
Chase Manhattan Nominees Limited	37,750,554	10.16
National Nominees Limited	37,133,799	9.99
Westpac Custodian Nominees Limited	22,978,024	6.18
Perpetual Nominees Limited	15,568,170	4.19
Permanent Trustee Australia Limited	12,307,060	3.31
Citicorp Nominees Pty Limited	10,106,766	2.72
Commonwealth Custodial Services Limited	9,147,618	2.46
AMP Nominees Pty Ltd	8,806,316	2.37
Perpetual Trustees Nominees Limited	8,420,598	2.27
Perpetual Trustees Victoria Limited	8,101,331	2.18
Queensland Investment Corporation	7,665,343	2.06
ANZ Nominees Limited	6,704,204	1.80
MLC Limited	6,602,549	1.78
The National Mutual Life Association of Australasia Ltd	6,250,647	1.68
HSBC Custody Nominees (Australia) Limited	5,304,586	1.43
AMP Life Limited	4,840,909	1.30
Westpac Financial Services Limited	4,252,455	1.14
Mr Ian Ross Wilson	3,740,000	1.01
Mercantile Mutual Life Insurance Company Limited	3,634,230	0.98
Westpac Life Insurance Services Limited	2,861,563	0.77
		59.78

**On a grouped basis as identified to the company.

In addition, 3,000,000 options were issued to Mr I.R. Wilson on terms approved at the Annual General Meeting on 10 November 1999 and can only be exercised if certain performance criteria are satisfied.

Shareholder Enquiries

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

ASX Perpetual Registrars Limited
GPO Box 1736P
Melbourne Vic 3001
Telephone: 03 9615 9999
Toll Free: 1800 420 044
Facsimile: 03 9615 9900
E-mail: registrars@aprl.com.au
ASX Perpetual Registrars' Web Site: www.registrars.aprl.com.au
Shareholders should have their Shareholder Reference Number (SRN) available to assist in responding to their enquiries.

General enquiries about TABCORP

TABCORP's Shareholder Relations Manager – Brendan Fahy
Telephone: 03 9868 2779
Facsimile: 03 9868 2639
E-mail: fahyb@tabcorp.com.au
Website: 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. The last three 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. This website includes key Australian Stock Exchange announcements, Annual and Half-Yearly Reports and general company information.

Stock Exchange Listing

The company's shares are listed on the Australian Stock Exchange under the code 'TAH'. Trading information is 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 Avanceña, The Bank of New York – ADR Division, 101 Barclay Street, New York 10286 USA. Telephone: +1212 815 5838 Facsimile: +1212 571 3050.

Website: www.adrbny.com

Change of address

Shareholders should advise the Share Registry immediately in writing as soon as there is a change to their 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 should advise the Share Registry in writing of your details.

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.



Directors

M.B. Robinson

Chairman

I.R. Wilson

Managing Director and Chief Executive Officer

A.G. Hodgson

Deputy Chairman

G.H. Bennett

P.G. Satre

D.J. Simpson

Finance Director

P.H. Wade

R.F.E. Warburton

W.V. Wilson

Company Secretary

P.H. Caillard

Registered Office

TABCORP Holdings Limited

ABN 66 063 780 709

5 Bowen Crescent

Melbourne Victoria 3004

Telephone +61 3 9868 2100

Facsimile +61 3 9868 2300

Share Register

ASX Perpetual Registrars Limited

Level 4

333 Collins Street

Melbourne Victoria 3000

Auditors

Arthur Andersen

Solicitors

Arthur Robinson & Hedderwicks

Stock Exchange Listings

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

