

7 Directors, Management and Employees

Board of Directors

Gary Pemberton, Chairman



Mr Pemberton was appointed Chairman of the Board in July 1997. Mr Pemberton is also Chairman of QANTAS Airways Limited and a director of Rio Tinto Limited. He was previously Chief Executive and subsequently Chairman of Brambles Industries Limited and a director of Commonwealth Bank of Australia, CSR Limited and John Fairfax Holdings Limited.

Mr Pemberton has extensive experience with the issues involved in the privatisation of government-owned businesses through his participation as Chairman of QANTAS Airways Limited during its initial public offering in 1995. He was also a director of the Commonwealth Bank of Australia during its privatisation.

Allen Windross, Managing Director



Mr Windross was appointed Managing Director of TAB in July 1997, having served as Chief Executive Officer since 1987. Mr Windross joined TAB in 1965 and held a number of senior positions in the Sales and Technology divisions prior to his appointment as Chief Executive Officer. Mr Windross is a member of a number of racing industry bodies, including the Racing Industry Advisory Group, the Racing Industry Marketing Advisory Committee and the Racing Industry Marketing Group.

John Ross Cribb, OBE, Deputy Chairman



Mr Cribb has been a member of the Board since April 1984 and was between July 1987 and July 1997, Chairman of the Board. Since July 1997, he has been Deputy Chairman of TAB. He is also Chairman of TNT Australia Pty Limited Advisory Board, Deputy Chairman of Tempo Services Ltd, a director of the Rail Access Corporation and Chairman of the Australian Schools' Rugby Union Foundation. Mr Cribb was previously Chief General Manager and subsequently Deputy Chairman of TNT Limited and a director of Ansett Australia Holdings Limited Group. He is also the proprietor of Jay-R Stud at Tahmoor, NSW.

Belinda Hutchinson, Non-Executive Director



Ms Hutchinson was appointed as a Director in July 1997. She is also a director of Energy Australia, Crane Group Limited, QBE Insurance Group Limited and Snowy Hydro Trading Pty 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.



Graham Kelly, Non-Executive Director

Mr Kelly was appointed as a Director in July 1997. He is also a director of Colonial State Bank, H-G Ventures Limited, Hambro Grantham Capital Limited, Australian Transport Network Limited and Contact Energy Australia Pty Limited, Chairman of Sundowner Motor Inns Group and a member of the boards of the Public Sector Superannuation Trust and the Commonwealth Service Superannuation Scheme. He was previously National Chairman of Freehill Hollingdale & Page.



The Hon Barrie Unsworth, Non-Executive Director

Mr Unsworth was appointed as a Director in July 1997. He is a former Premier of NSW, a director of Delta Electricity, Chairman of the Australia Day Council of NSW and the NSW Centenary of Federation Committee and General Manager of 2KY Broadcasters Pty Limited and NSW Race Narrowcasts Pty Limited.



Geoffrey Wild, Non-Executive Director

Mr Wild has been a member of the Board since April 1994. He is also Chairman and Chief Executive Officer of Ogilvy & Mather Pty Limited in Australia and New Zealand and its related entities. He is also a director of IBIS Business Communications Pty Limited, Arab Bank Australia Limited and the PGA (Professional Golf Association). Mr Wild has previously been Vice-President and a director of the Sydney 2000 Olympic Bid Company Limited and the Chairman of the NSW Tourism Commission.



Fergus Allan McDonald, Non-Executive Director

Mr McDonald was appointed as 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 Delfin Property Group Limited and General and Cologne Reinsurance Australasia Limited. His other directorships include Brambles Industries Limited, Development Capital of Australia Limited and Securities Exchanges Guarantee Corporation Limited.

Senior management

Senior management of TAB who are not Directors are:

Name	Year commenced with TAB	Executive position
Liam Aylmer	1979	Wagering Operations
Ian Beatty	1969	Human Resources
Chris Brooks	1978	Technology Services
Annette Mathews	1983	Technology Systems
Carol Miller	1987	Wagering Sales Channels
Peter Paine	1977	Internal Audit
Peter Turner	1973	Gaming
Gordon Watson	1969	Finance
Paul Wayland	1965	Wagering Marketing
Warren Wilson	1989*	Sky Channel

* Year in which Mr Wilson commenced with Sky Channel.

Mr Wilson has a contract for two years expiring in April 2000 as Managing Director of Sky Channel and Mr Paine has an employment contract expiring in 1998. None of the other senior management of TAB or the TAB Managing Director currently have employment contracts with TAB for any fixed term after the transfer of Shares pursuant to the Offer. Other TAB senior positions include Media and Sports Relations (Ken Page) and Administrative Services (Stephen Jack).

As at 31 March 1998, TAB employed 1,650 people, most of whom are located at the Head Office in Ultimo and the site at Granville.

TAB employees*					
As at 30 June	1994	1995	1996	1997	31 March 1998
Full-time	460	474	489	488	484
Temporary	26	19	19	29	32
Part-time	6	5	9	16	19
Casual	1,011	1,098	1,038	1,153	1,115
Total	1,503	1,596	1,555	1,686	1,650

* Excludes Sky Channel employees.

In addition, Sky Channel currently employs approximately 120 people.

Corporate governance

The Board has established a number of committees of Directors, which report to the Board in a number of key areas of corporate governance.

Audit Committee

The Audit Committee has been established to provide assurance regarding the quality and reliability of financial information used by the Board and financial statements issued by TAB to its shareholders. The Committee is responsible for overseeing the activities of the Audit division and reviews TAB's risk management policies and internal control processes. The Committee also liaises with and reviews the performance of the external auditor, who is ordinarily invited to attend Committee meetings to discuss financial matters and business risk.

Working closely with the Regulatory and Compliance Committee, it also reviews the risk exposures and controls with respect to existing information technology systems and those under development.

The Audit Committee consists of Ms Hutchinson (Chairperson), and Messrs Pemberton, Cribb, Kelly and McDonald.

Regulatory and Compliance Committee

The Regulatory and Compliance Committee is responsible for monitoring legal and procedural requirements to ensure that TAB complies with its licence conditions and regulatory obligations, including those relating to occupational health and safety and environmental protection. The Committee places particular emphasis on monitoring procedures which are designed to support the reliability and integrity of TAB's systems and the review of information technology development projects.

The Regulatory and Compliance Committee consists of Messrs Unsworth (Chairman), Wild and Windross.

Remuneration Committee

The Remuneration Committee is responsible for reviewing remuneration arrangements of senior management of TAB, including the TAB Managing Director, and consists of Mr Kelly (Chairman), Ms Hutchinson and Messrs Pemberton, Cribb and Unsworth.

8 | Additional Information

Rights of shareholders

The Board is responsible for the management of TAB.

However, certain matters require a resolution of shareholders, such as the election of Directors (although the Board may appoint a person to fill a casual vacancy and that person will hold office as a Director until TAB's next annual general meeting).

The rights of TAB shareholders are subject to TAB's Memorandum and Articles of Association which will apply from the time TAB shares commence trading on the ASX, details of which are set out in Appendix 4. Shareholders may transfer their shares subject to the Articles, the Corporations Law and the requirements of the ASX. Subject to any special or preferential rights attaching to any class or classes of shares, members will be entitled in a winding up to share in any surplus assets in proportion to the shares held by them, less any amounts which remain unpaid on those shares at the time of distribution.

The Articles contain provisions enabling TAB to take steps to protect licences for wagering, broadcasting, gaming or related activities which it holds, or for which it proposes to apply. These steps may include requiring the disposal of shares where the Directors believe that the shareholder continuing to hold those shares may prejudice those licences or applications. See Appendix 4 for details.

Restrictions on amendment of Articles

TAB's Memorandum of Association requires the consent of the Minister administering the Totalizator Act and the Privatisation Act to any amendment to the provisions of the Articles relating to the monitoring and enforcement of the shareholding restrictions. Details are set out in Appendix 4.

Shareholding restrictions

The Totalizator Act and the Privatisation Act each impose shareholding restrictions which prohibit anyone being entitled to more than 5% of TAB's issued voting shares unless that person is exempted from the shareholding restrictions by regulations under those Acts. No exemptions have currently been granted except limited exemptions to facilitate the transfer of Shares pursuant to the Offer.

The shares to which a person is entitled is determined generally in the same manner as under the Corporations Law (subject to certain variations set out in the Totalizator Act and Privatisation Act). A person's entitlement includes any shares in which the person or their associate has a 'relevant interest'. Generally, a person will have a relevant interest in a share if they have power to control the exercise of votes attaching to the share or control the disposal of the share, whether or not they are the registered holder of the share. A relevant interest may exist even though a person has indirect control, through a company or series of companies which they control, over the disposal or the exercise of votes attaching to a share.

In addition to the circumstances in which people are considered to be associates under the Corporations Law, the Minister administering the Totalizator Act or the Privatisation Act may deem people to be associates in relation to their TAB shares if the Minister considers that they are likely to act together with a view of taking control of, or exercising significant influence over, TAB against the public interest.

Power to require information regarding entitlements to TAB shares

The Totalizator Act and Privatisation Act enable any Director, TAB's company secretary or the Minister administering the Totalizator Act or Privatisation Act to require anyone who is entitled to TAB shares (or who they suspect of being entitled to TAB shares) to provide information to determine whether there is any breach of the shareholding restrictions. The Directors also have powers under the Articles to require information to determine compliance with the shareholding restrictions.

Consequence of failing to provide information or breaching shareholding restrictions

Where a person ('Offender') fails to comply with a request for information or contravenes the shareholding restrictions:

- voting and dividend rights attaching to shares to which the Offender is entitled may be suspended; and
- the registered holder of shares to which the Offender is entitled may be required to dispose of those shares.

Voting or dividend rights attaching to shares to which an Offender is entitled may be affected and orders may require the disposal of those shares even though the Offender is not the registered holder of the shares.

Failure to comply with a request for information under the Totalizator Act or the Privatisation Act (or providing information which is materially false or misleading) is also an offence punishable by a fine of up to \$10,000.

In addition, the Articles contain provisions relating to shareholding restrictions. Further details of the shareholding restrictions, the provisions of the Articles relating to the shareholding restrictions and the consequences of contraventions of those restrictions or failing to provide information are set out in Appendix 4.

The Totalizator Act, which commenced on 6 March 1998, made significant changes to the legislative regime applicable to wagering in NSW. These changes included:

- The Totalizator Act provides that TAB is entitled to be granted licences authorising it to conduct off-course and on-course totalizators on racing and sporting events. Racing clubs are also entitled to licences to conduct on-course totalizators on racing events (but not sporting events). Other than TAB's totalizator licences and the on-course licences granted to racing clubs, no other totalizator licence may be issued under the Totalizator Act until 2013 unless TAB's licences are cancelled or surrendered.
- Totalizator licensees must generally determine the rules of wagering pursuant to which their totalizators will be conducted, with the approval of the Minister. During the first 15 years of the totalizator licences, racing clubs are not entitled to make rules of wagering and must conduct their on-course totalizators in accordance with TAB's rules of wagering except to the extent that the Minister determines otherwise.
- Totalizator licensees are given flexibility in determining commission rates provided that:
 - the commission deducted from any totalizator (exclusive of fractions) must not exceed 25% of the total amount wagered in the totalizator pool; and
 - the total commission (exclusive of fractions) deducted in any year must not exceed 16% of the total amount of wagers received by the totalizator licensee in that year.
- Totalizator licensees are entitled to retain fractions. They are also entitled to retain any amounts declared as bettor returns which the bettor has not claimed within 12 months after the happening of the event on which the

wager was placed. These amounts were payable to the NSW Government under the previous legislative regime.

- A tax of 28.2% is payable by the totalizator licensee to the NSW Government on wagering revenue, exclusive of unclaimed bettor returns. The Totalizator Act does not permit the rate of tax to be increased above 28.2%, but provides for the tax rate on components of wagering revenue to be varied to a rate less than 28.2% by order of the NSW Governor.
- The holder of an off-course totalizator licence must have and give effect to commercial arrangements with persons nominated by Racing Controlling Bodies and certain major racing clubs as the 'racing industry'. Consistent with this requirement, TAB has entered into the RDA.

Relationship with Government

The NSW Government is offering all of its TAB Shares for sale under the Offer. Following successful completion of the Offer, the NSW Government will cease to be a shareholder of TAB. However, TAB will continue to be regulated by the NSW Government under a number of statutes including the Totalizator Act, the Gaming and Betting Act, the Liquor Act and the Registered Clubs Act. Legislation provides a framework within which wagering and gaming activities in NSW are to be conducted. Actions and policies of the NSW Government in changing legislation or regulations or administering the regulatory regime may impact on TAB. Like all regulatory regimes, the regulatory regime in NSW can be expected to change over time in light of factors such as new policy and industry developments. The current or a future NSW Government may change its policy as to the regulation of wagering and gaming activities which may adversely affect the operations of TAB, for example by altering TAB's competitive position.

The NSW Government will also retain power following the Offer to administer the shareholding restrictions as outlined on page 52. The NSW Government has provided certain indemnities to TAB. See page 57 for details.

Racing Distribution Agreement

The RDA between TAB, NSWRC and the Racing Controlling Bodies was executed on 11 December 1997.

Each Racing Controlling Body must ensure that NSWRC performs its obligations under the RDA insofar as those obligations relate to the racing code which they administer and must make, maintain and enforce legally binding directions under the Totalizator Act to racing clubs in their respective racing codes to enable NSWRC to comply with its obligations under the RDA.

TAB to act and make decisions in the interest of the NSW R

TAB is not required to make or continue capital investment which could not provide TAB with appropriate commercial returns for a business of a similar kind. Otherwise, TAB must act and make decisions with the intent of maximising total payments of fees to NSW R (other than contributions in respect of on-course totalizators) and returns in respect of new businesses in which NSW R invests. TAB must not take any action or make any decision which could reasonably be expected to materially reduce the total amount of those payments or materially adversely affect the development of racing in NSW.

TAB must, at its cost, undertake all steps necessary to alleviate the adverse effect of any action or decision it takes that results in either:

- a material reduction in the total payments of fees to NSW R (other than contributions in respect of on-course totalizators) and returns in respect of new businesses in which NSW R invests from that which could otherwise have reasonably been expected; or
- a material adverse effect on the development of the racing codes in NSW from that which could otherwise have reasonably been expected.

Each party has the right to conduct and manage their own business as they think fit subject to the express terms of the RDA.

NSW R racing and coverage programme

TAB and NSW R have agreed on the minimum NSW R racing programme and on the minimum programme of races on which TAB will conduct off-course totalizators ('TAB Coverage Programme') for FY1999. Programmes for subsequent years must include a minimum programme determined in accordance with the RDA which, subject to limited exceptions, may only be varied by agreement.

NSW R is required to supply TAB with specified information in relation to races in NSW in the TAB Coverage Programme.

Fees and other amounts payable to NSW R

TAB is required to pay NSW R:

- a Product Fee of 21.64% of Net Wagering Revenue;
- a Wagering Incentive Fee of an amount calculated by reference to 25% of Wagering Earnings; and
- a Gaming Incentive Fee of an amount calculated by reference to 25% of Gaming Earnings.

TAB is also required to pay NSW R a contribution in respect of on-course totalizators which, for the period from 6 March 1998 to 5 September 1999, is equal to 4.9% of turnover from on-course totalizators conducted by racing clubs as agent for TAB under the Totalizator Act or on an Authorised Betting Auditorium which was operating as of 11 December 1997. The level of contributions after 5 September 1999 is to be agreed between TAB and NSW R.

Transitional provisions apply to enable the Product Fee and the Wagering Incentive Fee to be introduced with effect from 1 October 1997. The RDA took effect from 6 March 1998.

New businesses

Except in limited circumstances, TAB must give NSW R an option to invest in any new wagering or gaming business (other than a wagering business within NSW, as that business is subject to the Product Fee and Wagering Incentive Fee) which TAB establishes or acquires. Detailed provisions outlined in Appendix 4 govern the terms of NSW R's option to invest in those businesses. Unless otherwise agreed, these provisions essentially enable NSW R to invest 25% of the capital costs of the new business in return for fees equal to 25% of the earnings of the business (determined as outlined in Appendix 4).

Term

The RDA continues for so long as TAB holds a licence under the Totalizator Act, a licence to conduct CMS or Links, a licence to conduct the business of supplying or financing gaming machines or a licence required to conduct any new business in which NSW R invests. 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.

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 R or a Racing Controlling Body may suffer as a result of the breach. TAB has agreed that these damages will include any loss or damage suffered by racing clubs as a result of any breach of the RDA by TAB and any compensation payable by a Racing Controlling Body to racing clubs under arrangements they enter into from time to time for the distribution of monies paid by TAB to NSW R under the RDA.

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.

Sky Channel

Share Sale Agreement relating to Sky Channel Pty Limited and subsidiaries

The Share Sale Agreement between PBL and Radmar Pty Limited ('Vendors'), TAB and News was signed and completed on 15 April 1998. Radmar Pty Limited is a wholly owned subsidiary of News.

The purchase price was \$260 million – \$100 million paid on 15 April 1998, \$60 million being deferred consideration, and \$100 million of shares in TAB to be issued to the Vendors.

The deferred consideration is to be paid in four equal instalments of \$15 million on 1 August 1999, 2000, 2001 and 2002. However, if specified performance criteria are not met in any year, payment of the instalment due in that year is deferred to 1 August 2002 (see Appendix 4 for details).

The Vendors will be issued with such number of shares at the Final Price as will ensure that each Vendor holds 5% of the issued share capital of TAB. There will be a cash adjustment if the value of such shares differs from \$100 million. The Vendors have agreed not to sell or transfer their 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.

The Vendors and News have given certain warranties about Sky Channel. TAB's ability to claim for a breach of warranty is subject to monetary thresholds and a cap on the maximum aggregate liability on the warranties of \$160 million. Refer to Appendix 4 for details.

The Vendors and News must not, until 15 April 2003:

- carry on in Australia any business the same as, or similar to, the Sky Channel service without TAB's consent (which may not be unreasonably withheld); and
- contract with Australian race clubs for broadcasting rights to race meetings other than delayed coverage and certain free-to-air coverage.

If Nine Network Australia Pty Limited is granted free-to-air rights on terms agreed between Nine and TAB, PBL must procure Nine to continue to broadcast Saturday afternoon racing coverage until 2004. Refer to Appendix 4 for details.

Domestic and International Rights
 Domestic and International Rights
 Agreement with Australian Turf Club, AJC, and
 STC, 1997 as amended. The S and TAB Club (STC)
 dated 18 December 1997 to provide air

Each of the AJC and STC have granted Sky Channel the rights to transmit their race meetings by satellite to non-domestic premises, such as State-based totalizator outlets, registered clubs and hotels. Sky Channel does not have the rights to broadcast to domestic locations, nor pay or cable television and free-to-air television rights. In return for the grant of rights, Sky Channel pays the AJC and STC an annual fee, and provides promotional services.

Both agreements expire on 4 March 2004, unless sooner terminated. However, Sky Channel has first and last right of refusal over the rights granted in each agreement until 2010.

*Agreement with Victorian Amateur Turf Club and Moonee
 Valley Racing Club, Victoria Racing Club and Victorian
 Country Racing Club, and other Clubs dated
 28 July 1997*

The Clubs have granted Sky Channel, for a fee, exclusive rights to transmit via satellite to non-domestic locations, metropolitan and country racing. Sky Channel also has the right to tender 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 expiry, Sky Channel has a right to tender for and a right to match any offer by the Clubs of rights the subject of the agreement (see Appendix 4 for details).

*Domestic and International Rights and State-based
 totalizator operators*

Sky Channel has contracts with over 3,500 clubs and hotels and similar commercial sites for the provision of the Sky Channel 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. The expiry dates are phased so that a manageable number of contracts require renewal each year.

Sky Channel also has agreements, expiring on different dates, for the supply of the Sky Channel service with the State-based totalizator operators in each State of Australia and in the Northern Territory (other than Tasmania, whose agreement expired on 9 April 1998. However, Sky Channel continues to provide its service and expects to enter into a new agreement).

Generally, the terms of each agreement require Sky Channel to provide the Sky Channel service, being coverage of race meetings, supporting commentary, interviews and other events, in return for the payment of an annual licence fee by the relevant State-based totalizator operator. The licence fee escalates each year.

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

Pay television agreements

Optus Vision Pty Limited ('Optus Vision') and Foxtel Management Pty Limited ('Foxtel') have each agreed to carry a domestic pay television service provided by Sky Channel.

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
- during the term of the agreements, to the extent permissible by law, Foxtel and Optus Vision agree not to carry any other racing service.

The Directors have determined that disclosure of the precise terms of these agreements is likely to result in unreasonable prejudice to TAB and Sky Channel, 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 this could considerably disadvantage TAB and Sky Channel in future negotiations with other pay television providers, and with racing clubs.

Technology contracts

Orbit Satellite Services Agreement, between Sky Channel and Optus Networks Pty Limited dated February 1998
Optus Networks Pty Limited ('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 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.

Video Contribution Network and Service Agreement between Sky Channel and Telstra dated 19 July 1996

Under this agreement, Telstra must link all race tracks 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 is for three years from 30 June 1997, expiring 30 June 2000. Scheduled fees are payable monthly in advance. Sky Channel must pay a fee if it wishes to terminate at 30 June 2000.

Transponder Sublease Agreement between Sky Channel and Nine dated 22 December 1997

Under this agreement, Nine subleases to Sky Channel part of the transponder on Asia Sat 2 (the 'leased capacity').

Sky Channel must perform all of Nine's obligations under the Head Lease Agreement between Nine and Asia Satellite Telecommunications Company Limited ('Asia Sat'), as far as they relate to the leased capacity, including paying rental directly to Asia Sat.

Asia Sat 2 Uplink Facility Agreement between Sky Channel and Nine dated 29 August 1996

Nine provides uplinks for Sky Channel's signal 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 its equipment if Nine replaces or changes its uplink technology. The agreement expires on 21 May 2001.

Restrictions apply to Nine's liability for any breach of this agreement.

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.

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. Certain restrictions apply in relation to TAB's rights to terminate the agreement in 2004.

Banking facility

TAB has a \$200 million unsecured facility with Westpac Banking Corporation. The existing facility arrangements expire in October 1998, when the facility must be refinanced. Further details are set out in Appendix 4.

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).

TAB's licences

Off-course totalizator licence

On 6 March 1998, TAB acquired its off-course totalizator licence, which is valid 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 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 wagering events under the Gaming and Betting Act.

Terms of the licence include requirements to comply with laws regulating wagering activities and provisions relating to monitoring that compliance and the integrity of totalizators conducted by TAB. For additional details of the licence, refer to Appendix 4.

On-course totalizator licence

On 6 March 1998, TAB acquired its on-course totalizator licence, which is valid for a period of 99 years expiring on 6 March 2097. 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, harness or greyhound races and may not authorise the conduct of totalizators on sporting events. For additional details of the terms of the licence, refer to Appendix 4.

Disciplinary action in respect of totalizator licences

The Minister administering the Totalizator Act may take disciplinary action in respect of TAB's off-course totalizator licence or on-course totalizator licence if:

- TAB has contravened (or not taken reasonable precautions to ensure that its contractors do not contravene) a provision of the Totalizator Act or regulations, TAB's rules of wagering, a condition of the licence or a direction by the Minister under the Totalizator Act;
- TAB or a related body corporate holds a casino licence under the *Casino Control Act 1992* (NSW) or holds any

licence or conducts any activity which is prohibited under section 20 of the Totalizator Act;

- TAB becomes an externally administered corporation as defined in the Corporations Law; or
- the Minister considers that TAB is no longer a suitable person to give effect to the licence and the Totalizator Act or that it is no longer in the public interest that the licence should remain in force.

Disciplinary action which the Minister could take in these circumstances includes one or more of cancelling or suspending the relevant licence, imposing a fine of up to \$1,000,000 or issuing a letter of censure.

CMS licence

TAB acquired its CMS licence on 30 April 1998 for a term expiring 15 years after a date to be declared by the Minister. The NSW Government intends that the date on which the Minister approves TAB's CMS to commence operations will be determined by the Minister as the date on which the 15 year period will commence.

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

The licence requires TAB to design, develop, integrate and operate a CMS which complies with the requirements of its licence. The licence requires all systems used in connection with CMS and the specifications for those systems to be approved by the Minister. The Minister may at any time direct changes to the specifications for the systems used in relation to CMS.

Terms of the CMS licence include requirements for compliance with probity requirements, laws relating to CMS and gaming and provisions to facilitate the association between TAB's CMS and the activities of the NSW Government. The terms of TAB's CMS licence are outlined in more detail in Appendix 4.

Links licences

On 30 April 1998, TAB acquired licences to conduct Links in NSW hotels and NSW registered clubs. Both licences expire on a date which is 15 years after a date to be declared by the Minister. The NSW Government intends that the date on which the Minister approves TAB's Links systems to commence operations will be determined by the Minister as the date on which the 15 year period will commence.

TAB paid a total of \$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.

TAB's licences require Ministerial approval of rules of linked jackpot games conducted through Links, of Jackpot Game Suppliers and all computer systems used by TAB in connection with Links and include provisions relating to fidelity and probity requirements and monitoring compliance with those requirements and the terms of the licences. The terms of TAB's licences are outlined in detail in Appendix 4.

Ownership, supply and operation of gaming machines

Proposed legislation currently before the NSW Parliament provides for amendments to the Registered Clubs Act and Liquor Act, which if passed in their current form, will:

- confirm that TAB under its Links licence in relation to registered clubs, can own, supply and finance gaming machines connected to Links in NSW registered clubs;
- entitle TAB to an exclusive 15 year gaming machine investment licence which will authorise it to supply gaming machines to NSW hotels, provide finance to hoteliers to enable the hotelier to acquire gaming machines and share in the profits derived from the operation of gaming machines supplied to hoteliers by TAB or acquired by a hotelier with finance provided by TAB; and
- enable TAB to conduct these activities through a joint venture with the Registered Clubs Association or Australian Hotels Association respectively.

The terms of TAB's gaming machine investment licence have not been determined. The NSW Government does not currently intend to charge TAB a fee for the grant of the gaming machine investment licence or any ongoing licence fees in respect of that licence, even though the proposed legislation would enable such fees to be imposed.

Disciplinary action in relation to gaming licences

The Minister may take disciplinary action in respect of TAB's gaming licences if TAB:

- fails to comply with certain applicable legislation or the terms of the licences;
- enters into or authorises a dealing with or in respect of TAB shares or other instruments issued by TAB, without the consent of the Minister which in the opinion of the Minister affects the control of TAB;

- becomes an externally administered corporation; or
- fails to promptly terminate the employment of a person involved in the management of TAB who is convicted of an offence involving fraud or dishonesty.

Disciplinary action which the Minister could take includes one or more of cancelling or suspending the relevant licence, imposing a fine of up to \$250,000 or issuing a letter of censure.

Statutory exemptions from competition laws

Statutory exemptions to the Trade Practices Act and the Competition Code are provided under the Totalizator Act in relation to:

- the grant of off-course and on-course totalizator licences to TAB;
- the RDA and certain agreements between entities in the NSW Racing Industry for the distribution of monies paid by TAB to NSWGR under the RDA; and
- directions under the Totalizator Act by the Racing Controlling Bodies to racing clubs to give effect to the RDA.

Similar statutory exemptions are also granted under the Liquor Act and Registered Clubs Act in relation to the grant of CMS and Links licences to TAB and the conduct authorised or required under the terms of those licences.

The Federal government can override these exemptions by regulations under the Trade Practices Act. If that occurred, the enforceability of the agreements and TAB's ability to take action authorised under its licences may be affected. Under the Conduct Code Agreement between the Federal and State governments, after four months following notice of the exemptions, overriding regulations may only be passed on the basis of a report of the National Competition Council on, amongst other things, whether the exemptions should be overridden. That period has expired in relation to all of the exemptions currently granted.

Dividend reinvestment plan

TAB has established its DRP to provide shareholders with the choice of reinvesting dividends in additional TAB shares rather than receiving those dividends in cash. The Directors 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.

All TAB shareholders would be eligible to participate in the DRP except as otherwise determined by the Directors in accordance with the rules of the DRP.

Shares issued to TAB shareholders participating in the DRP will be issued at a discount of up to 5%, as determined

by the Directors, to the market value of TAB shares. The market value of TAB shares will be determined on the basis of sales of TAB shares on the ASX in the five Business Days prior to the books closing date for the dividend or, if no TAB shares are sold in that period, by the Directors. No brokerage, commission or other transaction costs and no NSW stamp duty or other duties will be payable by TAB shareholders on TAB shares issued under the DRP.

See Appendix 4 for further details of the DRP.

Taxation considerations for investors

The following is a simplified outline of the tax position for Australian resident individual investors based on the current law. It is not meant to be an authoritative or complete statement of the law. Investors, and in particular corporations, trustees and non-Australian residents, should seek their own advice in relation to their taxation situation.

Tax on dividends

- Dividends received by Australian residents are normally taxable as income.
- Individual shareholders who are residents of Australia may be entitled to a rebate of tax in respect of franked dividends received from TAB. The availability of this rebate may be restricted by proposed Federal legislation. Subject to certain exemptions and elections, the proposed legislation requires taxpayers (and their associates) to hold TAB shares 'at risk' for more than 45 days in order to qualify for the franking rebate.
- A franked dividend is one which is paid out of profits in respect of which TAB has paid Federal income tax (currently levied at 36%). The Federal income tax paid by TAB determines the available imputation credit attached to the dividend which in turn determines the franking rebate.
- If a shareholder is in receipt of a franked dividend from TAB and is entitled to a franking rebate, they should include an amount equal to the dividend they receive plus the imputation credit as income in their tax return. A rebate equal to the imputation credit is then available to offset tax on the dividend and on other income. The amount of the imputation credit available for any dividend will be shown separately on the dividend statements provided by TAB to each shareholder.
- Generally speaking, if your top marginal tax rate is 36% or less, you will pay no further income tax on a fully franked dividend (ignoring the Medicare levy). However, where the amount of the imputation credit exceeds your total tax liability, you cannot obtain a refund of that excess imputation credit.

- To the extent that a dividend is unfranked, there is no imputation credit. The unfranked portion of the dividend should be included as income in your tax return.
- Shareholders who participate in the DRP (if and when that plan is activated by the Directors) must include the amount of the dividend they elect to reinvest plus the imputation credit (if any) in their tax return as income as if they had received the dividend in cash. A rebate of tax is available to the extent of the imputation credit, subject to their holding of the shares 'at risk' for a period of 45 days.
- For capital gains tax purposes, the cost base of shares acquired under the DRP includes the cash amount of the dividend forgone in order to acquire the shares.

Tax on the disposal of shares

- Shareholders who dispose of their shares at a price in excess of their cost base may be subject to capital gains tax. Tax is imposed on the gain realised on the disposal, subject to an adjustment of the cost base for inflation over the period of the shareholding if the shares are held for more than 12 months. Averaging of capital gains may reduce the tax payable on the gain realised on disposal.
- Shareholders who dispose of shares at a price which is less than their cost base may incur a capital loss. A capital loss may be able to be offset against capital gains that arise in the same year of income or a subsequent year of income. A capital loss may not be offset against ordinary income. The capital loss will not include any inflation adjustment.
- Gains realised by certain categories of shareholders (such as share traders) may be taxed as ordinary income, without any adjustment for inflation.

Stamp duty

- No NSW stamp duty will be payable when you acquire TAB Shares under the Offer Document. All subsequent transfers of TAB shares may attract State stamp duty applicable to marketable securities. If you trade TAB shares on the ASX through a stockbroker, stamp duty in NSW is payable, currently as to 0.15% by the seller and 0.15% by the purchaser on the sale price of the shares.
- If you trade TAB shares otherwise than through a stockbroker, stamp duty will be payable in NSW by the purchaser, currently at the rate of 0.3%. Stamp duty is calculated on the higher of the sale price or the market value of the shares.

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.

The Shares have not been, and will not be, registered under the US Securities Act and may not be offered, sold or resold in, or to persons in, the United States except in accordance with an available exemption from registration. Any offer, sale or resale of Shares in the United States by a dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act if made prior to 40 days after the date on which the Final Price is determined and the Shares are allocated under the Offer or if such Shares were purchased by a dealer in the Offer.

None of this 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 delivery of certificates or shareholding statements for any Shares allocated under the Offer or (c) does not make the declarations, representations, warranties and agreements required by the Application Form or such bidding form.

By submitting an Application Form or Australian institutional bidding form, the applicant or bidder will be deemed to have:

- (a) acknowledged that the Shares have not been, and will not be, registered under the US Securities Act and may not be offered, sold or resold in, or to persons in, the United States except in accordance with an available exemption from registration; and
- (b) represented, warranted and agreed as follows:
 - (i) it:
 - (A) is not in the United States; and
 - (B) is not acting for the account or benefit of a person in the United States unless (in the case of clause (B) only) it is acting with investment discretion for such person or, if such person is a corporation or partnership, the applicant or bidder is an employee of such person authorised to make the Application or bid;
 - (ii) it is not engaged in the business of distributing securities or, if it is, it agrees that it will not offer, sell

or resell in, or to persons in, the United States:

(A) any Shares it acquires in the Offer at any time;

or

(B) any Shares it acquires other than in the Offer until 40 days after the date on which the Final Price is determined and the Shares are allocated in the Offer,

in either case other than in a transaction meeting the requirements of Rule 144A under the US Securities Act; provided, however, that the foregoing shall not prohibit any sale of shares in regular way transactions on the ASX if neither the seller nor any person acting on its behalf knows, or has reason to know, that the sale has been pre-arranged with, or that the purchaser is, a person in the US; and

(iii) if it is entitled to receive any fees or commissions from the NSW Government in connection with any purchase of Shares to which the Application or bid relates, it will not, directly or indirectly, pay or reallocate any portion of such fee or commission to any other person.

Other than set out below or elsewhere in this Offer Document or the Appendices:

- no Director or proposed director of TAB and no firm in which a Director or proposed director of TAB is or was at the relevant time, a partner has, or has had in the two years before the date of this Offer Document, any interest in the promotion of, or in any property proposed to be acquired by, TAB; and
- no amounts, whether in cash or shares or otherwise, have been paid or agreed to be paid to any Director or proposed director of TAB (or to any firm in which he or she is or was a partner) either to induce him or her to become, or to qualify him or her as, a Director, or otherwise for services rendered by him or her or by the firm in connection with the promotion or formation of TAB.

Ms Hutchinson is currently a consultant to Macquarie Underwriting Limited and Macquarie Corporate Finance Limited and was a director of those companies within the two years prior to the date of the Offer Document and the Appendices. Macquarie Underwriting Limited is a Co-Manager and, in that capacity, will receive fees from the NSW Government in connection with the Offer. Macquarie Corporate Finance Limited receives fees from entities in the NSW Racing Industry as their adviser in connection with the negotiations of the RDA with TAB.

Mr Kelly is currently a consultant to Freehill Hollingdale & Page and was a partner of that firm within the two years prior to the date of the Offer Document and the Appendices. Freehill Hollingdale & Page has received fees from the NSW Government in connection with its role as solicitor to the Government and to the Offer.

Mr Unsworth is the General Manager of 2KY Broadcasters Pty Limited and NSW Race Narrowcasts Pty Limited, significant suppliers of services to TAB.

Shareholdings

Directors are not required by the Articles to hold any TAB shares.

No Director as at the date of this Offer Document is the beneficial holder of any TAB shares. However, the Directors may acquire Shares offered for sale pursuant to the Offer (including as an Eligible TAB Employee).

Directors' fees

The Articles provide that the Directors are entitled to such remuneration as the Directors determine, but the remuneration of non-executive Directors must not exceed in aggregate a maximum amount fixed by TAB in a general meeting for that purpose.

As at the date of this Offer Document, the aggregate annual maximum remuneration for the non-executive Directors, excluding remuneration payable to the Managing Director, is \$570,000.

Directors' indemnities and immunities

The Directors have authorised, and signed and caused to be issued the Offer Document and the Appendices in accordance with a direction of the NSW Treasurer under the Privatisation Act. The Privatisation Act provides that the Directors are not civilly or criminally liable for any action taken pursuant to such a direction.

The NSW Government has agreed to indemnify each Director against any liability (including for legal costs) that is incurred by the Director in relation, whether directly or indirectly, to the Offer or to the Offer Document or the Appendices unless the liability arises out of any act or omission on the part of the Director that involves fraud, malice or a lack of good faith, is contrary to or inconsistent with a written direction of the Minister given pursuant to the Privatisation Act or involves a wilful breach of duty or recklessness.

TAB has executed a deed of indemnity in favour of the Directors. This deed indemnifies Directors in the same terms as the Articles. In addition, this deed of indemnity gives Directors a right of access to Board papers and requires TAB to maintain insurance cover for the Directors.

Status of Offer Document and Appendices

The Offer Document and the Appendices are not a prospectus under Chapter 7 of the Corporations Law and the liability provisions in Chapter 7 do not apply in relation to the Offer Document and the Appendices. Accordingly, the NSW Government, the Directors and others who would be liable under Chapter 7 in relation to a registered prospectus are not liable under those provisions in respect of the Offer Document and the Appendices.

Brokers' fees and commissions

(All fees relate to consideration received for the sale of Shares pursuant to the Offer.)

The NSW Government will pay a brokerage fee of 1% to stockbrokers (including the JLMs, International Co-Lead Manager, Co-Lead Managers and Co-Managers) for Shares sold pursuant to applications lodged by them and bearing their stamp, excluding applications under the Institutional Offer and applications by Broker Firm Applicants. In the case of Shares sold to Broker Firm Applicants, a fee of 1.5% will be paid to stockbrokers.

Commission will be payable to the JLMs, International Co-Lead Manager and Co-Lead Managers ('Institutional Syndicate') in respect of Shares sold under the Institutional Offer. In respect of Shares sold under the Institutional Offer in Australia, the Institutional Syndicate will collectively be paid a total commission of 0.75%, being 0.525% selling commission and a 0.225% pooled fee. The selling commission component will be paid in relation to bids submitted by the Institutional Syndicate (subject to the JLMs being limited to a maximum 75% of the total amount of this commission). In respect of Shares sold outside Australia, the JLMs and International Co-Lead Manager will collectively be paid commission of 2.25%, being 1.575% selling commission and a 0.675% pooled fee.

Expenses of the Offer

All expenses connected with the Offer are being borne by the Government, with the exception of initial listing fees which are being borne by TAB.

New developments

If, after the date of the Offer Document and the Appendices and before Shares are transferred pursuant to the Offer, TAB or the NSW Government becomes aware that there has been a significant change affecting a matter included in those

documents, a material statement in those documents is false or misleading or there is a material omission from those documents or a significant new matter has arisen, the Directors and the NSW Government will provide information about those developments as required under the ASX Listing Rules. The information will be provided through advertisements in major Australian metropolitan newspapers.

Documents available for inspection

Copies of the following documents are available for inspection during normal office hours free of charge at 495 Harris Street, Ultimo, NSW, for 12 months after the date of the Offer Document:

- TAB's Memorandum and Articles of Association;
- TAB's off-course and on-course totalizator licences;
- TAB's CMS and Links licences;
- the DRP;
- consents as set out in Appendix 4 of persons named in the Offer Document and the Appendices;
- the material contracts, including the RDA, referred to in this Section and Appendix 4, except the Government Agreement; and
- indemnities provided to the Directors by the NSW Government and TAB.

The copies of the material contracts referred to in this Section and in Appendix 4 deposited at the above address have been censored, and material has been deleted from the copies of the documents available for inspection. The censoring of those documents has been conducted consistently with the principles set out in the Corporations Law and ASC policy statements and class orders. Information has been censored from the copies of those documents as disclosure of the information would have resulted in unreasonable prejudice to TAB (other than by or as a result of breaching an undertaking given by TAB to another person) due to commercial sensitivity of the information and the commercial disadvantage which TAB could suffer if that information were made public.

Material in Appendices

Appendix 1 Wagering and Gaming Industry Overview

Appendix 2 Additional Financial Information

Appendix 3 Investigating Accountants' Report

Appendix 4 Additional Information.

Glossary of Terms

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

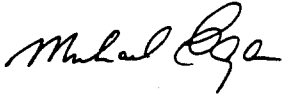
Glossary of Terms

franking	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.
FY	Financial year ended or ending 30 June as the context requires.
Gaming and Betting Act	The <i>Gaming and Betting Act 1912</i> (NSW) as in force at the date of the Offer Document.
Gaming Earnings	Gaming Earnings as defined in the RDA. The manner in which Gaming Earnings is determined is set out in Appendix 4.
Gaming Incentive Fee	An amount calculated by reference to 25% of Gaming Earnings.
Government Agreement	Agreement between the Government and various NSW Racing Industry bodies as described in Appendix 4.
HIN	Holder Identification Number.
Institutional Offer	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.
International Co-Lead Manager	See Directory.
Jackpot Game Suppliers	Companies which will contract with TAB to provide linked poker machine jackpot games across multiple Venues.
Joint Lead Managers or JLMs	See Directory.
LAB	NSW Liquor Administration Board.
Links	A linked gaming system under which jackpots are payable from gaming machines which are linked to other gaming machines across multiple Venues.
Liquor Act	The <i>Liquor Act 1982</i> (NSW) as in force at the date of the Offer Document.
Minister	The Minister of the NSW Government responsible for administering the relevant legislation.
Net Wagering Revenue	Net Wagering Revenue as defined in the RDA. The manner in which Net Wagering Revenue is determined is set out in Appendix 4.
News	News Limited (ACN 007 871 178) or its subsidiaries, including Radmar Pty Limited (ACN 000 181 653), or its nominees.
NSW	New South Wales.
NSW Government or Government	The government of NSW and includes the Crown in right of the State of NSW.
NSWR	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.
NSW Racing Industry	The entities and persons involved in the staging of thoroughbred, harness and greyhound racing on racecourses in NSW.
Offer or TAB Share Offer	The Public Offer and Institutional Offer.
Offer Document or TAB Share Offer Document	Offer Document for TAB dated 4 May 1998.
PBL	Publishing and Broadcasting Limited (ACN 009 071 167) or its nominee.
Privatisation Act	The <i>Totalizator Agency Board Privatisation Act 1997</i> (NSW) as in force at the date of the Offer Document.
Product Fee	21.64% of Net Wagering Revenue.

Public Application Price	For applicants under the Public Offer excluding Broker Firm Applicants, AS2.05 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, AS2.15 per Share, being the amount payable by Broker Firm Applicants under the Public Offer in respect of firm allocations.
Public Offer	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.
racing club	A club, association or other body (whether or not incorporated) which is registered with a Racing Controlling Body as a racing club.
Racing Controlling Bodies	NSW Thoroughbred Racing Board, Harness Racing New South Wales and Greyhound Racing Authority.
RDA	Racing Distribution Agreement dated 11 December 1997 between TAB, NSW and the Racing Controlling Bodies.
Registered Clubs Act	The <i>Registered Clubs Act 1976</i> (NSW) as in force at the date of the Offer Document.
SCH	Securities Clearing House Pty Limited.
Share(s) or TAB Share(s)	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.
Share Registrar	See Directory.
Sky Channel	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.
Special Reservation Entitlement	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.
SRN	Shareholder Reference Number.
State	State or Territory of Australia.
stockbroker	Member of the ASX.
TAB or the Company	TAB Limited (ACN 081 765 308) and, as the context requires, its subsidiary and associated companies or, the former Totalizator Agency Board of NSW.
TAB Share Information Centre	Contact point for provision of copies of the Offer Document and/or Appendices and clarification of certain matters related to the Public Offer.
TFN	Tax File Number.
TGC	Tasmanian Gaming Commission.
Totalizator Act	The <i>Totalizator Act 1997</i> (NSW) as in force at the date of the Offer Document.
Totalizator (Off-Course Betting) Act	The <i>Totalizator (Off-Course Betting) Act 1964</i> (NSW) which has been repealed.
Trade Practices Act	The <i>Trade Practices Act 1974</i> (Cth) as in force at the date of the Offer Document.
turnover	Total amount placed as wagers.
US or United States	United States of America.
US Securities Act	The United States Securities Act of 1933, as amended and in force at the date of the Offer Document.
Venues	Registered clubs and hotels in NSW.
Wagering Earnings	Wagering Earnings as defined in the RDA. The manner in which Wagering Earnings is determined is set out in Appendix 4.
Wagering Incentive Fee	An amount calculated by reference to 25% of Wagering Earnings.

Sellers and Directors' authorisation

This Offer Document is authorised by the State of New South Wales and is signed for and on behalf of the State of New South Wales by:

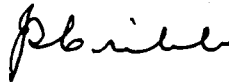


Michael Egan, MLC
Treasurer of NSW

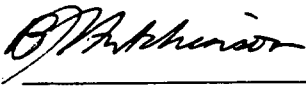
This Offer Document is authorised and signed by all of the Directors of TAB:



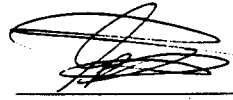
Gary Pemberton



Ross Cribb



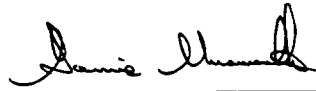
Belinda Hutchinson



Graham Kelly



Allan McDonald



Barrie Unsworth



Geoffrey Wild



Allen Windross

Checklist for completing and lodging your TAB Share Offer Application Form

To complete your Application Form correctly, follow the checklist below and the detailed instructions on 'How to fill out your Application Form' on the next page. Please also refer to 'Details of the Offer' in Section 2 of the Offer Document. Photocopies of Application Forms cannot be accepted. Please write clearly in capital letters using black ink. Do not write outside the white boxes.

Please apply as soon as possible. The Public Offer may close early.

STEP 1 Use the correct Application Form

- If you have received a separate yellow personalised Application Form accompanying your TAB Share Offer Document, you must complete the yellow personalised Application Form to receive your Special Reservation Entitlement to Shares. Follow the instructions supplied with the yellow personalised Application Form.
- If you are an Eligible TAB Employee, you must complete the orange Application Form which accompanies your TAB Share Offer Document to receive your employee priority for Shares. Follow the instructions supplied with the orange Application Form.
- If you have not received a yellow personalised Application Form or an orange Application Form, you should complete one of the green Application Forms on the following pages. You must fill in your name correctly. Detailed guidance on how to do this is given on the reverse of the green Application Form.

STEP 2 Complete your cheque(s)

DO NOT SEND CASH

- To calculate the correct amount for your cheque, use the Ready Reckoner on the next page.
- Your cheque(s) should be made payable to 'TAB Share Offer' and crossed 'Not Negotiable'.
- Cheques must be in Australian dollars (A\$) and drawn on an Australian branch of an Australian bank.
- Cheques will be deposited on the day of receipt. If sufficient funds are not available in your bank on this day, your application will be rejected.
- Write your application number (which you can find on the top right of the Application Form) on the back of your cheque(s).
- Pin (DO NOT STAPLE) the cheque(s) horizontally to the front of the Application Form where indicated.

STEP 3 Record your application number

- For future reference, record your application number(s) (which you can find on the top right of the Application Form) on the reverse of this page in the space provided. Your application number(s) can be used to check on your final allocation of Shares via the TAB Share Information Centre after Share allocation takes place.

STEP 4 Fold as shown

- Fold the Application Form where indicated.

STEP 5 Lodge your application

- Lodge your completed Application Form(s) and cheque(s) in the reply paid envelope included in the TAB Share Offer Document either by:
 - mailing it via Australia Post;
 - placing it in the collection box at any branch of the Commonwealth Bank of Australia in NSW or ACT; or
 - lodging it with any member of the ASX.
- If you misplace your envelope, send your Application Form(s) and cheque(s) to this address:
Reply Paid 888
NSW TAB – Share Offer
ULD 888
Eastern Suburbs MC NSW 1328.
- The Application Form(s) and cheque(s) must be received by no later than 4.00 pm Sydney time on the relevant closing dates shown on the next page, unless those closing dates are varied. Please allow sufficient time for postal delivery.
- Applications received at any branch of the Commonwealth Bank of Australia in NSW or ACT or by a member of the ASX in Australia will be treated as having been received by the application processing centre.

If you need further information on how to apply for Shares, please call the TAB Share Information Centre on *FREECALL 1800 356 888
Open 7 days

**Payphones and mobile phones may incur additional charges.*

How to fill out your Application Form

OFFER CLOSING DETAILS

- Broker firm Applications close on 10 June 1998
 - Public Offer closes on 12 June
- Apply as soon as possible
The Public Offer may close early.

These instructions are cross referenced to each section of the Application Form. Please complete all relevant white sections of the Application Form in capital letters using black ink. Photocopies cannot be accepted. Please do not write outside the white boxes.

Applicants completing the yellow personalised Application Form or the orange Application Form should follow the separate instructions that apply to those forms. All other applicants should start at **1** using the green Application Form. Applications using the wrong form of name or multiple applications using the yellow personalised Application Form and green Application Form(s) in the same name may be rejected.

- 1** Write the full name in which you wish to hold your Shares. You can complete this form as an individual, as a joint applicant with one or two other people (this would represent one application) or under a company name. Trusts, estates, businesses, firms, partnerships, clubs, associations, unincorporated bodies or deceased estates must follow the instructions on the reverse of the Application Form.
The table on the reverse of the Application Form shows how you should write your name(s) in the required format. Use <>brackets and the letters A/C where indicated. If applicable, and you wish to apply for Shares using your CHESSE Holder Identification Number (HIN), you must write your name in EXACTLY THE SAME FORMAT as it appears on your CHESSE holding statement(s).
- 2** Please complete this section to provide address details. You must use an Australian address. If you are making a joint application, the address should be that of the first person or company named on the form. All correspondence will be mailed to this address.
- 3** If you use a company name, please provide your Australian Company Number (ACN) or Australian Registered Business Number (ARBN).
- 4** If you are already a CHESSE participant, or sponsored by a CHESSE participant, write your HIN here.
- 5** Insert the number of Shares you wish to apply for. The application must be for a minimum of 700 Shares and thereafter in multiples of 100 Shares.
- 6** Enter the amount of your Application Monies here. The amount must be equal to the number of Shares applied for multiplied by the Public Application Price. **The Public Application Price is \$2.05 per Share for all applicants in the Public Offer, other than Broker Firm Applicants whose Public Application Price is \$2.15 per Share. All applicants, other than Broker Firm Applicants, should use the Ready Reckoner below to help calculate the correct amount payable. Broker Firm Applicants should NOT use the Ready Reckoner to help calculate the correct amount payable.**


This Ready Reckoner will help you calculate the Application Monies you need to pay.

Shares	\$ amount	Shares	\$ amount	Shares	\$ amount
700	\$1,435	2,000	\$4,100	10,000	\$20,500
800	\$1,640	3,000	\$6,150	20,000	\$41,000
900	\$1,845	4,000	\$8,200	30,000	\$61,500
1,000	\$2,050	5,000	\$10,250	40,000	\$82,000

- 7** Insert the details of the cheque(s) you are attaching. Please be sure that the total of the cheque(s) equals the Application Monies shown in **6**. Make your 'Not Negotiable' cheque(s) payable to 'TAB Share Offer', payable in Australian dollars drawn on an Australian branch of an Australian bank. Sufficient cleared funds should be held in your cheque account to ensure your application is accepted. Write your application number on the back of your cheque(s).
- 8** Please provide your name, daytime and after hours phone numbers, including STD area code, in case we need to contact you about your application.

Where to send your Application Form(s):

Use the reply paid envelope supplied or refer to page 67 for address details.

Record your application number(s) here. 

The number(s) can be used to check your Share allocation via the TAB Share Information Centre after Share allocation takes place.

Pin cheque here (do not staple)

TAB Share Offer application form

FIRM STAMP

BROKER STAMP

Please read the TAB Share Offer Document and lodge your application form as soon as possible. The Public Offer may close early. Please read all the instructions in this application section. Please print clearly in capital letters using black ink. Photocopies cannot be accepted. Do not write outside the boxes.

Broker Code (office use)

Adviser Code (office use)

Application Number

0021364231

Applicant full name (full given name then surname) or company name - continue the name in section B if additional space required.

A

Joint applicant or name continuation (full words)

B

Joint applicant or <'Account Name' A/C>

C

ADDRESS DETAILS PO Box/RMB/Locked Bag/Care of (c/-)/Property names/Building names/Levels or Floors etc. (if applicable)

D

PO Box or other information

Unit number

Street number

Street name

Suburb/Town

State

Postcode

E

ACN/ARBN (for companies only)

CHESS HIN (if applicable)

F

X

Number of Shares applied for

Total application monies

G

H

A\$

0 0

Please make sure that this amount equals the number of Shares applied for multiplied by the Public Application Price. Please make cheque(s) payable to 'TAB Share Offer'.

CHEQUE DETAILS

Important - Please write your application number (shown above) on the back of your cheque(s)

I

Drawer

Bank

Branch

A\$

Drawer

Bank

Branch

A\$

Total - must equal amount shown in H

A\$

0 0

CONTACT DETAILS

Contact name - Please print clearly in capital letters

J

STD area code

Daytime telephone number

STD area code

After business hours telephone number

No signature is required. Applicants make the declarations on the reverse side of this form by lodging this application form and cheque(s).



0021364231

Terms and declarations section – reverse of application form

Treatment of Applications

1. If your application is not completed correctly, or if the cheque(s) is for the wrong amount, it may still be treated as valid. The NSW Government's decision as to whether to treat your application as valid, and how to construe, amend or complete it, will be final.
2. You will not, however, be treated as having offered to purchase more Shares than is indicated by the amount of your cheque(s).
3. The acceptance of applications and the allocation of Shares is at the discretion of the NSW Government.
4. Application monies will be held in a separate bank account on behalf of the applicants until the acceptance of applications. If the TAB Share Offer does not proceed all application monies will be returned.
5. The NSW Government reserves the right to allocate to applicants fewer Shares than applied for. If the number of Shares allocated is fewer than the number applied for, surplus monies will be refunded following the closing of the TAB Share Offer.
6. Interest will not be paid on the monies returned or refunded.
7. The NSW Government may aggregate or reject multiple applications.

For more information, refer to the TAB Share Offer Document.

Declarations

1. All details and statements made by me/us in this application are complete and correct and this application complies with the terms of the TAB Share Offer Document.
 2. I/we agree to be bound by the Memorandum and Articles of Association of TAB Limited and make the representations, warranties and agreements set forth under "Selling Restrictions" in the Additional Information section of the TAB Share Offer Document.
 3. I/we authorise the NSW Government to complete and execute any documents necessary to transfer the Shares to me.
 4. I/we represent and warrant that:
 - a. no person will breach the maximum shareholding restrictions imposed by Division 2 of Part 8 of the Totalizator Agency Board Privatisation Act, 1997 or Division 3 of Part 3 of the Totalizator Act, 1997 if I am allocated the number of Shares for which I/we have applied;
 - b. I am/we are not in the United States and not acting for the account or benefit of another person within the United States; and
 - c. the law of any other place does not prohibit me from being given the TAB Share Offer Document, or making an application on this form.
- I/we understand that if I/we cannot make these representations and warranties, I/we may not use this application form to apply for Shares. By returning this application form together with a cheque(s) for the application monies, I/we will be deemed to have accepted the terms and conditions of this TAB Share Offer including the declarations set out above.

How to fill out your name(s) on the application form

How to complete A, B & C

Individual (use name in full not initials)	A	ELIZABETH JOSEPHINE MONTGOMERY
	B	
	C	
Joint with one or two others (represents one application)	A	JOHN PETER SMITH
	B	MARY HELEN SMITH
	C	FREDERICK JAMES SMITH
Company (use full company name)	A	JOHN SMITH FRESH FOODS
	B	TRANSPORT PTY LTD
	C	

Examples of use of <Account Name>

Superannuation Fund (use trustee(s) name(s) in A and/or B and an account name as shown in C)	A	JOHN SMITH & SONS FRESH FOODS
	B	PTY LTD
	C	<SUPER FUND A/C>
Trust (use trustee(s) name in A and/or B and an account name as shown in C)	A	JOHN PETER SMITH
	B	
	C	<SMITH FAMILY A/C>
Deceased Estate (use executor(s) name(s) in A and/or B and an account name as shown in C)	A	CAROLINE VAN DER HELDER
	B	
	C	<ESTATE JOHN SMITH A/C>
Partnership (use partner(s) name(s) in A and/or B and an account name as shown in C)	A	MARGARET BROWN
	B	JOHN PETER SMITH
	C	<JOHN SMITH PARTNERS A/C>
Club/Unincorporated Body (use office bearer(s) full name(s) in A and/or B and an account name as shown in C)	A	JOHN PETER SMITH
	B	
	C	<XYZ TENNIS ASSOCIATION A/C>

Terms and declarations section – reverse of application form

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4. I/we represent and warrant that:
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 - b. I am/we are not in the United States and not acting for the account or benefit of another person within the United States; and
 - c. the law of any other place does not prohibit me from being given the TAB Share Offer Document, or making an application on this form.

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How to fill out your name(s) on the application form

How to complete A, B & C

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	B	
	C	
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	B	MARY HELEN SMITH
	C	FREDERICK JAMES SMITH
Company (use full company name)	A	JOHN SMITH FRESH FOODS
	B	TRANSPORT PTY LTD
	C	

Examples of use of <Account Name>

Superannuation Fund (use trustee(s) name(s) in A and/or B and an account name as shown in C)	A	JOHN SMITH & SONS FRESH FOODS
	B	PTY LTD
	C	< SUPER FUND A/C >
Trust (use trustee(s) name in A and/or B and an account name as shown in C)	A	JOHN PETER SMITH
	B	
	C	< SMITH FAMILY A/C >
Deceased Estate (use executor(s) name(s) in A and/or B and an account name as shown in C)	A	CAROLINE VAN DER HELDER
	B	
	C	< ESTATE JOHN SMITH A/C >
Partnership (use partner(s) name(s) in A and/or B and an account name as shown in C)	A	MARGARET BROWN
	B	JOHN PETER SMITH
	C	< JOHN SMITH PARTNERS A/C >
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	B	
	C	< XYZ TENNIS ASSOCIATION A/C >

Pin cheque here (do not staple)

TAB Share Offer application form

FIRM STAMP

BROKER STAMP

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Broker Code (office use)

Adviser Code (office use)

Application Number

0021364240

Applicant full name (full given name then surname) or company name – continue the name in section B if additional space required.

A

Joint applicant or name continuation (full words)

B

Fold here

Joint applicant or <'Account Name' A/C>

C

ADDRESS DETAILS PO Box/RMB/Locked Bag/Care of (c-)/Property names/Building names/Levels or Floors etc. (if applicable)

D

PO Box or other information

Unit number Street number Street name

Suburb/Town

State

Postcode

ACN/ARBN (for companies only)

CHESS HIN (if applicable)

E

F

X

Number of Shares applied for

Total application monies

G

H

A\$

0 0

Please make sure that this amount equals the number of Shares applied for multiplied by the Public Application Price. Please make cheque(s) payable to 'TAB Share Offer'.

CHEQUE DETAILS

Important – Please write your application number (shown above) on the back of your cheque(s)

Fold here

I

Drawer Bank Branch A\$

Drawer Bank Branch A\$

Total – must equal amount shown in H

A\$ 0 0

CONTACT DETAILS

Contact name – Please print clearly in capital letters

J

STD area code Daytime telephone number

STD area code After business hours telephone number

No signature is required. Applicants make the declarations on the reverse side of this form by lodging this application form and cheque(s).



0021364240