

- the loan is repayable automatically if the new business or all of the assets of the new business are sold, if TAB breaches the loan agreement, ceases to carry on the new business or writes off its investment in the new business or if a defined event of insolvency occurs in relation to TAB;
- NSW's recourse for recovery of principal and interest on the loan (including any further advances) is limited to an amount equal to 25% of the gross proceeds of sale or realisation of the new business and the assets of the new business (less sale expenses); and
- NSW is not entitled to appoint a receiver or to apply to have TAB wound up on the basis of a failure to make any payment on the loan.

TAB must provide NSW with a notice setting out all information which a prudent person in NSW's position would require in order to make an informed decision whether to invest in the new business by the exercise of its option, including the amount required to be invested by NSW (verified by TAB's auditor) and a forecast of any further funding which TAB reasonably expects NSW will be required to advance to maintain its interest in the new business. NSW has 30 business days after it receives that notice to exercise its option.

If the option is not exercised in full within that period, NSW has no further right to invest in or receive any benefit from the new business.

If NSW does exercise the option to invest and further capital expenditure is required in relation to the new business which is not funded from accumulated depreciation and amortisation charges in the new business or amounts previously advanced by NSW in respect of capital expenditure but not yet applied, NSW is required to elect whether to contribute, by way of an additional advance on the loan, 25% of the amount of that further capital expenditure. Each quarter, TAB must give NSW a notice stating the further capital expenditure requirements of the new business and the amount, if any, of any additional advances on the loan required of NSW.

If, within 10 business days after it receives that notice, NSW has not confirmed that it will make that additional advance, the interest rate on the loan will be varied so that, from that time, the loan will attract interest at a 2% margin over the Australian bank bill rate plus a percentage of the earnings of the new business calculated in accordance with the formula:

$$\text{percentage of earnings} = 100 \times \frac{L}{4 \times (L + FA)}$$

Where L is the amount lent by NSW to TAB in relation to the new business and FA is 25% of the further capital expenditure required in relation to the new business which is not funded from accumulated depreciation and amortisation charges in the new business or amounts previously advanced by NSW but not yet applied in respect of capital expenditure.

If NSW's investment in the new business is diluted so that the percentage of the earnings of the business which is included in the interest rate payable to NSW is 10% or less, TAB has an option to repay the loan and accrued interest. If TAB exercises that option, NSW will cease to have any rights to invest in or receive benefits from the new business as from the time of repayment of the loan and any accrued interest.

#### *Advisory committees*

To facilitate operational dealings between TAB and NSW, two advisory committees have been established:

- *Racing Product Committee* which monitors the supply of racing product and racing information, TAB coverage and other issues relating to the parties' obligations under the RDA; and
- *Business and Strategy Committee* which considers operational issues, TAB's strategies and business plans for wagering, CMS, Links or any new gaming business in which NSW has invested (see page 46) and NSW's proposed strategies in relation to wagering, media coverage and the promotion and development of the NSW Racing Industry.

Each committee comprises three representatives of TAB and three representatives of NSW. The committees are only advisory in nature and function. Neither committee has any power to bind TAB or NSW or alter any of the arrangements between them.

#### *Term and termination events*

The RDA continues for so long as TAB holds:

- a licence under the Totalizator Act to conduct totalizators, wagering or other betting activities;
- a licence under the Liquor Act or Registered Clubs Act to conduct a CMS, Links or the associated businesses of supplying/financing gaming machines; or
- any licence required to conduct a new business in which NSW invests (see 'New Businesses' on page 46).

If TAB ceases to hold any of those licences, the RDA has no further effect in relation to activities which TAB previously conducted under that licence.

## Additional Information

### *Renegotiation if TAB faces increased competition*

If NSW, a Racing Controlling Body or a racing club starts to carry on any wagering activity under a licence issued under NSW legislation (other than an on-course totalizator or Authorised Betting Auditorium) which has a material adverse effect on TAB's wagering business, the parties will negotiate an appropriate reduction in the Product Fee to reflect the increased competition facing TAB's wagering business. Bookmakers' conducting of bookmaking activities on a racecourse and arrangements with other totalizator licensees for the purpose of sections 21A or 43(2) of the Totalizator Act are not considered wagering activities for this purpose.

If any other person who in the future is granted a licence under the Totalizator Act enters into an agreement in relation to that licence for the purpose of sections 21A or 43(2) of the Totalizator Act with an entity nominated as the 'racing industry' that provides for financial arrangements and other benefits which would be more favourable to TAB than those in the RDA, then those more favourable financial arrangements and other benefits will apply to TAB instead of the arrangements in the RDA.

### *Liquidation of NSW*

If, other than as a result of TAB's breach of the RDA, a liquidator or a provisional liquidator is appointed to the whole or any part of NSW's assets or a resolution to wind up NSW is passed, the Racing Controlling Bodies must nominate another entity as the 'racing industry' under section 43(2) of the Act and must procure that entity to enter into an agreement on the same terms as the RDA.

### *Termination by NSW*

NSW may terminate the RDA if:

- TAB disposes of the whole or any substantial part of its assets, operations or business other than in the normal course of business;
- any step is taken to enter into any arrangement between TAB and its creditors;
- TAB ceases to be able to pay its debts as they become due;
- TAB ceases to carry on business;
- any step is taken by a mortgagee to enter into possession or dispose of the whole or any part of TAB's assets or business;
- a receiver, a receiver and manager, a trustee in bankruptcy, a liquidator, a provisional liquidator, an administrator or

other like person of the whole or any part of TAB's assets or business is appointed;

- TAB ceases to be either wholly owned by the NSW Government or a public company which has been admitted to the official list of the ASX; or
- TAB's Articles do not contain provisions obliging the Directors to act in accordance with the shareholding restriction provisions of the Totalizator Act and the Privatisation Act for any reason other than a mandatory requirement of the ASX.

### *Renewal of gaming licences*

TAB must use its best endeavours to extend or renew the CMS and Links licences (and any associated licences to supply/finance gaming machines) at the end of their term, provided that the businesses conducted under those licences have provided, or could reasonably be expected to provide, TAB with an appropriate commercial return for a business of that kind and NSW supports TAB's application.

If any of those licences are cancelled or expire and are not renewed and NSW does not have any arrangements with the holder of a licence under the Liquor Act or Registered Clubs Act which provide it with any income or financial benefit, then all liability of NSW under the RDA in respect of the business previously conducted by TAB under the licence which it no longer holds (other than liability in respect of a prior breach of the RDA by NSW) is extinguished as from the time TAB ceases to hold that licence.

If TAB is required to pay any fee or charge to the NSW Government in connection with the renewal or extension of licences to conduct CMS, Links or to supply or finance gaming machines, TAB is entitled to set-off against future payments of the Gaming Incentive Fee as a contribution by NSW to those fees and charges an amount equal to 25% of the fee or charge plus interest on that contribution.

### *Rights to use TAB trade marks*

TAB has granted NSW the non-exclusive royalty free right to authorise racing clubs to use certain TAB trade marks in connection with racing clubs' on-course totalizator operations. Each racing club must comply with all of TAB's reasonable directions in relation to the use of the trade marks. A breach of those conditions does not affect NSW's right to use the trade marks but may result in NSW being liable in damages to TAB.

### *Consent required to certain actions*

TAB must not, without the consent of NSW:

- assign, dispose of or otherwise deal with its licences to operate CMS, Links or any ancillary business of supplying or financing gaming machines;
- enter into any arrangements for the pooling of receipts from totalizators; or
- submit to the Minister administering the Totalizator Act for approval any proposed rules of wagering (other than in relation to TAB's take-out rate in respect of a totalizator product or wagering activity or new products).

NSWR must not unreasonably withhold its consent to any proposed rules of wagering. Nor may it unreasonably withhold its consent to any proposed pooling arrangement if TAB can demonstrate to NSW's reasonable satisfaction that the arrangement would increase both Net Wagering Revenue and Wagering Earnings (see 'Product Fee' and 'Wagering Incentive Fee' on page 44).

No new Authorised Betting Auditorium may be opened without the consent of TAB and NSW (on instructions from the relevant racing club).

### *NSWR may encumber its right to future receipts*

NSWR may encumber its right to receive payments under the RDA (or any part of that right) in favour of any recognised financial institution in order to secure a loan or other financial accommodation subject to certain conditions. These conditions include obtaining TAB's consent. That consent must not unreasonably be withheld if the loan or financial accommodation is to be used for the purpose of investing in a new business in accordance with the RDA or maintaining or improving any racecourse or training track or other associated facilities managed by a racing club.

### *Limitations on TAB's right to recover damages*

TAB may only recover any damages payable to it for breach of the RDA by setting those damages off against money which would otherwise become payable by TAB to NSW under the RDA. The maximum amount which TAB may set-off against any payment of Product Fee, Wagering Incentive Fee or Gaming Incentive Fee is 50% of the amount of the payment which would have been payable in the absence of that set-off.

TAB must not take any action to wind-up NSW or a Racing Controlling Body or sell or foreclose upon any assets or undertaking of any of those parties or appoint an

administrator, liquidator, receiver, controller, mortgagee in possession or like officer to any of those parties or their assets or undertakings.

### *TAB liable for racing clubs' losses caused by its breach*

If TAB breaches the RDA, it will be liable to pay damages for any loss or damage which NSW or a Racing Controlling Body may suffer as a result of the breach. In the case of the Racing Controlling Bodies, these damages may include compensation which those bodies may become liable to pay to racing clubs under inter-code and intra-code arrangements they enter into from time to time for the distribution of monies paid by TAB to NSW under the RDA.

In addition, TAB has agreed that, if it breaches the RDA, NSW is also entitled to recover from TAB any loss or damage suffered by racing clubs as a result of TAB's breach.

There is no limit on TAB's potential liability in damages in respect of any breach of the RDA or on the amount which TAB may be required to incur to comply with undertakings it has provided under the RDA.

### **Agreement with 2KY Broadcasters Pty Limited ('2KY')**

The agreement between TAB and 2KY dated 22 January 1997 provides for 2KY to produce radio coverage of races on which TAB provides wagering services and broadcast that coverage to areas in which 2KY is permitted to broadcast under its commercial radio licence and to areas in certain cities and towns in which an affiliate company of 2KY is permitted to broadcast. TAB is licensed to use the radio coverage produced by 2KY.

TAB must provide 2KY with certain information for each race covered.

If 2KY wishes to sell its radio station or the assets of the radio station, other than to a related party, TAB has certain rights of first refusal to purchase those assets.

The agreement continues until 2004. If the agreement is not then terminated by either party providing six months notice to the other, the agreement is automatically extended until 2011. TAB may only deliver a notice terminating the agreement in 2004 if it does not want racing coverage to be broadcast to all or a substantial part of the reception area.

TAB also has rights of termination if 2KY repudiates its obligations under the agreement or consistently fails to broadcast racing coverage in accordance with the agreement.

## Additional Information

### Banking facilities

TAB has a \$200 million unsecured facility with Westpac Banking Corporation ("Westpac"). The existing facility arrangements expire in October 1998, when the facility must be refinanced. TAB has provided a number of representations and warranties in relation to the facility, including an undertaking not to borrow any money from any other source during the term of the facility without Westpac's prior approval.

### Deed of Undertaking between TAB and the NSW Government

Under a Deed of Undertaking and Indemnity dated 4 May 1998, TAB has undertaken to the NSW Government that, except for shares issued to PBL and News in connection with the purchase of Sky Channel, TAB will not issue any shares or other marketable securities for three months following the transfer of Shares under the Offer. TAB has also undertaken not to vary or waive the restrictions on PBL and News disposing of the TAB shares issued to them in connection with TAB's purchase of Sky Channel without the NSW Government's consent.

The NSW Government has agreed to indemnify TAB for shareholder related costs incurred by TAB in FY1999, FY2000 and FY2001 to the extent that such costs exceed \$3 million, \$4 million and \$5 million respectively in each such year.

The NSW Government has also agreed to indemnify TAB against any decrease in revenue which it suffers as a result of a reduction of the monitoring fee determined by the Minister for Gaming and Racing and which is payable to TAB by hoteliers and registered clubs in respect of gaming devices connected to the CMS system during the first five years of its operation.

The NSW Government will also indemnify TAB against any loss it may suffer during the term of TAB's CMS licence as a direct consequence of any redetermination of the monitoring fee which is made other than in accordance with the methodology and assumptions as to the rate of return which were employed by IPART in recommending the monitoring fee to the Minister.

The NSW Government will also indemnify TAB against any additional cost and expense it may incur as a result of any amendment to TAB's CMS licence which imposes additional requirements on TAB but only to the extent that TAB is not adequately compensated for the additional cost and expense by an increase in the monitoring fee.

TAB will also undertake to affiliates of the JLMs and International Co-Lead Manager in the agreement to be

entered into in connection with the international portion of the Institutional Offer not to issue Shares or other substantially similar securities for 180 days following the date of allocation of Shares, subject to certain limited exceptions (including any shares issued by TAB as part of an acquisition).

### Government Agreement

The Government Agreement was entered into between the Government and various NSW Racing Industry bodies to provide a framework for the transition to the current legislative regime and for completion of the various steps necessary for the RDA to take effect.

Most of the obligations under the Government Agreement have been performed. However, on completion of the Offer, the Government is required to pay \$25 million to NSWGR and a further \$50 million to NSW Racing Industry development funds.

### TAB's licences

#### *Off-course totalizator licence*

TAB's off-course totalizator licence was acquired on 6 March 1998 for a period of 99 years expiring on 6 March 2097. Under the Totalizator Act, no other off-course totalizator licence may be granted to anyone except TAB until 2013 unless TAB's licence is cancelled or ceases to have effect before that date.

TAB paid \$303 million for the off-course totalizator licence. TAB is not required to pay any ongoing licence fees to the NSW Government in respect of the licence.

The licence authorises TAB to conduct in NSW off-course totalizators on thoroughbred, harness or greyhound races held anywhere in the world and on events declared as sports betting events under the Gaming and Betting Act.

The licence is subject to the following conditions:

- Totalizators may not be conducted on a thoroughbred, harness or greyhound race held in NSW but which is not held on a licensed racecourse.
- All totalizators and totalizator wagering must be conducted in accordance with the Totalizator Act and other laws regulating wagering activities, the terms of the licence, any directions by the Minister under the Totalizator Act and the rules of wagering approved under the Totalizator Act. Reporting obligations apply in respect of any non-compliance and matters which may affect the security and integrity of the totalizator.
- TAB must provide the Minister with access to all of TAB's totalizator systems and equipment and with specified

information required to administer and monitor compliance with the Totalizator Act and the licence and to assist the Minister in conducting probity checks on TAB employees and contractors. TAB must pay reasonable costs associated with probity checks.

- TAB must notify the Minister of all changes to computer software used in connection with the totalizator. The Minister may require any of those changes to be approved and may engage consultants to evaluate the totalizator system. TAB must pay the reasonable costs of any evaluation and must provide information and assistance to those consultants.
- TAB must enter into a special account, details of all errors made in the calculation of winnings or investments on totalizators and pay to the NSW Government at the end of each financial year any credit balance in that account.
- TAB must obtain the Minister's prior approval for any pooling arrangements with a body conducting totalizator wagering outside NSW.
- TAB must have regard to community concerns in relation to the proximity of schools and places of worship when establishing premises for totalizator betting.
- Minimum bettor return requirements apply in respect of totalizators conducted under the licence.
- TAB's rules of wagering must include a procedure to disallow the cancellation of a bet placed on a totalizator unless the cancellation satisfies criteria set out in the rules.
- TAB must display its rules of wagering and other information required by the Minister at each place where it receives wagers on a totalizator.
- Under the Totalizator Act, where a racing club conducts an on-course totalizator on an event on which TAB also conducts a totalizator, the racing club receives wagers on that totalizator as agent for TAB. In those circumstances, TAB must make available to racing clubs information in a format that allows them to display approximate winnings.
- The licence is not transferable.

#### *On-course totalizator licence*

TAB's on-course totalizator licence was acquired on 6 March 1998 for a period of 99 years. TAB paid \$5 million for the on-course totalizator licence. TAB is not required to pay any ongoing licence fees to the Government in respect of the licence.

The Totalizator Act prevents an on-course totalizator licence being granted to anyone except TAB or a racing club until 2013 unless TAB's licence is cancelled or ceases to have effect before that date. Any on-course totalizator licence

granted to a racing club during that period may only authorise the conduct of totalizators on thoroughbred races, harness races or greyhound races and may not authorise the conduct of totalizators on other sporting events.

TAB's on-course totalizator licence is subject to substantially the same conditions as TAB's off-course totalizator licence described above together with the following additional provisions:

- TAB's on-course totalizator licence may be cancelled if TAB ceases to hold an off-course totalizator licence.
- Before conducting an on-course totalizator on any racecourse, TAB must have commercial arrangements with the racing club that conducts races at that racecourse.
- TAB must obtain the Minister's prior approval to any transmission of bets from one racecourse to another or to an Authorised Betting Auditorium except where the transmission is to the holder of the off-course totalizator licence.

#### *CMS licence*

On 30 April 1998, TAB acquired a licence to conduct a CMS. The licence expires on a date which is 15 years after a date to be declared by the Minister administering the Liquor Act and published in the Gazette. The Minister intends to commence the 15 year period when CMS becomes operational.

TAB paid \$13 million for its CMS licence. The Minister administering the Liquor Act has determined that TAB will not be required to pay any ongoing licence fees to the NSW Government in respect of its CMS licence.

Conditions of TAB's CMS licence include:

- TAB must, at its cost, design, develop and integrate a CMS by 31 December 2000 (or such later date as may be determined by the Minister) which complies with the requirements of the Liquor Act, the Registered Clubs Act, the guidelines and standards issued by the LAB in relation to CMS, plans and specifications issued or approved by the Minister, any directions given by the Minister and any other NSW laws relating to gaming. The licence contains provisions which enable the Minister to review the development of CMS.
- CMS must be operated in accordance with the Liquor Act, the Registered Clubs Act, the CMS licence, the guidelines and standards issued by the LAB in relation to CMS, operational specifications approved by the Minister, any directions given by the Minister under the Liquor Act and other NSW laws relating to gaming. Reporting obligations apply in respect of any non-compliance and matters

## Additional Information

- which may affect the security and integrity of CMS.
- TAB must connect to CMS all gaming machines to which section 200F of the Liquor Act or section 87HA of the Registered Clubs Act apply at such time or times as is necessary to enable hoteliers and registered clubs to comply with the conditions of their licence imposed by those sections and in the manner approved by the Minister under section 200AA of the Liquor Act. This condition is not breached in respect of a hotel or registered club by reason of the hotel or registered club's failure to comply with the condition of its licence requiring it to connect certain gaming machines to CMS.
  - TAB must provide the Minister with access to TAB's CMS system and with specified information required to administer and monitor compliance with the CMS licence and with information to assist the Minister in conducting probity checks on TAB employees and contractors. TAB must, if requested by the Minister, pay the reasonable costs of probity checks.
  - TAB must establish and maintain an accounting, operations, security and internal control policies and procedures manual in a form and content approved by the Minister and must comply, and ensure that its contractors, related bodies corporate and employees comply, with the policies and procedures in that manual.
  - The functions undertaken by TAB under the licence include the collection of duty records, the collection of records of integrity events designated by the LAB, the collection of configuration records, assessment and billing, periodic gaming analysis, management and control reporting and certain support functions for other activities of the LAB. TAB is required to make arrangements to enable the LAB access to TAB's system for these purposes.
  - TAB must not sell, lease, hire out, encumber or otherwise dispose of, grant rights in or in respect of or part with possession of any computer software or systems or any of the records or information relating to the operation of CMS without the prior approval of the Minister. This does not prevent TAB using any computer facilities, software and system or system for other business provided it does not affect the operation or integrity of CMS.
  - TAB must not charge any fee for central monitoring under the CMS licence except the monitoring fee determined from time to time by the Minister under the Liquor Act.
  - TAB must notify the Minister of all changes to computer

- software used in connection with CMS. The Minister may require any of those changes to be approved and may engage consultants to evaluate the CMS system. TAB must pay the reasonable costs of any evaluation and must provide information and assistance to these consultants.
- Insurance and indemnity provisions apply in respect of certain liabilities of the Minister as a result of TAB's conduct under the licence.
  - The licence is not transferable.

### *Links licences*

On 30 April 1998, TAB acquired:

- a licence under the Liquor Act to conduct linked jackpot games for gaming machines in hotels in NSW; and
- a licence under the Registered Clubs Act to conduct linked jackpot games for gaming machines in registered clubs in NSW.

Both licences expire on a date which is 15 years after a date to be declared by the Minister and published in the Gazette. The Minister intends to commence the 15 year period on the date Links becomes operational.

TAB paid \$17 million for its Links licences. The Minister has determined that TAB will not be required to pay any ongoing licence fees to the NSW Government in respect of either of its Links licences.

The major terms of each of TAB's Links licences include:

- TAB must, at its cost, develop and commission a Links system which complies with the requirements of the Act under which the licence was granted, the Links licence, the guidelines and standards issued by the LAB in relation to Links, any directions given by the Minister and any other NSW laws relating to gaming. The licence contains provisions which enable the Minister to monitor the development of Links.
- TAB's Links system must be operated in accordance with the Act under which the licence was granted, the Links licence, the guidelines and standards issued by the LAB in relation to Links, the rules and operational specifications approved by the Minister, any directions given by the Minister and other NSW laws relating to gaming. Reporting obligations apply in respect of any non-compliance and matters which may affect the security and integrity of Links.
- TAB must operate Links so that at any time a gaming machine which is connected to Links is being operated as part of the linked jackpot system, the gaming machine will contribute to the jackpot pool in accordance with

- the rules applicable to the relevant linked jackpot game.
- TAB must provide the Minister with access to all of TAB's Links systems and with specified information required to administer and monitor compliance with the Links licence and with information to assist the Minister in conducting probity checks on TAB employees and contractors and Jackpot Game Suppliers. TAB must pay the reasonable costs of probity checks.
  - TAB must establish and maintain an accounting, operations, security and internal control policies and procedures manual in a form and content approved by the Minister and must comply, and ensure that its contractors, Jackpot Game Suppliers, related bodies corporate and employees comply, with the policies and procedures in that manual.
  - TAB must make rules for or in respect of the conduct of all games played on the Links system under the licence. Those rules must be approved by the Minister and a copy of the rules (or an approved summary) must be displayed in a manner and form approved by the Minister.
  - TAB may, with the Minister's approval, appoint Jackpot Game Suppliers to operate linked jackpot games under its linked jackpot licence or administer all or part of a jackpot pool. The appointment of a Jackpot Game Supplier is subject to probity and other checks by the Minister. TAB must, if required, pay the Minister's reasonable costs of probity checks on the Jackpot Game Supplier.
  - TAB must not connect linked jackpots to gaming machines until it has submitted a proposal in respect of access to the linked gaming system to the Minister which has regard to the need to provide equal opportunities for venues to participate in Links, including venues located in remote areas, and that proposal has been approved by the Minister. TAB must connect Links in accordance with the approved proposal unless the Minister otherwise approves.
  - TAB must make such arrangements for the establishment of a fidelity fund and the security and preservation of the jackpot pool as the Minister may direct from time to time.
  - Insurance and indemnity provisions apply in respect of certain liabilities of the Minister as a result of TAB's conduct under the licence.
  - The licence is not transferable.

Proposed legislation currently before the NSW Parliament, if passed, will confirm that, under TAB's Links licence under the Registered Clubs Act, TAB is authorised to

own, supply and finance gaming machines connected to Links in NSW registered clubs.

### **Share Sale Agreement relating to acquisition of Sky Channel**

The Share Sale Agreement between TAB, PBL and Radmar Pty Limited ('Vendors') and News was executed on 15 April 1998.

Radmar Pty Limited is a wholly owned subsidiary of News. News is party to the agreement solely for the purpose of giving certain warranties and covenants (described on page 54).

### *Sale and purchase*

TAB acquired all of the issued share capital in Sky Channel. Sky Channel, and its wholly owned subsidiaries Sky Channel Marketing Pty Limited and Sky Australia International Racing Pty Limited, therefore became wholly owned subsidiaries of TAB from 15 April 1998.

### *Purchase price*

The purchase price was \$260 million, to be paid as follows:

- \$100 million paid on 15 April 1998;
- \$100 million to be paid through the issue of TAB shares. Following the Offer, TAB will issue a total of 50 million shares to the Vendors or their nominees, so that each Vendor will beneficially own 5% of the TAB shares then on issue. The shares will be issued at the Final Price. To the extent that the total issue price of the shares differs from \$100 million, there will be a cash adjustment between TAB and the Vendors in respect of the difference; and
- \$60 million to be paid as deferred consideration.

The deferred consideration is to be paid in four equal instalments of \$15 million on 1 August 1999, 2000, 2001 and 2002. However, in the case of an instalment due on 1 August 1999, 2000 or 2001, if TAB's off-course racing turnover for the immediately preceding financial year ended 30 June has not increased by at least 3% over the previous financial year ('Performance Criteria') then the date for payment of that instalment is deferred to 1 August 2002.

If the Performance Criteria is not met in one year, the due dates for payment of instalments in subsequent years are not affected.

If TAB sells Sky Channel before 1 August 2002, TAB must pay the outstanding balance of the deferred consideration to the Vendors within seven days.

## Additional Information

### *Restrictions on disposal of shares issued to Vendors*

The Vendors have agreed with TAB not to sell or transfer their TAB shares before the earlier of the date which is six months from the date that the shares are admitted to the official list of the ASX, or 31 December 1998.

### *Warranties*

The Vendors and News provided certain warranties about Sky Channel. Their liability to TAB under the warranties is limited so that TAB cannot claim for a breach of warranty where the damages which TAB would be entitled to recover would be less than \$250,000. In addition, TAB can only make a claim under the warranties once the damages on all claims, when aggregated, exceed \$250,000. Finally, the Vendors' and News' maximum aggregate liability in respect of any claims under the warranties will not exceed \$160 million.

The Vendors' and News' liability in respect of tax warranties ceases on 14 April 2005, and in respect of other warranties on 14 April 2001.

TAB has certain specified obligations to mitigate losses in respect of any breach of any of the warranties.

### *Restrictive covenants*

The Vendors and News have agreed that they and their related bodies corporate will not, until 15 April 2003:

- carry on in Australia any business which is the same as, or similar to, the Sky Channel television racing service;
- carry on in Australia any business involving the audio-visual transmission of racing in the three codes of racing other than:
  - delayed coverage incorporated in news and sport programming; and
  - free-to-air coverage on Channel Nine on Saturday afternoons if rights to such coverage are granted to Nine Network Australia Pty Limited ("Nine") (see below),

without TAB's consent (which may not be unreasonably withheld):

- contract with Australian race clubs for broadcasting rights to race meetings other than:
  - delayed coverage incorporated in news and sport programming;
  - free-to-air television rights for major carnivals of the kind currently broadcast on free-to-air television; and
  - free-to-air coverage on Channel Nine on Saturday afternoons if rights to such coverage are granted to Nine (see below).

These restrictive covenants do not apply in respect of satellite overspill from overseas broadcasters, nor to Foxtel, the Australian pay television operator.

### *Free-to-air coverage covenant*

If Nine is granted the free-to-air rights at no cost to provide racing coverage on terms acceptable to Nine, PBL must procure Nine to continue to broadcast on TCN, GTV and QTQ:

- coverage on Saturday afternoons of two NSW and two interstate races until 14 April 2004, subject to scheduling conflicts and to Nine having the rights to broadcast Victorian thoroughbred race meetings; and
- a half hour racing preview programme at PBL's cost, until 14 October 1998, after which date the agreement is to be reviewed by Nine and TAB.

TAB must use its best endeavours to procure the grant of free-to-air rights to Nine on terms acceptable to Nine. If TAB does not succeed in securing the grant of such rights to Nine, then Nine is not obliged to continue providing a racing preview programme or coverage of racing on Saturday afternoons.

### *Domestic racing rights agreements Australian Jockey Club Agreement and Sydney Turf Club Agreement*

Under the agreement between Australian Jockey Club ('AJC') and Sky Channel dated 3 March 1987 (as amended) and the agreement between Sydney Turf Club ('STC') and Sky Channel dated 15 December 1987 (as amended), the AJC and STC respectively have granted Sky Channel the rights to transmit all race meetings and associated interviews and activities by satellite or other means as the AJC or STC (as the case may be) allows, but not pay or cable television and free-to-air television rights.

Sky Channel must transmit all AJC and STC races to commercial premises, such as wagering outlets, hotels and registered clubs. Sky Channel does not have the rights to broadcast to domestic locations.

In return for the grant of rights, Sky Channel pays the AJC and STC annual fees and provides promotional services.

The expiration date for the rights granted under each of these agreements is 4 March 2004, unless sooner terminated. However, Sky Channel has first and last rights of refusal over the rights granted under each agreement until 2010.

The STC has the right to terminate the agreement if the Channel Nine Saturday afternoon 'Wide World of Sports'



programme ceases to cover in whole or in part, racing at the level being covered in 1987.

*Moonee Valley Racing Club, Victoria Racing Club, Victoria Amateur Turf Club and Victorian Country Racing Club Agreement*

Under the agreement between Sky Channel and the Moonee Valley Racing Club, Victoria Racing Club, Victoria Amateur Turf Club and Victorian Country Racing Club (collectively 'Clubs') dated 26 July 1991, the Clubs grant Sky Channel exclusive rights to transmit via satellite to non-domestic locations the metropolitan coverage (excluding the Melbourne Cup carnival) and the Victorian country racing coverage.

Sky Channel has the right to tender for, and the right to match any offer by the Clubs of their pay television rights during the term of the agreement. The agreement expires on 13 March 2002 (unless sooner terminated). After the agreement expires, Sky Channel has a right to tender for and to match any offer by the Clubs of rights the subject of an agreement with third parties.

Sky Channel also has free-to-air television rights for Saturdays and Victorian public holidays (but excluding the Melbourne Cup carnival), which it is entitled to licence to members of the Nine network and other television stations throughout Australia and Papua New Guinea. On 42 Saturdays, Sky Channel must cause to be transmitted at least two Victorian races on free-to-air television.

In return for the grant of rights over the metropolitan coverage, Sky Channel pays an annual fee to the Clubs. In return for the grant of the rights over Victorian country racing, Sky Channel pays a fee for each country race which Sky Channel transmits.

**Revenue agreements**

*Hotels and registered clubs*

Sky Channel has contracts with over 3,500 hotels and clubs and similar commercial sites for the provision of the Sky Channel racing service, none of which is a material contract on a standalone basis. The agreements are generally in a standard form and typically for a term of five years. Thereafter, the contracts may be renewed on a yearly basis. The expiration dates are phased so that a manageable number of contracts require renewal each year. Sky Channel:

- must use reasonable efforts to maintain in good order and repair the equipment by which the customer receives the Sky Channel racing service; and

- warrants that all reasonable efforts will be made to transmit the Sky Channel racing service in a clear and comprehensible state.

*Totalizator operators*

Sky Channel also has agreements for the supply of the Sky Channel racing service with the State-based totalizator operator in each State of Australia (other than Tasmania which agreement expired on 9 April 1998) and in the Northern Territory. These agreements expire on different dates. Although its agreement with the Tasmanian off-course totalizator operator has expired, Sky Channel continues to provide its service and expects to enter into a new agreement.

Each agreement provides for the payment of an annual licence fee by the relevant State-based totalizator operator. The licence fee escalates each year, generally by the greater of a specified percentage or the increase in the Consumer Price Index for the previous year.

The terms of each agreement relating to Sky Channel's obligation to provide the Sky Channel racing service differ depending on when a contract was entered into.

Generally, Sky Channel undertakes to provide the Sky Channel racing service, being the coverage of race meetings together with supporting commentary, programming of racing and various cinematographic film.

The Directors have determined that disclosure of the precise terms of these contracts is likely to result in unreasonable prejudice to TAB, by allowing major customers to learn the terms of Sky Channel's agreements with other major customers. The Directors believe that this could considerably disadvantage TAB and Sky Channel when agreements are being renegotiated.

**Pay television agreements**

Sky Channel has signed agreements with Optus Vision Pty Limited ('Optus Vision') and Foxtel Management Pty Limited ('Foxtel'), in which Optus Vision and Foxtel have agreed to carry a pay television service containing race meeting coverage over which Sky Channel has the rights to domestic locations within Australia.

The Directors have determined that disclosure of the precise terms of these agreements is likely to result in unreasonable prejudice to TAB, by allowing each of Foxtel and Optus Vision, and other competitors of each of them, to learn the terms of these agreements. The Directors believe that this could considerably disadvantage TAB and Sky Channel in future negotiations with other pay television providers and Australian race clubs.

## Additional Information

The agreements are long-term agreements and broadly provide that:

- Sky Channel will provide the pay television operator with a racing service, and use its best endeavours to provide a standalone racing channel;
- if Sky Channel fails to make the racing channel available as agreed within a specified period, either party may terminate the agreement on giving six months notice; and
- the broadcast rights are non-exclusive, so Sky Channel can offer the rights to any other pay television operator at the same time. However, if the rights are offered to any other pay television operator on better terms, Sky Channel must offer those terms to Optus Vision/Foxtel; and
- during the term of the agreements, to the extent permissible by law, Foxtel and Optus Vision agree not to carry any other racing service.

### Technology contracts

#### *Optus satellite services agreement*

Under the agreement between Sky Channel and Optus Networks Pty Limited ('Optus') dated February 1998, Optus provides Sky Channel with digital and analogue satellite services. Optus must provide analogue satellite services from the commencement of the agreement and digital services when available.

If the digital services are not available by 1 January 1999, either party may by notice to the other terminate the agreement in respect of the digital services with immediate effect and in respect of the analogue services with effect from 30 June 1999.

There is an initial service period of five years for digital services during which both Sky Channel and Optus are committed to the contract. Either party can terminate on six months notice expiring no earlier than the end of the initial service period.

#### *Video contribution network and service agreement*

Under this agreement between Sky Channel and Telstra Corporation Limited ('Telstra'), Telstra must link all racecourses to the Sky Channel studio by means of an optic fibre network, at Telstra's cost. Telstra owns and operates the network and charges Sky Channel a fixed fee per race meeting for use of the network.

The agreement expires on 30 June 2000, although Sky Channel has options to extend the agreement for a term of up to five years. Scheduled fees are payable monthly in

advance. Upon expiry, the agreement may be renewed for a further two years with an option for a further three years. Sky Channel must pay a fee if it wishes to terminate at 30 June 2000.

#### *Transponder Sublease Agreement with Nine*

Under this agreement between Sky Channel and Nine, dated 22 December 1997, Nine subleases to Sky Channel part of a transponder on Asia Sat 2 ('the leased capacity'). The sublease commenced on 1 November 1997.

The Head Lease Agreement dated 31 October 1994 is between Nine and Asia Satellite Telecommunications Company Limited ('Asia Sat'), whereby Nine leases from Asia Sat the transponder on Asia Sat 2.

Under the sublease, Sky Channel must perform all of Nine's obligations under the Head Lease Agreement as far as they relate to the leased capacity, including paying rental directly to Asia Sat.

The term of the Head Lease Agreement between Nine and Asia Sat is 15 years, structured as three interim lease periods of five years each, under which Nine has the option to terminate the lease by written notice to Asia Sat.

Sky Channel can require Nine to terminate the lease in relation to the second or third interim lease period. If Nine elects not to terminate, it reassumes the obligations of Sky Channel under the sublease.

Other than these provisions, Sky Channel and Nine are not entitled to terminate the Head Lease without the other's prior written consent. In the event that the sublease from Nine to Media Nuigini Limited ('EM TV') of the area of the transponder other than the leased capacity, expires or is terminated, or if EM TV ceases to be a related body corporate, Sky Channel may elect to sublet that part of the transponder for the remainder of the lease.

#### *Asia Sat 2 uplink facility agreement*

Under this agreement between Sky Channel and Nine, dated 29 August 1996, Nine provides uplinks to the Optus satellite. Sky Channel's signal is passed through Nine for processing and then despatched to the Optus satellite for a fee.

Sky Channel bears costs associated with the installation and maintenance of the Sky Channel equipment at Nine's ground station. Sky Channel must also pay the costs of upgrading Sky Channel's equipment if Nine replaces or changes its uplink technology.

If Nine breaches any provision of the agreement, its liability is limited to resupply of the uplink facility. If it does

not resupply, Nine's liability in any year during the term is restricted to an amount in aggregate which does not exceed the annual fee. In particular, Nine is not liable for any loss or damage to the Sky Channel equipment or any suspension or interruption to the operation of Sky Channel equipment except as expressly provided in the agreement. Nine is not liable for any breakdown, failure or unavailability of the satellite.

The agreement expires on 21 May 2001.

### **Dividend Reinvestment Plan**

In accordance with the Articles, the Directors have established the DRP to provide shareholders with the choice of reinvesting dividends in additional TAB shares rather than receiving those dividends in cash.

The Directors have not commenced, and do not intend to commence, the DRP at the present time. The DRP will remain suspended until such time as the Directors consider it appropriate to implement the DRP.

### **Eligibility**

All TAB shareholders are eligible to participate in the DRP except as otherwise determined by the Directors. The Directors may determine that the following shareholders cannot participate in the DRP:

- shareholders with a registered address in a country where participation in the DRP would be unlawful, impractical or impossible; or
- shareholders who are not resident in Australia and whose participation in the DRP may be subject to legal requirements in their country of residence.

The Directors may also determine that a shareholder whose participation in the DRP could result in a breach of the Articles or have an adverse effect on licences held by TAB, or for which TAB intends to apply, cannot participate in the DRP or can participate only in respect of such part of their dividends as the Directors determine.

### **Participation**

TAB shareholders who are eligible to participate in the DRP may elect to reinvest dividends on some or all of their shares by subscribing for additional fully paid TAB shares (except where, under the Articles or otherwise by law, the Directors are entitled to retain all or part of the dividend).

### **Issue price of shares**

The issue price of TAB shares under the DRP will be at a discount of up to 5%, as determined by the Directors, to the weighted average market price of TAB shares sold in the ordinary course of trading on the ASX in the five business days immediately preceding, but not including, the books closing date for the relevant dividend. If no TAB shares are sold in that period, the discount will be applied to the price determined by the Directors in their absolute discretion as representing the fair market value of TAB shares.

### **Shares issued under the DRP**

The number of TAB shares to be issued to each participant in the DRP will be determined as the nearest whole number of shares (rounded down) which would be acquired at the issue price with the dividend (less any withholding tax or other amounts which TAB is required to deduct from the dividend). Any amount of the dividend which, due to rounding, is not applied in paying up TAB shares will be carried forward, without interest, and applied for the participant under the DRP with their future dividends.

### **Modification and termination by the Directors**

The DRP may be varied, suspended or terminated at any time by the Directors giving one month's notice, in accordance with the rules of the DRP, to all shareholders participating in the DRP. A variation or suspension of the DRP takes effect on the date specified in the Directors' notice. A notice terminating the DRP is effective three months after that notice was given.

### **Costs**

No brokerage, commission or other transaction costs and no stamp duty or other duties are payable by participants on TAB shares issued under the DRP.

### **Further information about the Institutional Offer**

The following is a summary only of the arrangements which will apply to participants in the Institutional Offer. Full details of the Institutional Offer, including bidding instructions, will be provided by the JLMs to participants in the Institutional Offer.

### **Invitation to Bid**

The NSW Government is inviting bids from Australian institutions, certain international institutional investors and members of the ASX.

## Additional Information

Shares offered for sale outside of Australia will be made pursuant to separate offering documents.

### Minimum Application

Applications must be for a minimum of 100,000 Shares and in multiples of 50,000 Shares thereafter.

### Submitting Bids\*

Australian institutions may bid:

- directly into the bookbuilding centre; or
- via any of the JLMs, International Co-Lead Manager or Co-Lead Managers.

International institutions must bid via the JLMs or the International Co-Lead Manager.

Bid forms must:

- include the identity of the bidder; and
- include the number of Shares that the bidder wishes to purchase either at specified price levels or at the Final Price.

More than one bid may be made. Each newly submitted bid will replace (in every respect) all previous bids received from the bidder, unless it is specifically indicated that the bid is separate. Bids may be withdrawn before the close of the Institutional Offer.

\* *All members of the ASX (other than the JLMs, International Co-Lead Manager or Co-Lead Managers) must bid only as principal or on behalf of their private clients.*

### When to bid

The Institutional Offer bookbuild process will be in two phases:

Phase 1:

- June 9 – June 12: Volume bids – movements in price bids during this phase will not be penalised or rewarded.

Phase 2:

- June 15 – June 19: Price and Volume bids.

The book will close on June 19 at 4.00pm Sydney time.

### Institutional Offer allocation policy

The NSW Government will determine the allocation of Shares between bidders in the Institutional Offer after consultation with the Joint Lead Managers and the NSW Government's financial adviser.

There is no assurance that any bidder in the Institutional Offer will be allocated any Shares or the number of Shares for which they have lodged a bid.

The first determination of the allocation will be the price at which bids are lodged. Bids lodged at prices below the Final Price will receive no allocation.

After disregarding bids at prices lower than the Final Price, a number of other factors will be regarded favourably including:

- price leadership;
- early lodgement of bids;
- consistency of bids; and
- expectation that the bidder will be a long-term holder of TAB shares.

Subject to bid prices being competitive, it is expected that a minimum of 157.5 million Shares will be reserved for participants in the Institutional Offer. However, the Government reserves the right to determine and change the allocation of Shares between the Public Offer and Institutional Offer in its absolute discretion.

Allocations will be subject to the shareholding restrictions imposed by the Totalizator Act and the Privatisation Act which prohibit anyone being entitled to more than 5% of the issued voting shares of TAB. (See page 40 for details of the shareholding restrictions.)

### Determination of the Final Price

At the close of the Institutional Offer, the NSW Government will determine the price payable by applicants in the Institutional Offer. The Final Price will be determined by the NSW Government after consultation with the JLMs and the NSW Government's financial adviser, based on the level of demand for Shares and having regard to its objective of optimising the proceeds of the Offer and its desire for an orderly after-market.

The Final Price may be set above, within or below the Indicative Price Range. All successful applicants in the Institutional Offer will pay the same price.

None of the Offer Document, the Appendices, the Application Forms, Australian institutional bidding forms or, subject to certain limited exceptions, other documents relating to the Offer may be sent or distributed to persons in the United States, and the NSW Government reserves the right to treat as invalid any Application Form or Australian institutional bidding form that (a) appears to have been executed in, or dispatched from, the United States, (b) provides an address in the United States for the delivery of certificates or shareholding statements for any Shares allocated under the Offer or (c) does not make the representations,

warranties and agreements required by the Application Form or Australian institutional bidding form.

### **NSW Government discretion**

The NSW Government reserves the right not to proceed with the TAB Share Offer at any time before the acceptance of applications to purchase the Shares, in which case all Application Monies will be returned to applicants.

### **Selling restrictions**

No action has been taken to register or qualify the Shares being offered in the Offer or otherwise permit a public offering of the Shares in any jurisdiction outside Australia. Outside Australia, bids will be invited in compliance with the laws of the relevant jurisdictions.

The distribution of the Offer Document or the Appendices in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession the Offer Document or the Appendices, including the Application Forms, the Australian institutional bidding forms and other documents relating to the Offer comes should seek advice and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of securities laws.

By submitting an Application Form or Australian institutional bidding form, the applicant or bidder will be deemed to have made the representations, warranties, agreements and acknowledgments set out under 'Selling Restrictions' in Section 8 of the Offer Document.

### **Waivers**

The ASX has approved the provisions of TAB's articles relating to the shareholding restrictions and the protection of certain licences held by TAB as acceptable for the purpose of condition 1 of Listing Rule 1.1 and as appropriate and equitable for the purpose of Listing Rules 6.10.5 and 6.12.3.

The ASX has granted waivers of condition 3 of Listing Rule 1.1 to the extent that TAB is not required to comply with:

- paragraph 116 of appendix 1A of the Listing Rules provided the Offer Document or Appendices state that TAB will not need to raise additional capital for three months after the date of the Offer Document and the Appendices, except for issues of shares to the NSW Government and in connection with TAB's acquisition of Sky Channel;
- paragraphs 117 to 120 of appendix 1A of the Listing Rules provided that if any significant new matter relating

to the Offer before Shares are transferred pursuant to the Offer or additional disclosure is otherwise required in relation to the Offer under the ASX Listing Rules, a notice containing the relevant information is provided through advertisements in certain major Australian metropolitan newspapers and a statement to that effect is contained in the Offer Document or the Appendices.

### **Interests of experts**

Other than as set out in the Offer Document or the Appendices, no expert nor any firm in which an expert is or was a partner has, or has had in the two years before the date of the Offer Document and the Appendices, an interest in the promotion, of or in any property proposed to be acquired by TAB in connection with its formation or promotion and no amounts, whether in cash or shares or otherwise, have been paid or agreed to be paid to any expert or to any firm in which the expert is or was a partner for services rendered by the expert or the firm in connection with the promotion or formation of TAB.

Messrs M Mitchell and W Andrews have prepared the Investigating Accountants' Report and Mr R Millen has prepared the Independent Report on Forecast Financial Information as authorised representatives and director respectively of Price Waterhouse Corporate Finance Pty Ltd which is beneficially owned by the partners of Price Waterhouse. Price Waterhouse Corporate Finance Pty Ltd and Price Waterhouse have also provided a range of related services in connection with the Offer. In addition to fees paid or payable for specific due diligence enquiries relating to the acquisition of Sky Channel which were performed at the request of the Directors and which TAB has agreed to pay, the NSW Government has paid or agreed to pay Price Waterhouse Corporate Finance Pty Ltd and Price Waterhouse fees for these services in accordance with commercial hourly rates agreed between the NSW Government and Price Waterhouse Corporate Finance Pty Ltd.

Colliers Jardine Consultancy and Valuation Pty Limited have conducted valuations of TAB's freehold land and buildings, for which they were paid a fee of \$92,625.

### **Consents and disclaimers of responsibility**

Written consents to the issue of the Offer Document and the Appendices have been given and at the date of the Offer Document have not been withdrawn by the following parties in the following terms:

## Additional Information

Each of the Joint Lead Managers have given their consent to be named in the Offer Document and the Appendices in the form and context in which they are named. They have not caused or authorised the issue of the Offer Document and the Appendices. They make no representation regarding, nor take any responsibility for, any statements in or omission from the Offer Document and the Appendices.

Each of the International Co-Lead Manager, the Co-Lead Managers and the Co-Managers have given their consent to be named in the Offer Document and the Appendices in the form and context in which they are named. They have not caused or authorised the issue of the Offer Document or the Appendices and have not been involved in the preparation of any part of those documents. They make no representation regarding, take no responsibility for any statements in, or omissions from the Offer Document or the Appendices.

Price Waterhouse Corporate Finance Pty Ltd has given its consent to the inclusion of its Investigating Accountants' Report and Independent Report on Forecast Financial Information in the form and context in which they are included and Price Waterhouse Corporate Finance Pty Ltd and Price Waterhouse have consented to be named in the Offer Document and the Appendices in the form and context in which they are named. Price Waterhouse Corporate Finance Pty Ltd and Price Waterhouse have not caused or authorised the issue of the Offer Document or the Appendices and do not make any statement in the Offer Document or the Appendices, and are not aware of any statement in the Offer Document or the Appendices based on a statement made by them in the Offer Document and the Appendices, other than Price Waterhouse Corporate Finance Pty Ltd's Investigating Accountants' Report and Independent Report on Forecast Financial Information. Price Waterhouse Corporate Finance Pty Ltd and Price Waterhouse take no responsibility for any other statements in, or omissions from, the Offer Document or the Appendices.

The Auditor-General of NSW has given his consent to be named in the Offer Document and the Appendices in the form and context in which he is named. The Auditor-General of NSW has not caused or authorised the issue of the Offer Document or the Appendices and has not been involved in the preparation of any part of those documents. The Auditor-General of NSW makes no representation regarding, and takes no responsibility for any statement in or omission from the Offer Document or the Appendices.

Ernst & Young has given their consent to be named in the Offer Document and the Appendices in the form and context in which they are named. Ernst & Young has not caused or authorised the issue of the Offer Document or the Appendices and has not been involved in the preparation of any part of those documents. Ernst & Young makes no representation regarding, and takes no responsibility for any statement in or omission from the Offer Document or the Appendices.

Colliers Jardine Consultancy and Valuation Pty Limited has given its consent to be named in the Offer Document and the Appendices in the form and context in which it is named. Colliers Jardine Consultancy and Valuation Pty Limited has not caused or authorised the issue of the Offer Document or the Appendices and has not been involved in the preparation of any part of those documents. Colliers Jardine Consultancy and Valuation Pty Limited makes no representation regarding, and takes no responsibility for any statement in or omission from the Offer Document or the Appendices.

The Share Registrar has given its consent to be named in the Offer Document and the Appendices in the form and context in which it is named. The Share Registrar has not caused or authorised the issue of the Offer Document or the Appendices and has not been involved in the preparation of any part of those documents. It makes no representation regarding, and takes no responsibility for any statement in or omission from the Offer Document or the Appendices.

Westpac Banking Corporation has not authorised or caused the issue of the Offer Document or the Appendices or any representations in the Offer Document or the Appendices and, apart from this consent in connection with the \$200 million unsecured facility, has not otherwise been involved in the preparation of the Offer Document or the Appendices.

None of the other advisers to the Government or TAB referred to in the Directory have caused or authorised the issue of the Offer Document or the Appendices. None of those advisers make any representation regarding, or take any responsibility for, any statements in or omissions from the Offer Document or the Appendices.

## Glossary of Terms

<b>ACT</b>	Australian Capital Territory.
<b>Appendix</b>	An Appendix in the separate volume of Appendices issued in connection with the Offer.
<b>Application</b>	A valid application to purchase Shares.
<b>Application Form</b>	Application form at the back of or accompanying the Offer Document.
<b>Application Monies</b>	The applicable Public Application Price multiplied by the number of Shares applied for (or, in the case of the Institutional Offer, the Final Price multiplied by the number of Shares bid for).
<b>Articles</b>	TAB's articles of association.
<b>ASC</b>	Australian Securities Commission, the regulatory body responsible for corporate and securities regulation in Australia.
<b>ASX</b>	Australian Stock Exchange Limited.
<b>ASX Listing Rules</b>	The Listing Rules of the ASX.
<b>Authorised Betting Auditorium</b>	A betting auditorium on a licensed racecourse which has been approved in accordance with section 57EG of the Gaming and Betting Act.
<b>bettor returns or winnings</b>	Total amount returned to bettors entitled to receive a payment pursuant to a wager placed on a racing or sporting event.
<b>Board</b>	The board of directors of TAB.
<b>Broadcasting Services Act or BSA</b>	The <i>Broadcasting Services Act 1992</i> (Cth) as in force as at the date of the Offer Document.
<b>Broker Firm Applicant</b>	An applicant pursuant to the Public Offer who has been offered a firm allocation of Shares by their stockbroker.
<b>Business Day</b>	A day other than a Saturday or Sunday on which banks are open for general business in Sydney, Australia.
<b>CHESS</b>	Clearing House Electronic Subregister System, operated by ASX Settlement and Transfer Corporation Pty Limited.
<b>CMS</b>	Centralised monitoring system to monitor the performance of gaming machines in NSW.
<b>Co-Lead Managers</b>	See Directory.
<b>Co-Managers</b>	See Directory.
<b>DGR</b>	NSW Department of Gaming and Racing.
<b>Directors</b>	The directors of TAB.
<b>dollars, \$ or A\$</b>	Australian dollars, with cents having a corresponding meaning.
<b>DRP</b>	TAB's dividend reinvestment plan.
<b>EBIT</b>	Earnings before interest and taxes.
<b>EBITDA</b>	Earnings before interest income, interest expense, taxes, depreciation and amortisation.
<b>Eligible TAB Employee</b>	TAB agents, Directors and full-time, part-time or casual employees of TAB (including Sky Channel employees) as at 8 May 1998, as determined by the Directors.
<b>Final Price</b>	The price at which each Share will be sold to successful bidders in the Institutional Offer.
<b>Forecast Reported Result</b>	Result forecast to be published in TAB's 1998 annual report, which is forecast to reflect the actual FY1998 result generated by TAB before pro-forma adjustments.
<b>fractions</b>	The amounts resulting from the rounding down to the nearest five cents of winnings to be paid to bettors. Also known as roundings or breakage.

Glossary of Terms

<b>franking</b>	A franked dividend is one paid out of profits in respect of which TAB has paid Federal income tax. The level of income tax paid by TAB determines the quantum of the available imputation credit attached to the dividend, and this in turn determines the franking rebate available to TAB's shareholders.
<b>FY</b>	Financial year ended or ending 30 June as the context requires.
<b>Gaming and Betting Act</b>	The <i>Gaming and Betting Act 1912 (NSW)</i> as in force at the date of the Offer Document.
<b>Gaming Earnings</b>	Gaming Earnings as defined in the RDA. The manner in which Gaming Earnings is determined is set out in Appendix 4.
<b>Gaming Incentive Fee</b>	An amount calculated by reference to 25% of Gaming Earnings.
<b>Government Agreement</b>	Agreement between the Government and various NSW Racing Industry bodies as described in Appendix 4.
<b>HIN</b>	Holder Identification Number.
<b>Institutional Offer</b>	The invitation to purchase Shares made to Australian institutions and members of the ASX under the Offer Document, and to certain international institutional investors pursuant to separate offering documents.
<b>International Co-Lead Manager</b>	See Directory.
<b>Jackpot Game Suppliers</b>	Companies which will contract with TAB to provide linked poker machine jackpot games across multiple Venues.
<b>Joint Lead Managers or JLMs</b>	See Directory.
<b>LAB</b>	NSW Liquor Administration Board.
<b>Links</b>	A linked gaming system under which jackpots are payable from gaming machines which are linked to other gaming machines across multiple Venues.
<b>Liquor Act</b>	The <i>Liquor Act 1982 (NSW)</i> as in force at the date of the Offer Document.
<b>Minister</b>	The Minister of the NSW Government responsible for administering the relevant legislation.
<b>Net Wagering Revenue</b>	Net Wagering Revenue as defined in the RDA. The manner in which Net Wagering Revenue is determined is set out in Appendix 4.
<b>News</b>	News Limited (ACN 007 871 178) or its subsidiaries, including Radmar Pty Limited (ACN 000 181 653), or its nominees.
<b>NSW</b>	New South Wales.
<b>NSW Government or Government</b>	The government of NSW and includes the Crown in right of the State of NSW.
<b>NSWR</b>	New South Wales Racing Pty Limited (ACN 080 959 495), the entity nominated as the 'racing industry' under sections 21A and 43 of the Totalizator Act in respect of TAB's off-course and on-course totalizator licences and under the Liquor Act and Registered Clubs Act in respect of TAB's CMS and Links licences.
<b>NSW Racing Industry</b>	The entities and persons involved in the staging of thoroughbred, harness and greyhound racing on racecourses in NSW.
<b>Offer or TAB Share Offer</b>	The Public Offer and Institutional Offer.
<b>Offer Document or TAB Share Offer Document</b>	Offer Document for TAB dated 4 May 1998.
<b>PBL</b>	Publishing and Broadcasting Limited (ACN 009 071 167) or its nominee.
<b>Privatisation Act</b>	The <i>Totalizator Agency Board Privatisation Act 1997 (NSW)</i> as in force at the date of the Offer Document.
<b>Product Fee</b>	21.64% of Net Wagering Revenue.



<b>Public Application Price</b>	For applicants under the Public Offer excluding Broker Firm Applicants, A\$2.05 per Share, being the amount payable on application in respect of each Share by applicants (other than Broker Firm Applicants) under the Public Offer. For Broker Firm Applicants, A\$2.15 per Share, being the amount payable by Broker Firm Applicants under the Public Offer in respect of firm allocations.
<b>Public Offer</b>	The invitation made to members of the public in Australia (including Broker Firm Applicants) and to Eligible TAB Employees to purchase Shares under the Offer Document.
<b>racing club</b>	A club, association or other body (whether or not incorporated) which is registered with a Racing Controlling Body as a racing club.
<b>Racing Controlling Bodies</b>	NSW Thoroughbred Racing Board, Harness Racing New South Wales and Greyhound Racing Authority.
<b>RDA</b>	Racing Distribution Agreement dated 11 December 1997 between TAB, NSWRR and the Racing Controlling Bodies.
<b>Registered Clubs Act</b>	The <i>Registered Clubs Act 1976</i> (NSW) as in force at the date of the Offer Document.
<b>SCH</b>	Securities Clearing House Pty Limited.
<b>Share(s) or TAB Share(s)</b>	One, some or all (as the context requires) of the 450 million fully paid ordinary shares in TAB offered for sale by the NSW Government.
<b>Share Registrar</b>	See Directory.
<b>Sky Channel</b>	Sky Channel Pty Limited (ACN 009 136 010), its subsidiaries and its controlled entities or the telecast service provided by those parties, as the context requires.
<b>Special Reservation Entitlement</b>	Guaranteed allocation of Shares for applicants who reserved a copy of the Offer Document by 8 May 1998. The guaranteed allocation will be 25% more than the minimum allocation of Shares in the Public Offer.
<b>SRN</b>	Shareholder Reference Number.
<b>State</b>	State or Territory of Australia.
<b>stockbroker</b>	Member of the ASX.
<b>TAB or the Company</b>	TAB Limited (ACN 081 765 308) and, as the context requires, its subsidiary and associated companies or, the former Totalizator Agency Board of NSW.
<b>TAB Share Information Centre</b>	Contact point for provision of copies of the Offer Document and/or Appendices and clarification of certain matters related to the Public Offer.
<b>TFN</b>	Tax File Number.
<b>TGC</b>	Tasmanian Gaming Commission.
<b>Totalizator Act</b>	The <i>Totalizator Act 1997</i> (NSW) as in force at the date of the Offer Document.
<b>Totalizator (Off-Course Betting) Act</b>	The <i>Totalizator (Off-Course Betting) Act 1964</i> (NSW) which has been repealed.
<b>Trade Practices Act</b>	The <i>Trade Practices Act 1974</i> (Cth) as in force at the date of the Offer Document.
<b>turnover</b>	Total amount placed as wagers.
<b>US or United States</b>	United States of America.
<b>US Securities Act</b>	The United States Securities Act of 1933, as amended and in force at the date of the Offer Document.
<b>Venues</b>	Registered clubs and hotels in NSW.
<b>Wagering Earnings</b>	Wagering Earnings as defined in the RDA. The manner in which Wagering Earnings is determined is set out in Appendix 4.
<b>Wagering Incentive Fee</b>	An amount calculated by reference to 25% of Wagering Earnings.

## Sellers and Directors' authorisation

These Appendices to the Share Offer Document are authorised by the State of New South Wales and are signed for and on behalf of the State of New South Wales by:



Michael Egan, MLC  
Treasurer of NSW

These Appendices to the Share Offer Document are authorised and signed by all of the Directors of TAB:



Gary Pemberton



Belinda Hutchinson



Allan McDonald



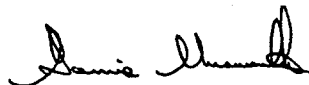
Geoffrey Wild



Ross Cribb



Graham Kelly



Barrie Unsworth



Allen Windross

## Electron

### Registered Office

TAB Limited  
495 Harris Street  
Ultimo, NSW 2007

### Financial Adviser to the Government and to the Offer

BT Corporate Finance Limited  
Chifley Tower  
2 Chifley Square  
Sydney, NSW 2000

### Solicitor to the Government and to the Offer

Frechill Hollingdale & Page  
MLC Centre  
19-29 Martin Place  
Sydney, NSW 2000

### Share Registrar

Corporate Registry Services Pty Ltd  
Level 3  
60 Carrington Street  
Sydney, NSW 2000

### US Legal Adviser to the Government

Sullivan & Cromwell  
101 Collins Street  
Melbourne, VIC 3000

### Investigating Accountant

Price Waterhouse Corporate  
Finance Pty Ltd  
201 Kent Street  
Sydney, NSW 2000

### Solicitor to TAB

Minter Ellison  
Minter Ellison Building  
44 Martin Place  
Sydney, NSW 2000

### TAB Share Information Centre

Telephone: 1800 356 888

### Joint Lead Managers

ABN AMRO Rothschild  
255 George Street  
Sydney, NSW 2000  
Telephone: 1800 450 005

Merrill Lynch International  
(Australia) Limited  
MLC Centre  
19-29 Martin Place  
Sydney, NSW 2000  
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### International Co-Lead Manager

Deutsche Morgan Grenfell  
Australia Limited  
Grosvenor Place  
225 George Street  
Sydney, NSW 2000  
Telephone: 1800 816 650

### Co-Lead Managers

Ord Minnett Corporate  
Finance Limited  
Grosvenor Place  
225 George Street  
Sydney, NSW 2000  
Telephone: 02 9220 1666

Salomon Smith Barney Australia  
Securities Pty Limited  
Grosvenor Place  
225 George Street  
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Telephone: 02 9321 4000

SBC Warburg Dillon Read  
Australia Equities Limited  
Governor Philip Tower  
1 Farrer Place  
Sydney, NSW 2000  
Telephone: 02 9324 2000

### Co-Managers

ANZ Underwriting Limited  
Chifley Tower  
2 Chifley Square  
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HSBC Securities Australia Limited  
1 O'Connell Street  
Sydney, NSW 2000  
Telephone: 1300 308 980

Macquarie Underwriting Limited  
20 Bond Street  
Sydney, NSW 2000  
Telephone: 1800 621 656

Morgan Stockbroking Limited  
Riverside Centre  
123 Eagle Street  
Brisbane, QLD 4000  
Telephone: 1800 777 946

Prudential-Bache Securities  
(Australia) Limited  
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225 George Street  
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