03

tab limited
FINANCIAL REPORT

tab limited
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Contents

Directors' Report

for the year ended 30 June 2003

The Directors of Tab Limited present the following report on the consolidated entity consisting of Tab Limited and the entities it controlled at the end of, or during, the year ended 30 June 2003.

Directors

The following held office as directors of Tab Limited during the year and are directors at the date of this report unless otherwise stated:

- Graham J Kelly
- Gary M Pemberton, AC*
- Belinda J Hutchinson
- Brian Keane
- F Allan McDonald
- The Hon Barrie J Unsworth
- Geoffrey C E Wild, AM
- Warren R Wilson

* Mr Pemberton resigned from the Board on 31 December 2002.

Graham J Kelly, Non-executive Director / Chairman

Mr Kelly was appointed a director in July 1997 and was appointed as Chairman on 31 December 2002. He is Chairman of Colonial First State Private Capital Limited. He is also a director of Australian Transport Network Limited and FreshFood Australia Holdings Pty Limited. He was formerly National Chairman of Freehills, of which he remains a consultant.

Additional Responsibilities: Member of the Audit Committee, the Remuneration Committee and the Nomination Committee.

Warren R Wilson, Managing Director

Mr Wilson was appointed Managing Director in June 1999. He was formerly Group Executive Wagering Sales of TAB and was the incumbent Managing Director of Sky Channel Pty Limited when Tab Limited acquired that business in April 1998. Mr Wilson is a director of the Australian Gaming Council and Central Coast Express Advocate Stadium.

Additional Responsibilities: Managing Director; member of the Regulatory and Compliance Committee.

Belinda J Hutchinson, Non-executive Director

Ms Hutchinson was appointed a director in July 1997. She is also a director of Telstra Corporation Limited, Energy Australia Limited, Crane Group Limited, QBE Insurance Group Limited, St Vincent's and Mater Health Sydney Limited, a consultant to Macquarie Bank Limited and a member of the State Library of NSW Council. She was previously an executive director of Macquarie Bank Limited and, prior to that, a vice president of Citibank Limited.

Additional Responsibilities: Chairman of the Audit Committee, member of the Remuneration Committee and Nomination Committee.

Brian Keane, Non-executive Director

Mr Keane was appointed a director in August 2001. He retired in July 2002 as Chief Executive of AAMI Limited, a position he had held since 1983. He is a Director of RAC Insurance Pty Limited, Law Cover Pty Ltd, CSIRO and I.T. Insurance Services.

Additional Responsibilities: Chairman of the Nomination Committee and member of the Audit Committee and Remuneration Committee.

F Allan McDonald, Non-executive Director

Mr McDonald was appointed a director in October 1997. He has had an extensive career in the investment and commercial banking fields and is presently a consultant and company director. Mr McDonald is Chairman of Julia Ross Recruitment Limited and General Cologne Re Australia Limited. His other directorships include Brambles Industries Limited, DCA Group Limited, Billabong International Limited and Securities Exchanges Guarantee Corporation Limited.

Additional Responsibilities: Chairman of the Remuneration Committee Member of the Audit Committee. Mr McDonald was a member of the Nomination Committee until 31 December 2002.

The Hon Barrie J Unsworth, Non-executive Director

Mr Unsworth was appointed a director in July 1997. He is a director of Delta Electricity and Tempo Services Limited, Chairman of the Australia Day Council of NSW, and the Board of the Ambulance Service of NSW, and a former Premier of NSW.

Additional Responsibilities: Chairman of the Regulatory and Compliance Committee and member of the Audit Committee, Remuneration Committee and Nomination Committee. He is also a Trustee of the Tab Company Superannuation Fund.

Geoffrey C E Wild, AM, Non-executive Director

Mr Wild has been a member of the Board since April 1994. He is Chairman of WPP Holdings (Australia) Pty Limited and a director of related entities. He is also Chairman of ComOps Limited. Mr Wild is a director of OPSM Group Limited, Arab Bank Australia Limited, IBIS Business Information Pty Ltd, the PGA (Professional Golf Association) and an Advisory Board Member of ICI South Pacific (a subsidiary of Imperial Chemical Industries plc).

Additional Responsibilities: Member of the Regulatory and Compliance Committee and Audit Committee. Mr Wild was a member of the Nomination Committee until 31 December 2002.

Directors' Report
for the year ended 30 June 2003

Meetings of Directors
The number of meetings of the directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were:

	Meetings of Directors	Meetings of Committees			
		Audit	Regulatory and Compliance	Remuneration	Nomination
Number of meetings held	**16**	**4**	**4**	**4**	**1**
Number of meetings attended:					
Belinda J Hutchinson	16	4	*	4	1
Brian F Keane	16	4	*	4	1
Graham J Kelly	16	4	*	4	1
F Allan McDonald	13	4	*	2(2)	*
Gary M Pemberton, AC	5(5)	2(2)	*	2(2)	*
The Hon Barrie J Unsworth	16	2(2)	4	4	1
Geoffrey C E Wild, AM	15	2(2)	4	*	*
Warren R Wilson	16	*	3	*	*

* Not a member of the relevant committee.
( ) number of meetings held during period while a director/member.

In addition to the above Board meetings a two day executive/board workshop is held twice a year.

Directors' Shareholdings
At the date of this report, the directors and director-related entities hold the following relevant interests in the share capital of Tab Limited.

Name	Ordinary Shares Directly and Beneficially Held	Ordinary Shares Director Related Entities - Non Beneficially Held	Executive Options
Belinda J Hutchinson	5,000	-	
Brian F Keane	-	-	
Graham J Kelly	5,257	-	
F Allan McDonald	5,257	5,000	
The Hon J Barrie Unsworth	-	20,000	
Geoffrey C E Wild, AM	7,500	34,000	
Warren R Wilson	3,000	1,250,000	

No financial benefit or assistance has been received by directors in acquiring shares in Tab Limited.

Directors' and Executives Emoluments
The Remuneration Committee, comprising five non-executive directors, advises the Board on remuneration policies and practices and the remuneration arrangements for non-executive directors, executive directors and senior management. Remuneration of non-executive directors is determined by the Board within the maximum amount approved by shareholders from time to time.

Senior management remuneration and related matters are reviewed annually by the Remuneration Committee where appropriate, having regard to performance in achieving goals set at the start of the year, relevant comparative information and independent expert advice. As well as a base salary, remuneration packages include superannuation, retirement and termination entitlements and performance related incentives. Incentives, based on performance, including EBIT measures, are available to senior executives and the Managing Director. Bonuses are not payable to non-executive directors.

Details of the nature and amount of each element of the emoluments of each director of Tab Limited and each of the five officers of Tab Limited and the consolidated entity receiving the highest emoluments are set out in the accompanying tables.

Non-executive Directors of Tab Limited

Name	Directors' Base Fee $	Superannuation $	Total $
Belinda J Hutchinson	81,697	7,353	89,050
Brian F Keane	81,697	7,353	89,050
Graham J Kelly - Chairman	126,697	8,562	135,259
F Allan McDonald	81,697	7,353	89,050
Gary M Pemberton, AC – Former Chairman	74,074	5,927	80,000
The Hon Barrie J Unsworth	81,697	7,353	89,050
Geoffrey C E Wild, AM	81,697	7,353	89,050

Executive Directors of Tab Limited

Name	Salary $	Incentive $	Motor Vehicle, Superannuation, Other Benefits $	Options Over Shares $	Total $
Warren R Wilson	692,450	755,000	107,550	73,892	1,628,892

Amounts disclosed as incentive payments to the Managing Director include short term incentives, long term incentives and compensation for waiver of entitlements to grant of options over shares. No options over shares were granted to the Managing Director during the year, and none were granted in the financial years 2001 and 2002.

Other Executives of Tab Limited and the Consolidated Entity

Name	Salary $	Incentive $	Motor Vehicle, Superannuation, Other Benefits $	Options Over Shares $	Total $
Joe Collins* (resigned)	250,995	172,000	174,830	-	597,825
Peter Kadar*	373,019	170,000	26,980	8,944	578,943
Russell Chenu*	391,480	150,000	10,520	5,773	557,773
Geoff Want#	303,750	170,000	73,715	8,944	556,409
Colin Cowell*	185,316	60,000	41,684	-	287,000
Ken Doughty*	221,870	-	61,826	-	283,696

*Executives of the parent company
#Executive of the consolidated entity

Amounts disclosed as incentive payments to executives of the company include short term incentives, long term incentives and compensation for waiver of entitlements to grant of options over shares and compensation for cancellation of options issued over shares. No options over shares were granted to any executive during the year.

Options disclosed as part of remuneration have been valued at the date they were granted to executives using the Black-Scholes option valuation model, which takes into account factors such as the exercise price, term of the option, the current price and expected price volatility of the underlying share, the expected dividend, the non-tradeable nature of the option and the risk-free rate for the term of the option. The resulting value at date of grant is apportioned equally over the expected life of the options and is reported in the table above.

Directors' Report
for the year ended 30 June 2003

Tab Limited Share Option Plan

The establishment of the Employee Share Option Plan was approved by shareholders at the November 1999 Annual General Meeting. The plan provides for executives to receive options over ordinary shares for no consideration. Each option is convertible to one ordinary share. There is no voting or dividend rights attached to the unissued ordinary shares. Options are exercisable subject to service conditions and agreed performance criteria. Currently five executive employees participate in the Option Plan.

For details of options on issue refer Note 25 of the financial statements.

Tab Limited Employee Share Plans

On 16 October 2002, 39,049 ordinary shares were purchased by 47 employees of Tab Limited under Tab Limited's Employee Savings Share Plan.

On 22 April 2003, 34,907 ordinary shares were purchased by 35 employees of Tab Limited under Tab Limited's Employee Savings Share Plan..

Under this Plan employees may purchase shares under salary sacrifice arrangements over a six-month period. Non-executive directors do not participate in Tab Limited's Employee Savings Share Plan.

Dividends

Dividends in respect of the year are as follows:

	2003 $'000	2002 $'000
Interim ordinary dividend of 7.0 cents per fully paid share paid on 11 April 2003	31,583	30,006
Final ordinary dividend of 8.0 cents per fully paid share to be paid on 9 October 2003	36,096	31,583
Share buy-back dividend of 39.0 cents per fully paid share paid on 27 May 2002		
Total dividends in respect of the year	67,679	80,663

Review of Operations

A summary of the consolidated Statement of Financial Performance is set out below:

	2003 $'000	2002 $'000
Total Revenue	935,774	897,467
Operating Profit before Income Tax	109,200	108,856
Income Tax	(34,670)	(32,226)
Operating Profit after Income Tax	74,530	76,630

Capital expenditure incurred during the year totalled $76.1 million and included expenditure for the development and expansion of wagering operations ($19.4 million), development and implementation of gaming systems and products ($23.1 million), expansion of media operations ($2.6 million) and corporate related projects ($31.0 million).

Wagering Operations

Total wagering turnover increased from $4,485.4 million to $4,642.1 million, an increase of $156.7 million or 3.5%. Parimutuel off-course wagering turnover increased 3.2%. The achievement of solid growth in fixed odds sports betting (after excluding the impact of the World Cup) and on-course turnover of 27% and 9% respectively, continues to underscore the value of wagering's products and improved service to customers.

Completion of the statewide rollout of 3,200 Eureka wagering terminals was achieved prior to the 2002 Melbourne Cup. This award winning state of the art terminal has led to enhanced customer service and cost efficiencies.

Two new products, "Spinner" and SportsTAB "Multi" were launched on to the market during the year.

Operating margins continued to improve through distribution channel optimisation and a focus on cost management. Wagering's EBITDA increased $11.4 million, or 8.3% to $149.4 million.

The NetTAB internet wagering site increased its market share of total turnover from 4.6% to 6.0% during the year.

Wagering taxes, payable to the NSW State Government, increased by 4.2% to $215.2 million while the distribution to the NSW racing industry increased by 5.4% to $202.2 million.

Media Operations

The broadcast operations embracing Sky Channel and Radio 2KY achieved strong performance during the year with EBITDA of $43.6 million, up 9% on the prior year and an EBIT increase of 15.7% to $26.6 million. This growth reflects strong cost control and the realisation of operating efficiencies through the integration of broadcast activities.

Effective 1 July 2002, all hotel and club subscribers received a price reduction in subscription fees and, as a consequences total revenue recorded a relatively flat increase of $0.8 million to $100.5 million.

Sky Price reduction was a direct result of Channel being successful in renewing, on favourable terms, the broadcast rights contracts with a number of racing bodies whose contracts expired during the year.

During the year Sky Channel finalised long term contracts with pay TV carriers, which will lead to Sky Channel receiving new revenue post digitisation in 2004.

Gaming Operations

The Central Monitoring System (CMS) completed its first full financial year of operations with all aspects of the system performing well and meeting or exceeding operational specifications. As 30 June 2003, approximately 100,000 gaming machines at 3,200 hotel and club venues throughout NSW were being monitored by the system. The replication rate is consistently running at more than 98%.

Following the completion of field trials and transition to final operation in October 2002, the Maximilions jackpot game was operating in 143 venues with around 1,000 electronic gaming machines (EGMs) linked to the system as at 30 June 2003.

In recent months a number of initiatives have been implemented to enhance Maximillions, including the introduction of a new one-cent denomination gaming machine, allowing some flexibility regarding configuration of lower level jackpots and the release of two new games.

Installation of the Mystery jackpot games Stash and Bullionaire commenced in March 2003. At year end an extended field trial was in place relating to the operation of The Stash and Bullionaire jackpot games.

Total gaming revenue increased $21.4 million to $42.2 million following a full year of operation of CMS and the contribution of Maximillions since November 2002.

Principal Activities

The principal activities of the Group during the course of the year were wagering, gaming and broadcasting.

Earnings Per Share (EPS)

	2003	2002
Basic earnings per share	16.5c	15.5c
Diluted earnings per share	16.5c	15.5c

Significant Changes in the State of Affairs

No significant changes have occurred during the financial year.

Significant Events After Balance Date

No significant events have occurred after the balance date.

Environmental Regulation

During the year no breaches of environmental regulation were reported. The Company's policy is to ensure that all environmental laws are observed and the Company's operations are monitored by a compliance group overseen by the Regulatory and Compliance Committee. The Company's activities involve relatively low environmental risks. Matters of non-compliance are reported to the Committee quarterly with notification of the corrective action undertaken to rectify the issue.

Indemnification and Insurance of Directors and Officers

The Company has entered into insurance contracts which indemnify Directors and Officers of the Company and its controlled entities against liabilities. In accordance with normal commercial practices, under the terms of the insurance contracts, the nature of the liabilities insured against and the amount of premiums paid are confidential.

Rounding of Amounts

Tab Limited is a company of the kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission relating to the rounding of amounts in the Directors' Report and Financial Report. Amounts in the Financial Report and the Directors' Report have been rounded to the nearest thousand dollars in accordance with that class order.

This report is made in accordance with a resolution of directors.

Graham J Kelly
Chairman
25 August 2003

Warren R Wilson
Managing Director

Statement of Financial Performance

for the year ended 30 June 2003

		Consolidated		Parent Entity	
	Note	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Revenues from ordinary activities	2	**935,774**	**897,467**	**869,697**	**822,766**
Borrowing expenses	3	(29,483)	(21,654)	(29,483)	(21,654)
Other expenses from ordinary activities	3	(797,091)	(766,319)	(725,930)	(693,820)
Share of net loss of associate accounted for using the equity method	10	-	(638)	-	-
Profit from ordinary activities before income tax expense		109,200	108,856	114,284	107,292
Income tax expense relating to ordinary activities	4	(34,670)	(32,226)	(23,383)	(22,364)
Net profit		**74,530**	**76,630**	**90,901**	**84,928**
Total changes in equity other than those resulting from transactions with owners as owners		**74,530**	**76,630**	**90,901**	**84,928**

		Cents	Cents
Basic earnings per share	34	16.5	15.5
Diluted earnings per share	34	16.5	15.5

The above statement of financial performance should be read in conjunction with the accompanying notes.

Statement of Financial Position

as at 30 June 2003

	Note	Consolidated		Parent Entity	
		2003 $'000	2002 $'000	2003 $'000	2002 $'000
Current Assets					
Cash assets	6	36,741	28,554	30,568	26,412
Receivables	7	13,100	15,129	41,263	35,040
Current tax asset	4	-	2,093	-	2,093
Inventories	8	3,222	2,770	3,222	2,770
Other	9	8,591	5,632	6,902	4,313
Total Current Assets		61,654	54,178	81,955	70,628
Non-Current Assets					
Financial assets	11	-	-	254,479	254,479
Property, plant and equipment	12	400,436	389,971	385,028	374,811
Deferred tax assets	4	5,945	6,407	4,970	5,305
Intangible assets	13	555,746	572,820	321,420	326,437
Other	14	500	647	500	500
Total Non-Current Assets		962,627	969,845	966,397	961,532
Total Assets		**1,024,281**	**1,024,023**	**1,048,352**	**1,032,160**
Current Liabilities					
Customers' balances	15	37,296	38,957	37,296	38,957
Payables	16	98,500	105,239	90,490	98,770
Current tax liabilities	4	8,362	5,594	4,204	-
Provisions	17	12,282	11,711	9,985	10,045
Total Current Liabilities		156,440	161,501	141,975	147,772
Non-Current Liabilities					
Interest bearing liabilities	18	400,800	420,000	400,800	420,000
Deferred tax liabilities	4	42,717	29,094	42,219	28,765
Provisions	19	2,520	2,988	2,287	2,287
Total Non-Current Liabilities		446,037	452,082	445,306	451,052
Total Liabilities		**602,477**	**613,583**	**587,281**	**598,824**
Net Assets		**421,804**	**410,440**	**461,071**	**433,336**
Equity					
Contributed equity	20	315,136	315,136	315,136	315,136
Retained profits	21	106,668	95,304	145,935	118,200
Total Equity		**421,804**	**410,440**	**461,071**	**433,336**

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of Cash Flows

for the year ended 30 June 2003

	Note	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent Entity 2003 $'000	Parent Entity 2002 $'000
Cash Flows from Operating Activities					
Receipts from customers		4,807,316	4,618,386	4,695,954	4,507,928
Dividends on winning wagers		(3,856,314)	(3,732,025)	(3,856,314)	(3,732,025)
Government wagering tax		(215,769)	(205,556)	(215,769)	(205,556)
Payments to suppliers and employees		(534,161)	(490,001)	(469,635)	(418,823)
		201,072	190,804	154,236	151,524
Interest received		1,922	1,310	1,790	1,118
Other revenue received		1,051	1,485	1,051	1,485
Borrowing costs		(25,065)	(23,830)	(25,065)	(23,822)
Income tax refunded		11,358	8,648	11,358	8,648
Income tax paid		(27,104)	(31,392)	(14,655)	(21,129)
Net cash inflow from operating activities	33	**163,234**	**147,025**	**128,715**	**117,824**
Cash Flows from Investing Activities					
Payments for property, plant and equipment		(76,099)	(118,501)	(73,397)	(116,173)
Proceeds from disposal of property, plant and equipment		3,418	19,120	5,704	19,065
Net cash outflow from investing activities		**(72,681)**	**(99,381)**	**(67,693)**	**(97,108)**
Cash Flows from Financing Activities					
Proceeds from borrowings		-	140,000	-	140,000
Repayment of borrowings		(19,200)	-	(19,200)	-
Dividends paid		(63,166)	(60,012)	(63,166)	(60,012)
Loan to controlled entity		-	-	(12,000)	(3,400)
Repayment of loan by controlled entity		-	-	37,500	37,001
Payment for share buy-back		-	(135,302)	-	(135,302)
Net cash outflow from financing activities		**(82,366)**	**(55,314)**	**(56,866)**	**(21,713)**
Net increase (decrease) in cash held		8,187	(7,670)	4,156	(997)
Cash at the beginning of the financial year		28,554	36,224	26,412	27,409
Cash at the end of the financial year	6	**36,741**	**28,554**	**30,568**	**26,412**
Financing arrangements	18				

The above statement of cash flows should be read in conjunction with the accompanying notes.

1 Statement of Significant Accounting Policies

(a) Basis of accounting

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the *Corporations Act 2001*.

It is prepared in accordance with the historical cost convention. Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

(b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year except the accounting for the provision for dividends and employee benefits.

(i) Provision for dividends

The consolidated entity has adopted the new Accounting Standard AASB 1044 *Provisions, Contingent Liabilities and Contingent Assets*, which has resulted in a change in the accounting for the dividends provision. Previously the consolidated entity recognised a provision for dividend based on the amount that was proposed or declared after the reporting date. In accordance with the requirements of the new Standard, a provision for dividends will only be recognised at the reporting date where the dividends have been declared, determined or publicly recommended prior to the reporting date. The effect of the revised policy has been to increase consolidated retained profits and decrease provisions at the beginning of the year by $31,583,465 (refer to note 21). In accordance with the new Standard, no provision for dividend has been recognised for the year ended 30 June 2003.

(ii) Employee benefits

The consolidated entity has adopted the revised Accounting Standard AASB 1028 *Employee Benefits* for the measurement of annual leave liability. In accordance with the requirements of the revised Standard, the provision for annual leave liability is based on the remuneration rates expected to be paid when the liability is settled. As the amount provided for as at 30 June 2002 materially reflected the recognition of the liability based upon the change in this accounting policy, no adjustment to retained profits at the beginning of the year has been made.

(c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Tab Limited ('the company') as at 30 June 2003 and the results of all controlled entities during the year then ended. Tab Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences.

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the profits or losses of associates is recognised as revenue in the consolidated statement of financial performance, and its share of movements in reserves is recognised in consolidated reserves. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

(d) Foreign currency transactions

Foreign currency transactions are converted at the rate of exchange applicable at the date of each transaction. Foreign currency amounts outstanding at balance date are translated at the balance date spot rate with resulting gains and losses brought to account in the statement of financial performance.

(e) Cash

Represents cash held (including cash held in retail outlets) and in bank accounts as at balance date. For the purposes of the statement of cash flows, cash includes deposits that are readily convertible to cash on hand and are subject to an insignificant risk of change in value, net of outstanding bank overdrafts.

(f) Receivables

Accounts receivable are generally settled within 30 days. Collection of receivables is reviewed on an ongoing basis. A provision for doubtful debts is raised where some doubt as to collection exists. Debts that are known to be uncollectible are written off.

Subscriptions received before the end of the financial year but relating to future periods are shown as deferred income in the statement of financial position.

(g) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs are assigned on the basis of weighted average costs.

(h) Acquisition of assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs directly incidental to the acquisition. In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Goodwill is brought to account on the basis described in note 1(o)(i).

(i) Recoverable amount of non-current assets

Non-current assets are reviewed at each reporting date to ensure the carrying values are not in excess of recoverable amounts. Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Recoverable amounts are determined as the present value of the net cash inflows from the continued use and subsequent disposal of the non-current asset.

The expected net cash flows included in determining recoverable amounts of non-current assets are discounted to their present values using market-determined, risk-adjusted discount rates ranging from 6.0 % to 9.0 % (2002: 6.0% to 9.0%).

(j) Property, plant and equipment

All property, plant and equipment are recorded at cost.

The gain or loss on disposal of property, plant and equipment is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in the operating profit in the year of disposal.

(k) Depreciation and amortisation of property, plant and equipment

Depreciation and amortisation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over its expected useful life to the consolidated entity. Estimates of remaining useful lives and depreciation rates are reassessed annually. The expected useful lives of major assets are as follows:

Buildings	25	years
Retail outlet improvements	7	years
Plant and equipment	5 - 10	years
Computer hardware & software	3 - 10	years
Broadcasting equipment	5 - 6	years
Gaming equipment	3 - 7	years

Expenditure incurred in developing software systems and establishing infrastructure for the Gaming business (state-wide linked jackpots) have been capitalised as work in progress as at balance date. These amounts will be depreciated or amortised when the asset is first put to use or held ready for use.

(l) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Payments for retail premises and motor vehicles are under operating leases and are charged as expenses in the periods in which they are incurred. Operating leases have average lease terms of between 3 and 5 years.

No finance leases were entered into by the consolidated entity as at 30 June 2003.

(m) Leasehold improvements

The cost of improvements to or on leasehold properties is amortised over the estimated useful life of the improvement to the consolidated entity. Leasehold improvements held at the reporting date are being amortised over seven (7) years.

(n) Investments

Investments in associates are carried at the lower of the equity-accounted amount and recoverable amount in the consolidated financial statements as set out in note 1 (c). All other non-current investments are carried at the lower of cost and recoverable amount.

(o) Intangible assets

An assessment of the recoverable amount of each intangible asset is made each reporting period to ensure this is not less than its carrying amount. The recoverable amount is determined based on the net amount expected to be recovered through the net cash inflows arising from the continued use of the intangible asset and subsequent disposal, where applicable, discounted to their present values using a market determined, risk adjusted discount rate ranging from 6.0% to 9.0% (2002: 6.0% to 9.0%).

(i) Goodwill

On acquisition of controlled entities, the identifiable net assets are measured at fair value. The excess of the fair value of the consideration and costs of acquisition over the fair value of the identifiable net assets acquired, is brought to account as goodwill and amortised on a straight line basis over the period during which the benefits are expected to arise to a maximum of 20 years. Goodwill is reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable is written off.

(ii) Wagering and gaming licences

Licence costs are amortised on a straight-line basis over the life of the licences, being 99 years for wagering licences and 15 years for gaming licences.

The carrying values of the wagering and gaming licences are reviewed at each reporting date to ensure they are not carried at amounts greater than their recoverable amount.

(iii) Right to narrowcast, radio broadcasting rights and related business names

The identifiable intangible assets of the controlled entity, Sky Channel Pty Limited, comprise the right to narrowcast the Sky Channel service as provided by the *Broadcasting Services Act 1992 (Cth)*, the Sky Channel company name and related business names.

The identifiable intangible assets of 2KY Broadcasters Pty Limited comprise radio broadcasting rights, the 2KY business name and related business names.

No amortisation is provided against these assets, as the directors believe that the life of the Sky Channel and 2KY identifiable intangibles to the consolidated entity will not materially diminish over time, and the residual value at the end of that life would be such that the amortisation charge, if any, would not be material.

(p) Expenditure carried forward

Significant items of carried forward expenditure having a benefit or relationship to more than one period are written off over the periods to which such expenditure relates.

(q) Customers' balances

This represents balances in customers' betting accounts, outstanding prepaid betting vouchers and unclaimed bettor returns not more than 12 months old.

(r) Payables

Accounts payable represents liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition.

(s) Employee benefits

(i) Salaries, wages and annual leave

Liabilities arising in respect of the provision for employee entitlements to salaries, wages and annual leave represent the amount that the consolidated entity has a present obligation to pay resulting from employees' services provided up to balance date. The amounts provided are measured at their nominal amounts based on remuneration rates that are expected to be paid when the liability is settled (refer to note 1(b)(ii)).

(ii) Long service leave

The liability for employee entitlements to long service leave represents the present value of the estimated future cash outflows expected to be made by the employer resulting from employees' services provided up to balance date. The liability for employee entitlements, which is not expected to be settled within twelve months, is discounted using the rates attached to national government securities at balance date which match the terms of maturity of the related liability up to balance date. In determining the liability for employee entitlements, consideration has been given to future increases in salary and wage rates and the consolidated entity's experience with staff departures.

(iii) Superannuation

Superannuation contributions are made by the consolidated entity to the appropriate employee superannuation funds and are charged as expenses when incurred.

(iv) Employee share and option plan

Employee plans have been established and are detailed in note 25.

(v) Bonus plan

A liability for employee benefits in the form of a bonus plan is recognised when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefit
- the amounts to be paid are determined before the time of completion of the financial report, or
- past practice gives clear evidence of the amount of the obligation.

The bonus plan liability is expected to be settled within 12 months and is measured at the amounts expected to be paid when it is settled.

(vi) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(t) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

(u) Interest bearing liabilities and borrowing costs

Interest bearing liabilities are carried at their principal amounts. Interest expense is accrued over the period it becomes due.

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets.

(v) Derivative financial instruments

Tab Limited enters into interest rate hedging and equity performance agreements. The swaps are entered into with the objective of reducing the risk of rising interest rates.

The net amount receivable or payable under interest rate hedging agreements is progressively brought to account over the period to settlement. The amount recognised is accounted for as interest during the period and included in other debtors or other creditors at each reporting date.

It is the company's policy not to recognise interest rate swaps in the financial statements. Net receipts and payments are recognised as an adjustment to interest expense.

(w) Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue or redemption of ordinary shares are recognised directly in equity.

(x) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

(i) Wagering revenue

Wagering revenue is the residual value after deducting the statutory returns to customers from wagering turnover. Revenue is recognised at the point when the event on which the wagering investment is made is officially completed.

(ii) Media revenue

Represents subscription and advertising revenue earned from broadcasting.

(iii) Gaming revenue

Gaming revenue is recognised when goods are provided or when the service is completed.

(iv) Interest income

Interest income is recognised as it accrues.

(v) Asset sales

The gross proceeds from asset sales are included as revenue of the consolidated entity. The profit and loss on disposal of assets is brought to account at the time control of the asset is passed, usually at the completion of the sale.

(vi) Dividends

Dividend revenue is recognised when control of the right to receive the dividend payment exists.

(y) Taxation

(i) Income tax

Tax effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

(ii) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable,
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO.

(z) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing net profit attributable to members of the company by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of shares assumed to have been issued for no consideration in relation to the diluted potential of ordinary shares.

(aa) Segment accounting policies

Segment information is prepared in conformity with the accounting policies of the entity and accounting standard AASB 1005 *Segment Reporting.*

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment and goodwill and other intangible assets, net of provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimate of usage. Segment liabilities consist primarily of trade and other creditors and employee entitlements. Segment assets and liabilities do not include income taxes and borrowings.

(bb) Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars or, in certain cases, to the nearest dollar.

2 Revenue from ordinary activities

	Consolidated		Parent Entity	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Revenue from operating activities				
Wagering services	785,923	753,396	785,923	753,396
Media services	100,110	99,251	-	-
Gaming services	41,852	18,325	41,852	18,325
	927,885	870,972	827,775	771,721
Revenue from outside the operating activities				
Proceeds from sale of non-current assets	2,650	19,120	4,936	19,065
Interest income	2,029	1,319	1,897	1,126
Rents	62	176	62	176
Dividends	-	-	32,000	25,000
Other	3,148	5,880	3,027	5,678
	7,889	26,495	41,922	51,045
Total	**935,774**	**897,467**	**869,697**	**822,766**

3 Expenses and gains

	Consolidated		Parent Entity	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
(a) Expenses				
Borrowing costs				
Borrowing costs expensed	29,483	21,654	29,483	21,654
Depreciation				
Buildings	1,064	1,188	1,031	1,086
Plant and equipment	46,159	30,623	41,402	26,036
Total depreciation	47,223	31,811	42,433	27,122
Amortisation				
Retail outlet improvements	5,246	4,369	5,246	4,369
Goodwill	12,597	12,597	542	542
Racecourse communication equipment	146	125	-	-
Licences	4,479	3,510	4,479	3,510
Total amortisation	22,468	20,601	10,267	8,421
Other costs				
Employee costs	75,932	67,265	54,713	47,548
Government wagering tax	215,172	206,580	215,172	206,580
Fees to NSW Racing Pty Limited	202,171	191,912	202,171	191,912
Commissions and fees	82,738	81,919	82,738	81,919
Broadcasting and communications costs	62,184	63,242	39,421	35,527
Rental expenses relating to operating leases	16,760	15,980	15,477	14,937
Computer hardware and software maintenance	9,678	7,310	9,553	7,189
Write-off of investment in associate	-	6,043	-	7,964
Property and equipment maintenance	10,591	7,688	10,345	7,463
Advertising and promotion	8,094	9,054	7,436	8,231
Written down value of assets disposed of	2,425	8,204	4,760	8,120
Bad and doubtful debts	221	320	30	9
Others	41,434	48,390	31,414	40,878
	727,400	713,907	673,230	658,277
Total expenses	**797,091**	**766,319**	**725,930**	**693,820**
(b) Net gains and losses				
Net gain from disposal of property, plant and equipment	225	10,916	176	10,945
Net foreign exchange loss	(78)	(11)	-	-

3 Expenses and gains (continued)

	Consolidated		Parent Entity	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
(c) Significant Items				
Profit from ordinary activities before income tax expense includes the following revenue and expenses:-				
(i) Gains				
Gains on property sales	-	11,670	-	11,670
Less: income tax applicable	-	(2,432)	-	(2,432)
	-	9,238	-	9,238
(ii) Expenses				
Staff redundancy, agency rationalisation and restructuring costs	-	1,242	-	1,242
Less: income tax applicable	-	(372)	-	(372)
	-	870	-	870
Write-off of value of investment in associate				
Carrying value	-	6,043	-	7,964
Less: proceed from sale	-	(2,000)	-	(2,000)
Less: income tax applicable	-	(1,789)	-	-
	-	2,254	-	5,964
Write-off of non-current assets	-	4,283	-	3,903
Less: income tax applicable	-	(1,287)	-	(1,171)
	-	2,996	-	2,732
Racing Distribution Agreement dispute costs	-	3,988	-	3,988
Less: income tax applicable	-	(1,197)	-	(1,197)
	-	2,791	-	2,791

4 Income tax

		Consolidated		Parent Entity	
		2003 $'000	2002 $'000	2003 $'000	2002 $'000
a)	The prima facie tax on profit from ordinary activities differs from the income tax expense as appearing in the financial statements as follows:				
	Profit from ordinary activities before income tax	109,200	108,856	114,284	107,292
	Prima facie income tax calculated @ 30% (2002 - 30%)	32,760	32,657	34,285	32,188
	Tax effect of permanent differences:				
	Net franking adjustment	-	-	(9,600)	(7,500)
	Capital gain (loss) on sale of property	341	(2,057)	341	(2,057)
	Non-deductible depreciation and amortisation	4,932	5,158	1,315	1,541
	Share of net losses of associate	-	219	-	-
	Write-back of associates' losses on disposal	-	(415)	-	-
	Sundry items	289	101	(42)	391
	Research and development allowance	(121)	(1,562)	(121)	(1,562)
	Income tax adjusted for permanent differences	38,201	34,101	26,178	23,001
	Tax losses utilised	(736)	(787)	-	-
	Under (over) provision in previous year	(2,795)	(1,088)	(2,795)	(637)
	Income tax expense	**34,670**	**32,226**	**23,383**	**22,364**
b)	**Deferred income tax assets and liabilities**				
	Future income tax assets	5,945	6,407	4,970	5,305
	Income tax payable	8,362	5,594	4,204	-
	Income tax receivable	-	2,093	-	2,093
	Provision for deferred income tax	42,717	29,094	42,219	28,765

c) Income tax losses

The potential future income tax benefit in a controlled entity arising from tax losses has not been recognised as an asset because recovery of the tax losses is not virtually certain. Gross tax losses carried forward at balance date are $9,979,233 (2002: $11,766,883).

This future income tax benefit will only be obtained if:
(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
(b) the conditions for deductibility imposed by tax legislation continue to be complied with;
(c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

d) Tax consolidation

The directors have elected not to implement the tax consolidation legislation in the current or immediate future reporting periods. This election is reviewed on a regular basis.

5 Dividends

Dividends paid by the consolidated entity

	Consolidated		Parent Entity	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
(a) Current year's interim dividends paid				
(i) Interim dividend 7 cents per share paid in April 2003 (2002: 6 cents per share). Fully franked at 30% (2002: 30%)	31,583	30,006	31,583	30,006
(ii) Dividend paid relating to share buy-back (39 cents per share). Fully franked at 30%.	-	19,074	-	19,074
	31,583	49,080	31,583	49,080
(b) Previous year's final dividends paid				
Final dividend 7 cents per share paid in October 2002 (2001 final dividend 6 cents per share paid in October 2001) Fully franked at 30% (2001: 30%).	31,583	30,006	31,583	30,006
Total dividends paid	63,166	79,086	63,166	79,086

Dividends not recognised as a liability
In addition to the above dividends, since year end the directors have approved the payment of a final dividend of 8.0 cents per fully paid ordinary share, fully franked at 30%. The aggregate amount of the final dividend to be paid on 9 October 2003 out of retained profits at 30 June 2003, but not recognised as a liability at year end as a result of the change in accounting policy for providing for dividend, is $36,095,389.

Franked dividends
The franked portion of the final dividend approved after 30 June 2003 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2004.

	Consolidated		Parent Entity	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Franking credits available for the subsequent financial years based on a tax rate of 30% (2002: 30%)	7,387	8,243	3,217	912

The above amounts represent the balances of the franking credits as at the end of the financial year, adjusted for franking credits that will arise from the payment of the amount of the provision for income tax.

6 Current assets – cash

	Consolidated		Parent Entity	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Cash at bank and on hand	36,741	28,554	30,568	26,412
	36,741	**28,554**	**30,568**	**26,412**

7 Current assets – receivables

	Consolidated		Parent Entity	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Trade receivables	23,714	22,846	5,200	3,378
Other receivables	2,964	5,049	2,964	5,049
Provision for doubtful debts	(326)	(288)	(22)	(8)
	26,352	27,607	8,142	8,419
Deferred income	(13,252)	(12,478)	-	-
	13,100	15,129	8,142	8,419
Loan to wholly owned controlled entities	-	-	33,121	26,621
	13,100	15,129	41,263	35,040

Further information relating to loans to the controlled entity is set out in note 29.

8 Current assets – inventories

	Consolidated		Parent Entity	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Raw materials and stores - at cost	3,222	2,770	3,222	2,770

9 Current assets – other

	Consolidated		Parent Entity	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Prepayments	7,102	5,127	5,647	4,277
Other	1,489	505	1,255	36
	8,591	5,632	6,902	4,313

10 Non-current assets – investments accounted for using the equity method

Investments in associate are accounted for in the consolidated financial statements using the equity method accounting and are accounted for at cost by the parent entity. Information relating to the associate set out below relates to parent entity's 50% investment in Mikohn Gaming Australasia Pty Ltd, which was sold in May 2002.

	Consolidated	
	2003 $'000	2002 $'000
Share of associate's loss		
Share of associate's:		
Operating loss before income tax	-	(730)
Income tax benefit attributable to operating loss	-	219
Operating loss after income tax	-	(511)
Amortisation of goodwill on acquisition	-	(127)
Share of associate's net loss	**-**	**(638)**
Movements in carrying amounts of investments in associate		
Carrying amount at the beginning of the financial year	-	6,681
Share of operating loss before tax	-	(638)
Sale proceeds	-	(2,000)
Investments in associate written-off during the year	-	(4,043)
Carrying amount at the end of the financial year	-	-
Share of accumulated losses of associate		
Balance at the beginning of the financial year	-	(1,283)
Share of associate's net loss	-	(638)
Balance written off during the year	-	1,921
Balance at the end of the financial year	-	-

11 Non-current assets - financial assets

	Consolidated		Parent Entity	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Shares in controlled entities – at cost	-	-	254,479	254,479
Non traded shares in other corporations	*	*	*	*
	-	-	254,479	254,479

*** Non-traded shares in other corporations**

Included in non-traded shares in other corporations in both the consolidated and parent entity accounts are shares in TAB Superannuation Company Pty Ltd at the value of $10. The parent entity owns 100% of the issued capital of TAB Employee Share Plan Pty Ltd. TAB Superannuation Company Pty Ltd and TAB Employee Share Plan Pty Limited are not controlled entities of Tab Limited because they are required to act in the interests of the members of the superannuation fund and share plan respectively, rather than those of Tab Limited.

Company	Country of Incorporation	Equity Holding (ordinary shares)		Investment	
		2003 %	2002 %	2003 $'000	2002 $'000
Sky Channel Pty Limited	Australia	100	100	254,479	254,479
Sky Australia International Racing Pty Ltd (a)	Australia	100	100	(c)	(c)
Sky Marketing Pty Limited (a)	Australia	100	100	(c)	(c)
Sky Racing Productions Pty Limited (a)	Australia	100	100	(c)	(c)
Sky Racing Productions (NSW) Pty Limited (a)	Australia	100	100	(c)	(c)
2KY Broadcasters Pty Limited (a)	Australia	100	100	1,593	1,593
2KY Marketing Pty Limited (a)	Australia	100	100	(c)	(c)
Data Monitoring Services Pty Limited (b)	Australia	100	100	(c)	(c)
E-Tab Pty Limited (b)	Australia	100	100	(c)	(c)
Thithpolanga Pty Limited (b)	Australia	100	100	(c)	(c)

(a) Investments held by Sky Channel Pty Limited
(b) Non-trading entities
(c) Investments less than $1,000

12 Non-current assets – property, plant and equipment

	Consolidated		Parent Entity	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Land and buildings				
Freehold land				
At cost	3,248	3,248	1,955	2,248
	3,248	3,248	1,955	2,248
Freehold buildings				
At cost	38,623	26,425	34,431	22,362
Less: accumulated depreciation	(13,034)	(12,308)	(12,696)	(12,003)
	25,589	14,117	21,735	10,359
Total freehold land and buildings	28,837	17,365	23,690	12,607
Retail outlet leasehold improvements				
At cost	41,026	40,067	41,026	40,067
Less: accumulated amortisation	(16,836)	(13,091)	(16,836)	(13,091)
	24,190	26,976	24,190	26,976
Total land and buildings	53,027	44,341	47,880	39,583
Plant and equipment				
At cost	457,990	395,475	402,937	344,233
Less: accumulated depreciation	(134,402)	(136,682)	(89,437)	(95,786)
Total plant and equipment	323,588	258,793	313,500	248,447
Work in progress				
At cost	23,821	86,837	23,648	86,781
Total work in progress	23,821	86,837	23,648	86,781
Total property, plant and equipment	**400,436**	**389,971**	**385,028**	**374,811**

Work in progress
Amounts capitalised as work in progress as at balance date primarily represents expenditure incurred in developing infrastructure for Gaming products.

Valuations
All property, plant and equipment are measured at cost. An independent valuation of the consolidated freehold land and buildings was prepared on a vacant possession basis as at 30 June 2003 by a member of the Australian Property Institute. The consolidated freehold land and buildings

has been valued at $47,650,000 as at 30 June 2003.

Reconciliations
Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

	Freehold land $'000	Buildings $'000	Retail outlet improve-ments $'000	Plant & equipment $'000	Work in progress $'000	Total $'000
Consolidated						
Carrying amount at start of year	3,248	14,117	26,976	258,793	86,837	389,971
Additions	-	2,796	2,909	49,185	10,469	65,359
Transfer from work in progress	-	10,242	-	63,243	(73,485)	-
Disposals	-	(502)	(449)	(1,474)	-	(2,425)
Depreciation/amortisation expense (note 3(a))	-	(1,064)	(5,246)	(46,159)	-	(52,469)
Carrying amount at end of year	3,248	25,589	24,190	323,588	23,821	400,436
Parent						
Carrying amount at start of year	2,248	10,359	26,976	248,447	86,781	374,811
Additions	-	2,718	2,909	46,756	10,273	62,656
Transfer from work in progress	-	10,242	-	63,164	(73,406)	-
Disposals	(293)	(553)	(449)	(3,465)	-	(4,760)
Depreciation/amortisation expense (note 3(a))	-	(1,031)	(5,246)	(41,402)	-	(47,679)
Carrying amount at end of year	1,955	21,735	24,190	313,500	23,648	385,028

13 Non-current assets – intangible assets

	Consolidated		Parent Entity	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Goodwill at cost	248,353	248,353	6,813	6,813
Less: accumulated amortisation	(64,851)	(52,257)	(1,628)	(1,091)
	183,502	196,096	5,185	5,722
Wagering licences at cost	308,000	308,000	308,000	308,000
Less: write-down	(3,500)	(3,500)	(3,500)	(3,500)
Less: accumulated amortisation	(16,425)	(13,349)	(16,425)	(13,349)
	288,075	291,151	288,075	291,151
Gaming licences at cost	30,000	30,000	30,000	30,000
Less: accumulated amortisation	(1,840)	(436)	(1,840)	(436)
	28,160	29,564	28,160	29,564
Right to narrowcast, Sky Channel company name and related business names at cost	30,000	30,000	-	-
Right to radio broadcasting, 2KY Broadcasters company name and related business names at cost	26,009	26,009	-	-
	555,746	572,820	321,420	326,437

14 Non-current assets – other

	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent Entity 2003 $'000	Parent Entity 2002 $'000
Expenditure carried forward at cost	397	397	-	-
Less: accumulated amortisation	(397)	(250)	-	-
	-	147	-	-
Note receivable	500	500	500	500
	500	647	500	500

15 Current liabilities – customers' balances

	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent Entity 2003 $'000	Parent Entity 2002 $'000
Customer account betting balances	28,957	27,370	28,957	27,370
Unclaimed bettor returns and outstanding prepaid betting vouchers	8,339	11,587	8,339	11,587
	37,296	38,957	37,296	38,957

16 Current liabilities – payables

	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent Entity 2003 $'000	Parent Entity 2002 $'000
Trade creditors and accruals	98,500	105,239	90,490	98,770

17 Current liabilities – provisions

	Consolidated 2003 $'000	Consolidated 2002 $'000	Parent Entity 2003 $'000	Parent Entity 2002 $'000
Employee entitlements	12,282	11,280	9,985	9,760
Restructuring provision	-	431	-	285
	12,282	11,711	9,985	10,045

The restructuring provision in 2002 was established to fund expected payments associated with costs applicable to the restructuring of operational functions.

17 Current liabilities – provisions (continued)

Movements in provisions
Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Dividends provision $'000	Restructuring provision $'000
Consolidated - 2003		
Carrying amount at the beginning of the financial year	31,583	431
Adjustment for change in accounting policy [note 1 (b)(i)]	(31,583)	-
Amounts written back during the year	-	(431)
Carrying amount at the end of the financial year	-	-
Parent entity - 2003		
Carrying amount at the beginning of the financial year	31,583	285
Adjustment for change in accounting policy [note 1 (b)(i)]	(31,583)	-
Amounts written back during the year	-	(285)
Carrying amount at the end of the financial year	-	-

18 Non-current liabilities – interest bearing liabilities

	Consolidated		Parent Entity	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Financing arrangements				
Unrestricted access was available at balance date to the following lines of credit:				
Total facilities				
Bank overdrafts	1,500	1,000	-	-
Bank borrowing facilities	600,000	600,000	600,000	600,000
Other	5,545	6,373	4,545	4,345
	607,045	607,373	604,545	604,345
Used at balance date				
Bank overdrafts	-	-	-	-
Bank borrowing facilities	400,800	420,000	400,800	420,000
Other	862	3,227	862	3,227
	401,662	423,227	401,662	423,227
Unused at balance date				
Bank overdrafts	1,500	1,000	-	-
Bank borrowing facilities	199,200	180,000	199,200	180,000
Other	4,683	3,146	3,683	1,128
	205,383	184,146	202,883	181,128

The bank overdraft facilities may be drawn at any time and are subject to annual review.

Tab Limited has unsecured bank loan facilities of $600 million. Subject to the continuance of satisfactory credit standing, these bank loan facilities may be drawn at any time in Australian dollars. Duration of the loan is as follows:

• $100 million expires March 2004

• $50 million expires March 2005

• $50 million expires March 2006

• $400 million expires March 2007

The current effective interest rate on the bank borrowing facilities is 5.80% (2002: 5.73%).

Existing borrowings 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.

The borrowing facility is subject to a negative pledge agreement under which the economic entity undertakes to comply with financial undertakings as to its shareholder net worth, debt payback and interest cover.

Details of interest rate swaps used to hedge borrowings are set out in note 22.

19 Non-current liabilities – provisions

	Consolidated		Parent Entity	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Employee entitlements	2,520	2,988	2,287	2,287

20 Contributed equity

(a) Issued and paid up capital

	Consolidated		Parent Entity	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Ordinary shares fully paid	315,136	315,136	315,136	315,136

(b) Movements in the ordinary share capital on issue:

	Number of shares 2003 '000	Number of shares 2002 '000	Share capital 2003 $'000	Share capital 2002 $'000
Opening balance	451,192	500,100	315,136	431,364
Bought back during May 2002, inclusive of transaction costs	-	(48,908)	-	(116,228)
Balance	451,192	451,192	315,136	315,136

(c) Terms and conditions of contributed equity
Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings. In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors.

Information relating to the Employee Share Option Plan including details of shares issued under the plan is set out in note 25.

21 Retained profits

	Consolidated		Parent Entity	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Retained profits at the beginning of the financial year	63,721	67,754	86,617	82,352
Adjustment resulting from change in accounting policy for providing for dividends [note 1(b)(i)]	31,583	30,006	31,583	30,006
Restated retained profits at the beginning of the financial year	**95,304**	**97,760**	**118,200**	**112,358**
Net profit attributable to members of Tab Limited	74,530	76,630	90,901	84,928
Dividends provided for or paid	(63,166)	(60,012)	(63,166)	(60,012)
Dividends paid relating to share buy-back	-	(19,074)	-	(19,074)
Retained profits at the end of the financial year	**106,668**	**95,304**	**145,935**	**118,200**

22 Financial instruments

(a) Forward interest rates swap contracts

Tab Limited has entered into forward interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. The contracts are to be settled on a net basis and the amount payable at the reporting date is included in other creditors. The contracts require settlement of net interest receivable or payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

Tab Limited will pay fixed interest rates ranging from 5.27% to 6.29% (2002: 5.62% to 6.29%).

At 30 June 2003 the notional principal amounts and expiry dates of the interest rate swap contracts are as follows:-

Commencement date	Expiry date	Contract amount $'000
27/05/02	27/05/04	50,000
09/10/02	11/04/06	50,000
09/04/03	12/04/04	230,000
13/04/04	10/04/05	130,000

(b) Equity market risk

The consolidated entity has entered into a series of equity performance agreements with a third party. These agreements are commitments to either receive or make payments in the future based on the movement of a defined underlying asset amount. The agreements are entered into under normal commercial terms and are subject to an interest rate of 4.76% and transaction costs. The net unrecognised gain in respect of the equity performance agreements at 30 June 2003 was $7,340,523. All agreements are currently due to be settled within the next twelve months.

(c) Credit risk

The credit risk on financial assets of the consolidated entity, which have been recognised on the statement of financial position, is generally the carrying amount, net of any provisions for doubtful debts.

(d) Interest rate risk exposure

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial asset and financial liability is set out in the table below.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity.

Exposures as at balance date are shown below:

2003 Consolidated

			Fixed interest rate maturing in:				
	Notes	Floating interest rate $'000	1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets							
Cash	6	27,621	-	-	-	9,120	36,741
Receivables	7	-	-	-	-	13,100	13,100
Total financial assets		27,621	-	-	-	22,220	49,841
Weighted average interest rate (per annum)		4.51%					
Financial liabilities							
Unclaimed bettor returns	15	-	-	-	-	8,339	8,339
Payables	16	-	-	-	-	98,500	98,500
Interest bearing liabilities	18	400,800	-	-	-	-	400,800
Interest rate swap	*	(330,000)	-	330,000	-	-	-
Total financial liabilities		70,800	-	330,000	-	106,839	507,639
Weighted average interest rate (per annum)		4.72%	-	6.03%	-	-	-
Net financial assets / (liabilities)		**(43,179)**	**-**	**(330,000)**	**-**	**(84,619)**	**(457,798)**

* Notional principal amounts.

Notes to the Financial Statements
for the year ended 30 June 2003

2002 Consolidated

	Notes	Floating interest rate $'000	Fixed interest rate maturing in: 1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets							
Cash	6	9,566	-	-	-	18,988	28,554
Receivables	7	-	-	-	-	15,129	15,129
Total financial assets		9,566	-	-	-	34,117	43,683
Weighted average interest rate (per annum)		4.39%					
Financial liabilities							
Unclaimed bettor returns	15	-	-	-	-	11,587	11,587
Payables	16	-	-	-	-	105,239	105,239
Interest bearing liabilities	18	420,000	-	-	-	-	420,000
Interest rate swap	*	(250,000)		250,000	-	-	-
Total financial liabilities		170,000	-	250,000	-	116,826	536,826
Weighted average interest rate (per annum)		5.60%	-	6.70%	-	-	-
Net financial assets / (liabilities)		**(160,434)**	**-**	**(250,000)**	**-**	**(82,709)**	**(493,143)**

* Notional principal amounts

(e) Net fair value of financial assets and liabilities

(i) Recognised financial instruments

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying value.

The net fair value of other monetary financial assets and liabilities is based upon market forces where a market exists or by discounting the affected future cash flows by the current interest rates for assets with similar risk profiles. The net fair value of these assets and liabilities is not less than their carrying value.

(ii) Unrecognised financial instruments

The net fair value of financial assets or financial liabilities arising from interest rate hedging and equity performance agreements have been determined at a carrying value which represents the amount currently receivable or payable at balance date. The interest rate swap agreements were entered into with nil transaction costs.

23 Remuneration of directors

	Directors of Consolidated Entities 2003 $	Directors of Consolidated Entities 2002 $	Directors of the Parent Entity 2003 $	Directors of the Parent Entity 2002 $
Income paid or payable, or otherwise made available, to directors by entities in the consolidated entity and related parties in connection with the management of affairs of the parent entity or its controlled entities	2,215,510	2,232,106	2,215,510	2,232,106

Details of options granted to and exercised by Directors and Director-related entities during the year ended 30 June 2003 are set out in note 29.

The number of parent entity directors whose total income from the parent entity or related parties was within the specified bands are as follows:

$			2003 Number	2002 Number
60,000	-	69,999	-	1
80,000	-	89,999	6	5
130,000	-	139,999	1	-
160,000	-	169,999	-	1
320,000	-	329,999	-	1
1,270,000	-	1,279,999	-	1
1,550,000	-	1,559,999	1	-

The value of Managing Director's share options for the year ended 30 June 2003 have not been included in the above remuneration table.

24 Remuneration of executives

	Executive Officers of Consolidated Entities		Executive Officers of the Parent Entity	
	2003 $	2002 $	2003 $	2002 $
Remuneration received,or due and receivable from entities in the consolidated entity and related parties by executive officers (including directors) whose remuneration was at least $100,000:				
Executive officers of the parent entity:	6,827,121	5,905,889	6,827,121	5,905,889
Executive officers of the other entitites in the consolidated entity	1,451,676	1,394,692	-	-
	8,278,797	7,300,581	6,827,121	5,905,889

The number of executive officers (including directors) whose remuneration from entities in the consolidated entity and related parties was within the specified bands is as follows:

$			Executive Officers of Consolidated Entities 2003 Number	2002 Number	Executive Officers of the Parent Entity 2003 Number	2002 Number
110,000	-	119,999	1	-	-	-
120,000	-	129,999	-	1	-	1
140,000	-	149,999	-	1	-	1
150,000	-	159,999	-	1	-	1
160,000	-	169,999	-	4	-	1
170,000	-	179,999	-	2	-	2
180,000	-	189,999	1	1	1	1
190,000	-	199,999	3	-	2	-
200,000	-	209,999	2	1	2	1
210,000	-	219,999	1	-	1	-
220,000	-	229,999	1	3	1	3
230,000	-	239,999	1	1	1	-
250,000	-	259,999	2	3	2	3
260,000	-	269,999	1	-	1	-
270,000	-	279,999	1	1	1	-
280,000	-	289,999	3	-	3	-
290,000	-	299,999	1	-	-	-
300,000	-	309,999	1	-	-	-
310,000	-	319,999	-	1	-	1
330,000	-	339,999	-	1	-	1
360,000	-	369,999	-	1	-	1
390,000	-	399,999	-	1	-	-
410,000	-	419,999	-	1	-	1
470,000	-	479,999	-	1	-	1
540,000	-	549,999	1	-	-	-
550,000	-	559,999	1	-	1	-
570,000	-	579,999	1	-	1	-
590,000	-	599,999	1	-	1	-
1,270,000	-	1,279,999	-	1	-	1
1,550,000	-	1,559,999	1	-	1	-

The value of executive share options for the year ended 30 June 2003 have not been included in the above remuneration table.

An indicative value of share options issued to Tab executives has been calculated based upon the application of the Black-Scholes option valuation model. Details of the calculation of the share option values appear in the Company's Directors' Report for the year ended 30 June 2003.

Details of options granted to executive officers under the Employee Share Option Plan are set out in note 25.

25 Employee benefits

	Consolidated		Parent Entity	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Employee entitlements liabilities				
Provision for employee entitlements				
Current (note 17)	12,282	11,280	9,985	9,760
Non-current (note 19)	2,520	2,988	2,287	2,287
Aggregate employee entitlement liability	14,802	14,268	12,272	12,047

Employee numbers	Number		Number	
	2003	2002	2003	2002
Number of permanent employees at year end	739	747	505	513

Employee Share Plan
At the Annual General Meeting held in November 1998 shareholders gave approval for the establishment of two Tab Limited employee share plans.

(i) No allocation under the Employee Performance Share Plan was made during 2002/03.

(ii) An Employee Savings Share Plan operated during 2002/03 with 82 (2002: 113) permanent employees of the consolidated entity electing to acquire 73,956 (2002: 111,843) ordinary shares on a salary sacrifice basis.

Employee Share Option Plan
The establishment of the Employee Share Option Plan was approved by shareholders at the November 1999 Annual General Meeting. The plan provides for executives to receive options over ordinary shares for no consideration. Each option is convertible to one ordinary share. There are no voting or dividend rights attached to the unissued ordinary shares. Options are exercisable subject to service conditions and agreed performance criteria. Currently five executive employees participate in the Option Plan.

Set out below are summaries of options granted under the plan:

Grant date	Expiry date	Exercise price	Balance at start of year	Issued during the year	Excercised during the year	Cancelled/ lapsed during the year	Balance at end of year
		$	Number	Number	Number	Number	Number
Consolidated and parent entity - 2003							
30 November 1999	30 November 2009	2.90	1,500,000	-	-	(250,000)	1,250,000
3 July 2000	3 July 2010	2.43	630,000	-	-	(230,000)	400,000
29 September 2001	29 September 2011	2.67	630,000	-	-	(130,000)	500,000
			2,760,000	-	-	(610,000)	2,150,000
Consolidated and parent entity - 2002							
30 November 1999	30 November 2009	2.90	1,500,000	-	-	-	1,500,000
3 July 2000	3 July 2010	2.43	1,180,000	-	-	(550,000)	630,000
29 September 2001	29 September 2011	2.67	630,000	-	-	-	630,000
			3,310,000	-	-	(550,000)	2,760,000

The market value of each share, which is the subject of options at 30 June 2003, was $3.25 (2002: $3.11).

Employee Superannuation Plan
Tab Limited maintains a defined contribution superannuation fund covering all employees of the consolidated entity. Benefits are based upon accumulated contributions plus income earned. Tab Limited and its controlled entities contribute to the superannuation fund in accordance with legislation or trust deed requirements. Contribution rates range between 8% and 18.5% of salary. As at balance date, no arrears in employer contributions existed.

26 Remuneration of auditors

	Consolidated		Parent Entity	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Amounts received or due and receivable by the Company's external auditor:				
- audit or review of the financial report of the entity and any other entity in the consolidated entity	300,000	255,000	250,500	210,000
- other services in relation to the entity and any other entity in the consolidated entity	644,105	290,753	589,138	205,323
Total auditors' remuneration	944,105	545,753	839,638	415,323
Other services comprise:				
Additional assurance services	175,819	15,207	158,144	1,708
Taxation advice	62,552	77,048	25,260	51,878
Accounting and other advice on acquisitions and investments	-	95,694	-	48,933
Project and system review	49,085	79,835	49,085	79,835
Other services	356,649	22,969	356,649	22,969
	644,105	290,753	589,138	205,323

27 Contingent liabilities

Due to the nature of fixed odds sports betting activities there are a number of wagers on events that are undecided at the end of the financial year. The profit or loss resulting from these wagers is brought to account when the outcome of the event is known. No provision has been made to recognise any potential liability, as the amount cannot be reliably measured.

28 Commitments for expenditure

	Consolidated		Parent Entity	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Capital commitments				
Commitments for the acquistion of plant and equipment and capital expenditure projects, contracted for at the reporting date but not recognised as liabilities payable:				
Within one year	1,970	20,420	1,503	19,561
Later than one year but not later than 5 years	-	-	-	-
Later than 5 years	-	-	-	-
	1,970	20,420	1,503	19,561
Non-cancellable operating leases				
Future operating lease commitments not provided for in the financial statements and payable:				
Within one year	15,057	13,142	13,843	12,605
Later than one year but not later than 5 years	26,962	18,676	24,643	18,304
Later than 5 years	1,742	200	709	200
	43,761	32,018	39,195	31,109
Operating expenditure commitments				
Operating expenditure commitments contracted for at balance date but not recognised as liabilities payable:				
Within one year	57,621	56,609	53,637	52,873
Later than one year but not later than 5 years	76,787	81,087	131,446	63,085
Later than 5 years	73,958	50,451	47,958	44,995
	208,366	188,147	233,041	160,953

29 Related parties

Directors
The directors of Tab Limited at any time during the financial year were as follows: G Pemberton (resigned 31 December 2002), B Hutchinson, G Kelly, The Hon B Unsworth, G Wild, F A McDonald , B F Keane and W Wilson.

Directors' remuneration
Information on remuneration of directors is disclosed in note 23.

Transactions of directors and director-related entities concerning shares
Aggregate numbers of shares acquired or disposed of by directors of the company and consolidated entity or their director-related entities from the company:

	Consolidated	
	2003 Number	2002 Number
Acquisitions		
Ordinary Shares	7,844	6,200
Disposals		
Ordinary Shares	2,500	-

The Tab Limited Employee Option Plan terms and conditions are described in note 25. All other transactions relating to shares and options were on the same basis as similar transactions with other shareholders.

Aggregate numbers of shares of Tab Limited held directly, indirectly or beneficially by directors of the company or the consolidated entity or their director-related entities at balance date:

	2003 Number	2002 Number
Ordinary shares	88,592	83,248
Options over ordinary shares	1,250,000	1,500,000

Other transactions with directors and director-related entities
Transactions entered into during the year by directors of the parent entity and consolidated entities including wagering and gaming services are on the same terms and conditions which are available to other employees, customers and shareholders.

Transactions within the wholly-owned group
Transactions during the year between Tab Limited and its controlled entities, Sky Channel Pty Limited and 2KY Broadcasters Pty Limited, consisted of:-

(a) loans advanced by Tab Limited (note 7),

(b) loans repaid to Tab Limited,

(c) Tab Limited paid subscription, Pay TV and radio racing fees,

(d) the payment of dividends to Tab Limited, and

(e) other transactions included the provision of superannuation and insurance services which are provided free of charge.

The loans to controlled entities are interest free and are repayable on demand. The payment of subscription, Pay TV, and radio racing fees were made in accordance with contractual terms and conditions.

Ultimate parent entity
The ultimate parent company is Tab Limited, a company domiciled and incorporated in New South Wales, Australia.

30 Economic dependency

Tab Limited's wagering revenue is dependent upon the provision of high quality racing product to its customers. Tab Limited does not control the racing product or the activities of racing bodies that supply the product upon which Tab Limited accepts wagers. Fees paid/payable to NSW Racing Pty Limited for the supply of racing product totalled $202,171,282 (2002: $191,911,808) [refer note 3 (a)].

31 Events occurring after reporting date

No matter or circumstance has arisen since the end of the financial year which is not otherwise dealt with in this report 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.

32 Segment information

Business segments
The consolidated entity comprises the following main business segments:

Wagering
Accepts bets on thoroughbred, harness and greyhound races throughout Australia and internationally and on an extensive range of sporting events.

Media
Includes the national and international broadcasting of racing and sporting events.

Gaming
Represents state wide linked jackpot operations, the monitoring of gaming machines throughout New South Wales, internet-based authorisations for electronic gaming machine changes and machine investment activities.

Notes to the Financial Statements
for the year ended 30 June 2003

32 Segment information (continued)

Primary reporting – business segments

2003 Consolidated

	Wagering $'000	Media $'000	Gaming $'000	Inter-segment eliminations $'000	Consolidated $'000
Revenue					
Total operating revenue	785,923	100,110	41,852	-	927,885
Other revenue	5,312	376	315	-	6,003
Inter-segment revenue	2,409	27,546	-	(29,955)	-
Total segment revenue	**793,644**	**128,032**	**42,167**	**(29,955)**	
Unallocated revenue					1,886
Total consolidated revenue					**935,774**
Segment result	**117,345**	**26,687**	**(7,235)**	**-**	**136,797**
Interest expense					(29,483)
Unallocated interest received					1,886
Profit from ordinary activities before income tax expense					**109,200**
Income tax expense					(34,670)
Profit from ordinary activities after income tax expense					**74,530**
Assets					
Segment assets	550,977	263,462	237,925	(34,028)	1,018,336
Unallocated assets					5,945
Total assets					**1,024,281**
Liabilities					
Segment liabilities	130,888	44,568	9,170	(34,028)	150,598
Unallocated liabilities					451,879
Total liabilities					**602,477**
Other segment information					
Acquisition of property, plant and equipment, intangible assets and other non-current assets	44,396	5,112	18,260	(2,409)	65,359
Depreciation and amortisation expense	32,156	17,004	20,531	-	69,691
Non-cash expense other than depreciation and amortisation	70,962	1,367	4,692	-	77,021

32 Segment information (continued)

Primary reporting – business segments

2002 Consolidated

	Wagering $'000	Media $'000	Gaming $'000	Inter-segment eliminations $'000	Consolidated $'000
Revenue					
Total operating revenue	753,396	99,251	18,325	-	870,972
Other revenue	20,437	450	2,493	-	23,380
Inter-segment revenue	-	25,792	-	(25,792)	-
Total segment revenue	**773,833**	**125,493**	**20,818**	**(25,792)**	
Unallocated revenue					3,115
Total consolidated revenue					**897,467**
Segment result	**115,249**	**23,236**	**(4,409)**	**-**	**134,076**
Interest expense					(21,654)
Write-off of investment in associate (net of sale proceed)					(4,681)
Unallocated interest received					1,115
Profit from ordinary activities before income tax expense					**108,856**
Income tax expense					(32,226)
Profit from ordinary activities after income tax expense					**76,630**
Assets					
Segment assets	538,877	271,861	231,406	(26,621)	1,015,523
Unallocated assets					8,500
Total assets					**1,024,023**
Liabilities					
Segment liabilities	140,266	35,457	9,793	(26,621)	158,895
Unallocated liabilities					454,688
Total liabilities					**613,583**
Other segment information					
Acquisition of property, plant and equipment, intangible assets and other non-current assets	88,224	2,317	40,125	-	130,666
Depreciation and amortisation expense	26,106	16,912	9,394	-	52,412
Non-cash expense other than depreciation and amortisation	70,274	892	3,159	-	74,325

Secondary reporting – geographical segments
The consolidated entity operates predominantly in Australia.

33 Reconciliation of operating profit after income tax to net cash inflow from operating activities

	Consolidated		Parent Entity	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Operating profit after income tax	74,530	76,630	90,901	84,928
Depreciation and amortisation	69,691	52,412	52,700	35,543
Net profit on disposal of non-current assets	(225)	(10,916)	(176)	(10,945)
Share of loss of associate	-	638	-	-
Write-off of investment in associate	-	6,043	-	7,964
Change in operating assets and liabilities, net of effects from purchase of controlled entities:				
(Increase)/decrease in receivables	4,970	(5,686)	(28,782)	(29,665)
(Increase)/decrease in inventories	(452)	(669)	(452)	(669)
(Increase)/decrease in current tax assets	2,093	(2,093)	2,093	(2,093)
(Increase)/decrease in other assets	(2,959)	(2,499)	(2,589)	(2,423)
(Increase)/decrease in deferred tax asset	462	3,609	335	3,733
Increase/(decrease) in customer balances	1,613	1,079	1,613	1,079
Increase/(decrease) in accounts payable	(2,986)	24,714	(4,527)	25,543
Increase/(decrease) in provision for income tax payable	2,770	(2,816)	4,204	(2,771)
Increase/(decrease) in provision for deferred income tax	13,624	11,027	13,454	11,017
Increase/(decrease) in other provisions	103	(4,448)	(59)	(3,417)
Net cash inflow from operating activities	163,234	147,025	128,715	117,824

34 Earnings per share

	Consolidated	
	2003 Cents	2002 Cents
Basic earnings per share	16.5	15.5
Diluted earnings per share	16.5	15.5

The following earnings and share data have been used in the calculation of basic and diluted earnings per share:

	$	$
Earnings used in calculating basic and diluted earnings per share	74,530,000	76,630,000

	2003 Number	2002 Number
Weighted average number of ordinary shares used in calculating basic earnings per share	451,192,362	495,410,226
Effect of dilutive securities: Share options	266,825	156,545
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	451,459,187	495,566,771

There have been no other conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

Options
Options granted to the managing director and other executives under the Tab Limited Share Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 25.

Directors' Declaration

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 6 to 34.

(a) comply with Accounting Standards and the Corporations Regulations 2001.
(b) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2003 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

(a) the financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporations Act 2001; and
(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Graham J Kelly
Chairman
25 August 2003

Warren R Wilson
Managing Director

Independent Audit Report

for the members of Tab Limited

Scope

The financial report and directors' responsibility
The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Tab Limited ('the company') and the consolidated entity, for the year ended 30 June 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach
We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgment of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence
We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion
In our opinion, the financial report of Tab Limited is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of Tab Limited and the consolidated entity at 30 June 2003 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Ernst & Young

Brian Long

Brian J Long
Partner
Sydney
25 August 2003

Corporate Governance Statement

An extensive review of the Company's corporate governance framework was completed in June 2003 in light of the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council in March 2003.

The relationship between the Board and Senior Management is important to the Group's long term success. Day-to-day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Managing Director and Senior Executives as set out in the Group's delegations policy. These delegations are reviewed on an annual basis.

The Board is responsible to the shareholders for the performance of the Company in both the short and the long term Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

A description of the Company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

The Board of Directors

The Board operates in accordance with the principles set out in its charter which is available on the Company website. The charter details the Board's composition and responsibilities.

Board Composition

The charter states:

- The Board is to comprise both executive and non-executive directors with a majority of independent non-executive directors.
- In recognition of the importance of independent views and the Board's role in supervising the activities of management, the Chairman must be an independent non-executive director.
- The Chairman is elected by the Board.
- The Company seeks to maintain a mix of directors on the Board with a diversity of skills and experience that complement one another.
- The Board, particularly through the Chairman and the Nomination Committee, undertakes an annual review of its performance and that of each of its members. This review considers the appropriate mix of skills required by the Board to maximize its effectiveness.

Responsibilities

The responsibilities of the Board include:

- Contributing to the development of and approving the Group's strategic objectives and goals
- Reviewing and approving the Group's business plans and budgets including capital expenditure plans
- Approving major corporate initiatives
- Overseeing and monitoring the performance of the Group and the effectiveness of its Management, in particular, in relation to
  - > the achievement of the Group's strategic goals and objectives, business plans and budgets
  - > major capital expenditures and other significant corporate projects
  - > compliance with the Company's code of business conduct and applicable laws
- Ensuring there are effective management processes in place
- Ensuring that significant risks facing the Group, including those associated with its legal compliance obligations, have been identified and that appropriate and adequate control, monitoring, accountability and reporting mechanisms are in place
- Enhancing and protecting the reputation of the organisation
- Reporting to shareholders.

Board Members

Details of the members of the Board, their experience, expertise, qualifications, term of office and independent status are set out in the Directors' report under the heading "Directors' Report".

Directors' Independence

The Board has adopted specific principles in relation to Directors' independence. These state that to be deemed independent, a director must be a non-executive and:

- Not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company.
- Within the last three years not employed in an executive capacity by the Company or a controlled entity, or been a director after ceasing to hold any such employment.

Term of Office

The company's Constitution specifies that all directors (with the exception of the Managing Director) must retire from office no later than the third annual meeting (AGM) following their last election. Where eligible, a director may stand for re-election.

Chairman and Chief Executive Officer (CEO)

The Company has adopted specific descriptions of the roles of the Chairman and Managing Director.

The Board Charter specifies that these are separate roles to be undertaken by different people.

Conflict of Interests

In the event of a potential conflict of interest, Directors are required to advise the Board and withdraw from all deliberations concerning the matter and are not permitted to attempt to exercise any influence over other Directors.

Independent Professional Advice

Directors and Board Committees have the right, in connection with their duties and responsibilities, to seek independent legal and accounting advice at the Company's expense. Prior written approval of the Chairman is required, but this is not to be unreasonably withheld.

Performance Assessment

The Board undertakes an annual self assessment of its collective performance and that of individual Directors. This assessment process is conducted by the Nomination Committee in consultation with the Chairman. The Board also conducts regular reviews of its processes to ensure they enable the Board to meet its responsibilities effectively and efficiently.

Board Committees

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the Board are the Nomination, Remuneration, Audit and Regulatory & Compliance Committees. The committee structure and membership is reviewed on at least an annual basis.

Each of these Committees has its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All matters determined by Committees are reported to the full Board.

Nomination Committee

The Nomination Committee consists of the following non-executive directors:

> B F Keane (Chairman)
> G J Kelly
> B J Hutchinson
> B J Unsworth

A policy of rotation of committee members applies.

The main responsibilities of the committee are to:

- Conduct an annual review of the membership of the Board having regard to present and future needs of the Company and to make recommendations on board composition and appointments
- Advise the Board on candidates for Board vacancies
- Oversee the annual performance assessment program
- Oversee board succession planning including the succession of the Chairman

The committee reviews the range of skills, experience and expertise on the Board. Nomination of existing directors as candidates for re-election is not automatic and is contingent on their continuing performance and contribution to the company.

Remuneration Committee

The Remuneration Committee consists of the following non-executive directors:

> F Allan McDonald (Chairman)
> B J Hutchinson
> B F Keane
> G J Kelly
> B J Unsworth

The Remuneration Committee advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors and other senior executives. Committee members are expected to make themselves familiar with current developments on remuneration and related matters.

Executive remuneration and other terms of employment are reviewed annually by the committee.

Regulatory & Compliance Committee

The Regulatory & Compliance Committee consists of the following directors:

> B J Unsworth (Chairman)
> G C E Wild, AM
> W R Wilson

The Regulatory & Compliance Committee is responsible for monitoring the company's legal and procedural requirements to ensure that the Group complies with its relevant licenses and regulatory obligations, including those relating to occupational health and safety and environmental compliance.

Audit Committee

The Audit Committee consists of the following directors:

> B J Hutchinson (Chairman)
> B F Keane
> G J Kelly
> F Allan McDonald
> B J Unsworth
> G C E Wild

Members of the Audit Committee have appropriate financial expertise. The main responsibilities of the committee are:

- Overseeing the activities of the Group's buisiness risk management function
- Reviewing the risk management policies and internal control processes of the Group
- Providing additional assurance regarding the quality and reliability of financial information used by the Board, including financial statements issued by the Company to its shareholders
- Reviewing the performance of the external auditor and liaising with the auditor who attends all meetings to discuss financial matters and business risk
- Reviewing the auditor's independence in accordance with the principles established within the Charter
- Reviewing the risks exposures and controls with respect to existing information technology systems and those under development
- Reviewing requirements imposed by the Australian Stock Exchange (ASX) and Australian Securities Investments Commission (ASIC) on Tab Limited and the Directors.

In fulfilling its responsibilities, the Audit Committee:

- Receives regular reports from Management and the internal and external auditors
- Meets with the internal and external auditors quarterly or more frequently if necessary
- Reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved
- Meets separately with the external auditors and the chief internal auditor at least twice a year without the presence of management
- Provides the internal and external auditors with a clear line of direct communication at any time to either the Chairman of the Audit Committee or the Chairman of the Board.

The Audit Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

External Auditors

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. It is the policy of the external auditors to provide an annual declaration of their independence to the audit committee.

Corporate Governance Statement

Risk Assessment and Management

The Board is responsible for ensuring there are adequate policies in relation to risk oversight and management and internal control systems. The Board continuously monitors the operational and financial performance measures of the Group. Considerable importance is placed on maintaining a strong control environment. Detailed control procedures cover management accounting, financial reporting, project appraisal, environment, health and safety, IT security, compliance and other risk management issues. Internal audit carry out regular systematic monitoring of control activities and report to both relevant business unit management and the Audit Committee and/or the Regulatory & Compliance Committee. In addition, each business unit reports on the key business risks in their area to the Risk Management Group.

Code of Business Conduct

The company has a Code of Business Conduct (the Code), which applies to all Directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behavior and professionalism and the practices necessary to maintain confidence in the Group's integrity. In summary, the Code requires that company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies.

The purchase and sale of company securities by Directors and employees is only permitted during the 60 day period following the release of the half yearly and annual financial results to the market. Before any Director, Executive or Senior Manager deals in Tab Limited shares, they should advise the Managing Director or in his absence the Company Secretary. In the case of the Managing Director he should notify the Chairman. Any transactions undertaken must be notified to the Company Secretary in advance.

Continuous Disclosure and Shareholder Communication

The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders and the public. All information disclosed to the ASX is posted on the company's website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Group's operations where appropriate in the presentation it is released to the ASX and posted on the company's website. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed, and if so, this information is also immediately released to the market.

Shareholder Information

Number of Holders of Equity Securities

451,192,362 fully paid ordinary shares are held by 237,540 holders. All ordinary shares of the company carry one vote per share.

Twenty Largest Shareholders

Rank	Name	Shares	Percentage of Issued Capital
1	Citicorp Nominees Pty Limited	42,503,365	9.42
2	RBC Global Services Australia	35,893,817	7.96
3	Westpac Custodian Nominees Limited	33,613,580	7.45
4	National Nominees Limited	32,827,483	7.28
5	J P Morgan Nominees Australia Limited	24,672,604	5.47
6	AMP Life Limited	11,342,338	2.51
7	Cogent Nominees Pty Limited	9,943,940	2.20
8	Commonwealth Custodial Services Limited	9,678,022	2.14
9	Queensland Investment Corporation	8,409,071	1.86
10	Questor Financial Services Limited <TPS RF A/C>	4,015,909	0.89
11	Sandhurst Trustees Ltd <SISF A/C>	2,690,000	0.60
12	Westpac Financial Services Limited	2,449,869	0.54
13	Tower Managed Funds Limited <Tower Pool Aus Shares A/C>	2,268,746	0.50
14	Berne No 132 Nominees Pty Ltd <66100 A/C>	2,110,000	0.47
15	Australian United Investment Company Limited	2,000,000	0.44
16	ANZ Nominees Limited	1,904,907	0.42
17	The Portland House Group Pty Ltd	1,871,646	0.41
18	Seymour Group Pty Ltd	1,826,446	0.40
19	Agro Investments Limited	1,625,000	0.36
20	Citicorp Nominees Pty Limited	1,551,442	0.34
	TOTAL	**233,198,185**	**51.66**

Distribution of Equity Securities

(a) Analysis of number of shareholders by size of holding:

Range	No. of Holders
1 – 1,000	203,609
1,000 – 5,000	28,168
5,001 – 10,000	3,999
10,001 – 100,000	1,672
100,001 and over	92

(b) There were 154 holders of less than a marketable parcel of ordinary shares.

Shareholder Information

Consideration Affecting Shareholders

The Constitution of Tab Limited, the Totalizator Act 1997 (NSW) and the Totalizator Agency Board Privatisation Act 1997 (NSW) ("Acts") impose shareholding restrictions which prohibits anyone being entitled to more than 10% of the issued voting shares of Tab Limited unless that person is exempted from the shareholding restrictions by regulations under Acts. Those Acts also enable any director of Tab Limited, the Company Secretary or the Minister administering either Act to require anyone who is entitled to Tab Limited shares (or who is suspected of being entitled to Tab Limited shares) to provide information to determine whether there is any breach of the shareholding restrictions. The directors also have the power under the Constitution to require information to determine compliance with the shareholding restrictions.

Removal from the Report Mailing

Shareholder who do not wish to receive reports in future should advise Tab Limited's share registry in writing. Those shareholders will continue to receive all other shareholder communication, including notices of all shareholder meetings.

Change of Address

Shareholders should advise the Share Registry immediately in writing when there is a change to their registered address. Clearing House Electronic Subregister System (CHESS) sponsored holders should advise their sponsoring stockbroker. For security, shareholders should quote their old address and Shareholder Reference Number (SRN).

Direct Credit of Dividends

Dividend payments may be credited into a nominated financial institution account within Australia. Shareholders may provide details in writing to, or forms are available from, Tab Limited's share registry.

Tax File Number

Tab Limited is obliged to deduct income 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.

Withholding Tax for Non-Australian Resident Shareholders

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

Australian Stock Exchange Listing

Tab Limited's shares are listed on the Australian Stock Exchange Limited (ASX) and its home exchange. The ASX code is 'TAB'.

CHESS

Tab Limited's securities have been uncertificated, ie, issued without a share certificate snce the company was listed on the ASX. Shareholders are issued a statement of transactions similar to a bank statement. All stockmarket transactions in Tab Limited's securities are advised electronically to Tab Limited's Share Registry through CHESS. Shareholders can have their holdings issue (company) sponsored or broker sponsored. Shareholders who wish to convert to a broker sponsored holding should contact their stockbroker.

Shareholder Enquiries

Shareholders seeking information about their shareholding should contact Tab Limtied's Share Registry:

C/-Computershare Investor Services Pty Limited
GPO Box 7045, Sydney, NSW 1115

Ph: 1800 356 888
Fax: 61 2 8234 5050
Email sydney.services@computershare.com.au

Website: www.computershare.com

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GPO Box 4168
Sydney NSW 2001
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Internet Address

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Company Secretary

Danielle Corcoran
dcorcora@tablimited.com.au

Share Registry

Computershare Investor
Services Pty Limited

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60 Carrington Street
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Tel: 61 2 8234 5000
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Auditor

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