

D02/59297



RAC000AMGV



New South Wales



**SHARE OFFER
DOCUMENT**

Public Offer (except Broker Firm Applicants)	\$2.05 per Share ⁽¹⁾
Broker Firm Applicants under Public Offer	\$2.15 per Share ⁽²⁾
Institutional Offer	\$1.80-\$2.20 per Share ⁽³⁾

- (1) The price ultimately paid by applicants in the Public Offer, other than Broker Firm Applicants, will be the lesser of \$2.05 per Share and the Final Price.
(2) The price ultimately paid by Broker Firm Applicants will be the lesser of \$2.15 per Share and the Final Price.
(3) Indicative price range only.

Public Offer opens	9.00 am, 25 May 1998
Public Offer closes	4.00 pm, 12 June 1998
Broker firm Applications close	5.00 pm, 10 June 1998
Institutional Offer opens	9.00 am, 9 June 1998
Institutional Offer closes	4.00 pm, 19 June 1998
Announcement of Final Price and basis of Share allocation	21 June 1998
Trading on the ASX commences on a deferred delivery basis	22 June 1998
Expected despatch of shareholding statements	29 June 1998

* This timetable is indicative only and investors are encouraged to submit their Applications as early as possible. The Government has the right to vary the dates of the Offer, including closing the Public Offer and/or the Institutional Offer early, without prior notice. All times are Sydney time.

Application for Shares can be made by completing and lodging an Application Form. Application Forms are contained at the back of or accompany this Offer Document. **If you reserved a Share Offer Document by 8 May 1998, you must use the yellow personalised Application Form to receive the Special Reservation Entitlement. Eligible TAB Employees must use the orange Application Form to receive their priority.**

The minimum Application size is 700 Shares. Additional Shares can be applied for in multiples of 100 Shares.

The Application Form must be accompanied by a cheque in Australian dollars drawn on an Australian branch of an Australian bank made payable to 'TAB Share Offer' and crossed 'Not Negotiable'. Completed Application Forms, together with Application Monies, should be mailed using the enclosed reply paid envelope or posted to the following address:

Reply Paid 888
NSW TAB - Share Offer
ULD 888
Eastern Suburbs MC NSW 1328.

Alternatively, they may be delivered to any member of the ASX, or placed in the collection box at any branch of the Commonwealth Bank of Australia in NSW or ACT. **Applications cannot be accepted at TAB agencies, branches, PubTABs, ClubTABs or gaming venues.**

If you have any questions on how to complete the Application Form, or if you require additional copies of this Offer Document or copies of the Appendices, you should call the TAB Share Information Centre on 1800 356 888 in Australia.



**Treasurer of New South Wales
Australia**

4 May 1998



Dear Investor,

On behalf of the State of NSW, I am pleased to invite you to participate in acquiring Shares in TAB, a major Australian leisure and entertainment organisation.

The TAB Share Offer represents the second largest sale of a government business to date in NSW and one of the largest sales conducted by public float by any State government.

TAB currently conducts the largest wagering operation in Australia and was the fifth largest wagering organisation in the world measured by turnover in the year to 30 June 1997. TAB has acquired 99 year licences to operate both off-course and on-course totalizators in NSW. No other off-course totalizator licence may be issued in NSW for 15 years.

TAB has recently acquired Sky Channel, the principal telecaster of race meetings and racing information to wagering outlets, clubs and hotels throughout Australia.

TAB has acquired exclusive licences to operate a central monitoring system and conduct linked jackpot systems for gaming machines in NSW hotels and gaming machines in NSW registered clubs. In addition, proposed legislation currently before the NSW Parliament will, if passed, entitle TAB to a licence to own, supply and finance gaming machines in hotels in NSW.

The NSW Government will make TAB Shares widely available to retail investors, with no shareholder being allowed an entitlement to more than 5% of TAB Shares.

Funds raised through the sale of TAB will go to the NSW Government and net proceeds of the sale will be applied to make certain payments to the NSW Racing Industry with the remainder to be paid into NSW Consolidated Revenue so as to reduce net NSW state debt.

Prospective investors should be aware that an investment in TAB is not guaranteed by the NSW Government and that the price of shares can go down as well as up. You should carefully read this Offer Document and the Appendices before making your investment decision.

I commend this Offer to you and wish the Directors and employees of TAB every success in the future.

Yours faithfully,

Michael Egan
Treasurer of NSW

4 May 1998



Dear Investor,

On behalf of the Directors, it is my pleasure to present to you the opportunity to participate in the privatisation of TAB.

TAB originated in 1964 as the NSW Government's Totalizator Agency Board, and has since expanded to become the largest wagering organisation in Australia, with turnover in the year to 30 June 1997 of \$3.645 billion.

In recent years, TAB has expanded its wagering product range and event coverage to include a wider range of racing and sporting activities. TAB also operates an extensive distribution network that includes 1,480 distribution outlets throughout NSW and a phone wagering system servicing over 110,000 account holders.

In a strategic move, TAB purchased Sky Channel in April 1998. Sky Channel is the principal means by which racing is telecast into wagering outlets, clubs and hotels throughout Australia. TAB and Sky Channel are planning to develop a domestic pay television racing service so that Australians may view racing and participate in wagering from their own homes.

TAB is developing a number of new gaming businesses, which it currently expects will commence operation in the second half of 1999. These include the conduct of linked jackpot systems connecting gaming machines in NSW hotels and gaming machines in NSW registered clubs and the operation of a central monitoring system for gaming machines in NSW.

The management of TAB is focusing on creating and enhancing shareholder wealth, through initiatives such as improved utilisation of the wagering distribution network, ongoing management of operating costs, product enhancement and the development of new products and businesses.

Details of the Offer and TAB's operating and financial information are set out in this Offer Document and the Appendices. I urge you to carefully read the Offer Document and the Appendices, and look forward to welcoming you as a shareholder of TAB.

Yours faithfully,

A handwritten signature in dark ink, appearing to read "Gary Pemberton". The signature is written in a cursive, flowing style.

Gary Pemberton
Chairman, TAB Limited

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This Offer Document and the Appendices are dated 4 May 1998.

Unless otherwise specified, statistical and operating information relating to TAB is as at 31 March 1998.

Unless otherwise indicated, statistics on revenue and turnover in the Australian wagering and gaming industries are derived from information provided by TGC.

Key Information





PhoneTAB received approximately 14.2 million calls in FY1997.



TAB has the largest customer base of any State-based totalizator operator.



TAB is committed to extended event coverage and seeks to increase the number of races covered where programming allows.

This Section is a summary only and is not intended to provide complete information about TAB or the Shares. This Section should be read in conjunction with the information contained in the balance of this Offer Document and the Appendices.

Operations

TAB conducts wagering in NSW and owns Sky Channel. TAB is developing new gaming businesses, which it currently expects will commence operations in the second half of 1999.

Wagering

TAB is the exclusive operator of off-course totalizators in NSW, and accepts wagers on thoroughbred, harness and greyhound races throughout Australia and on an extensive range of sporting events.

TAB has acquired licences which expire in 2097 to operate off-course and on-course totalizators in NSW. No other off-course totalizator licence can be granted in NSW before 2013. TAB is also authorised to conduct fixed-odds wagering on sporting events, which it expects to commence offering in the second half of 1998.

TAB conducts its business through a sophisticated distribution network of 1,480 outlets in NSW and a phone wagering system servicing over 110,000 account holders. Its wagering systems accepted wagers on 3,854 race meetings in FY1997 and have completed as many as 7 million transactions in a day.

Racing Industry Relationship

The RDA provides the new framework for the relationship between TAB and the NSW Racing Industry. Under the RDA, TAB makes a range of payments to NSWRI in return for the staging of an agreed programme of thoroughbred, harness and greyhound race meetings in NSW. The objectives of the parties under the RDA include to encourage public interest in racing and wagering in NSW and to promote the quality and development of racing in NSW.

Under the RDA, TAB expects the NSW Racing Industry will receive more money from TAB than previously. TAB anticipates that the increased funding to the NSW Racing Industry may increase prize money, although there is no obligation for the NSW Racing Industry to do so. TAB believes increased prize money may contribute to improvements in the attractiveness of racing in NSW.

For further details of the RDA, refer to Sections 4, 6 and 8 and Appendix 4.

Competition

Competition in and across Australian wagering and gaming industries has increased in recent years. TAB primarily competes with providers of gaming products in NSW, principally gaming machines, the Sydney casino, lottery products and, to a lesser extent, with other forms of leisure and entertainment. TAB also competes with bookmakers and on-course totalizators in NSW and, to some extent, with interstate and international wagering operators who can accept wagers from people in NSW through telecommunications media such as telephones and personal computers.

Sky Channel

On 15 April 1998, TAB acquired Sky Channel, an Australian satellite television service that telecasts race meetings to approximately 5,600 commercial subscribers in Australia. Sky Channel represents a strategic acquisition as it holds rights to telecast race meetings into wagering outlets, clubs and hotels throughout Australia.

Gaming

TAB is developing new gaming businesses, which it currently expects will commence operation in the second half of 1999. The principal activities are expected to include operating linked gaming machine jackpot systems in NSW, operating a central monitoring system of gaming machines in NSW and subject to the passage of legislation by the NSW Parliament, owning, supplying and financing gaming machines in hotels in NSW and gaming machines connected to Links in NSW registered clubs.

Future strategy

TAB is further developing its core businesses of wagering and Sky Channel, and expects to introduce new gaming businesses.

TAB aims to improve wagering earnings by, amongst other things:

- rationalising and enhancing its distribution network;
- seeking improvements to race programming; and
- developing and expanding fixed-odds wagering on sporting events.

TAB is focused on the development of its Sky Channel business, and together with Sky Channel is planning to develop a dedicated domestic pay television racing service.

TAB has recently acquired licences to conduct CMS and Links, and is developing strategies for the introduction of its new gaming businesses in accordance with those licences.



TAB accepted wagers on 3,854 race meetings in FY1997.



TAB expects to commence fixed-odds wagering on sporting events in the second half of 1998.

Selected forecast financial information

The selected forecast financial information below is based on the Directors' forecasts and underlying assumptions set out in Section 5.

Selected forecast financial information			
Year to 30 June		1998 ⁽¹⁾ pro-forma forecast	1999 forecast
Wagering turnover	\$m	3,901.0	4,144.0
Total revenue	\$m	650.0	740.9
EBITDA	\$m	108.6	127.3
EBIT	\$m	91.2	96.7
Profit after income tax	\$m		50.3
Profit after income tax but before amortisation	\$m		65.3
Nominal dividend per share ⁽²⁾	cents		8.0
Dividend yield ⁽²⁾⁽³⁾	%		3.9%
Franking	%		100%

(1) The Forecast Reported Result for FY1998 is for EBIT of \$47.4 million and profit after income tax of \$47.4 million. The pro-forma forecast for FY1998 differs from the Forecast Reported Result since it includes adjustments, as set out in Section 5, to take account of changes to the off-course wagering regulatory and commercial framework under which TAB now operates as if it had been in effect from 1 July 1997 and to remove a one-off contribution made by the NSW Government. On-course totalizator turnover, revenue and expenses are included from 1 October 1997 and the revenue and expenses of Sky Channel are included from 15 April 1998.

(2) Based on a total of 500 million shares on issue assuming completion of the Offer and the issue of shares to PBL and News in connection with TAB's acquisition of Sky Channel. Includes both forecast interim and final dividends, each of 4 cents per share.

(3) Based on Public Application Price (not applicable to Broker Firm Applicants) of \$2.05 per Share.

The NSW Government is inviting offers to purchase all of its 450 million Shares in TAB. At the same time as Shares are transferred pursuant to the Offer, TAB will issue a total of 50 million shares to PBL and News in connection with TAB's purchase of Sky Channel. See Section 2 for further details.

Dividends

The Directors currently intend that TAB will pay its first dividend of 4 cents per share in March 1999 and expect TAB to pay a final dividend in respect of FY1999 of 4 cents per share in September 1999. The Directors expect these dividends to be fully franked.

The Directors can give no assurance about the future level of dividends or the extent to which dividends will be franked. These will depend on a number of factors, including those discussed in Section 6, many of which are beyond TAB's control.

TAB's dividend policy is described in Section 5.

Details of the Office



2: Details of the Offer

The NSW Government is inviting offers to purchase all of its 450 million Shares in TAB. The Offer is in two parts:

- the Public Offer, which is open to members of the Australian public, including Eligible TAB Employees; and
- the Institutional Offer, which is open to Australian institutions, certain international institutional investors and members of the ASX.

Important dates*

	Opening dates	Closing dates
Public Offer	Monday, 25 May 1998 at 9.00 am	Friday, 12 June 1998 at 4.00 pm
Broker firm Applications		Wednesday, 10 June 1998 at 5.00 pm
Institutional Offer	Tuesday, 9 June 1998 at 9.00 am	Friday, 19 June 1998 at 4.00 pm

* The Government has the right to vary the dates of the Offer, including closing the Public Offer and/or the Institutional Offer early, without prior notice. All times are Sydney time.

The Public Offer

The Public Offer is open to:

- members of the Australian public who reserved an Offer Document by 8 May 1998;
- Eligible TAB Employees;
- Broker Firm Applicants; and
- other members of the Australian public.

Application price

Applicants under the Public Offer apply for Shares at the Public Application Price. The Public Application Price is \$2.05 per Share for all applicants under the Public Offer, other than Broker Firm Applicants. The Public Application Price is \$2.15 per Share for Broker Firm Applicants. The applicable Public Application Price will be the maximum price payable by applicants under the Public Offer.

Applicants will not pay any NSW stamp duty or brokerage on the purchase of Shares pursuant to the Offer.

Determination of the final price payable in the Public Offer

The price ultimately payable by all applicants under the Public Offer will be the lower of their Public Application Price and the Final Price. The Final Price will be determined by the NSW Government after the close of the Institutional Offer, after consultation with the Joint Lead Managers and the Government's financial adviser.

If the Final Price is lower than \$2.05 per Share, a refund of excess Application Monies will be made in respect of Shares allocated under the Public Offer, including those allocated to Broker Firm Applicants. If the Final Price is above \$2.05 per Share and below \$2.15 per Share, a refund of excess Application Monies will be made in respect of Shares allocated under the Public Offer to Broker Firm Applicants only. No interest will be paid on any Application Monies refunded.

How to apply

Applications under the Public Offer must be for a minimum of 700 Shares and in multiples of 100 Shares thereafter.

To apply for Shares, you must use one of the Application Forms at the back of or accompanying this Offer Document. The Application Form includes detailed instructions on how to complete the form. Your Application Form must be accompanied by a cheque(s) in Australian dollars drawn on an Australian branch of an Australian bank, made payable to 'TAB Share Offer' and crossed 'Not Negotiable'.

For all applicants in the Public Offer other than Broker Firm Applicants, the cheque(s) must be for \$2.05 per Share multiplied by the number of Shares for which you are applying. For all Broker Firm Applicants, the cheque(s) must be for \$2.15 per Share, multiplied by the number of Shares for which you are applying.

Your Application Form contains an application number. Please keep a record of this number as it will be important for your dealings with the TAB Share Information Centre and will assist you in ascertaining your allocation of Shares.

The NSW Government reserves the right to treat applications for Shares in excess of 100,000 Shares as part of the Institutional Offer. Where the NSW Government is advised by the Joint Lead Managers that investors who would typically be regarded as institutional investors have applied under the Public Offer, the NSW Government also reserves the right to treat such applications as bids in the Institutional Offer.

Application Documents

If you reserved an Offer Document by 8 May 1998, you should have received a yellow personalised Application Form with your Offer Document.

If you apply using the yellow personalised Application Form, you will be guaranteed an allocation of Shares which is 25% higher than the minimum allocation in the Public Offer (the Special Reservation Entitlement). The NSW Government will, after consultation with the Joint Lead Managers and the Government's financial adviser, determine the minimum allocation in the Public Offer after the close of the Institutional Offer.

You must use the yellow personalised Application Form to receive your Special Reservation Entitlement. The yellow personalised Application Form contains detailed instructions on how to apply for Shares.

If the number of Shares you apply for is equal to or less than the Special Reservation Entitlement, you will receive the number of Shares for which you applied.

Applications for a greater number of Shares than the Special Reservation Entitlement may be subject to scale-back arrangements. For those Applications, the precise number of Shares allocated above the Special Reservation Entitlement will not be known until after the Offer closes.

Eligible TAB Employees

The NSW Government will reserve up to approximately 4.5 million Shares for purchase by Eligible TAB Employees, who will each have priority for up to 2,500 Shares. To the extent that Eligible TAB Employees do not apply for these Shares in full, the remaining Shares will be available for other applicants in the Offer.

Eligible TAB Employees must use the orange Application Form provided to you by TAB to receive your priority to Shares. The orange Application Form contains detailed instructions on how to apply for Shares.

You must not use the orange Application Form to apply for more than 2,500 Shares.

If you are an Eligible TAB Employee and you wish to apply for more than 2,500 Shares, you should use the orange Application Form to apply for 2,500 Shares, and the green or yellow Application Form to apply for the balance.

Applications by Eligible TAB Employees using the green Application Form (other than as Broker Firm Applicants) will receive no allocation priority and will be subject to any scale-back arrangements.

Applications by Eligible TAB Employees who are pre-registered applicants using the yellow Application Form will only receive priority in relation to the Special Reservation Entitlement, and will be subject to any scale-back arrangements.

Eligible Broker Firm Applicants

If you have been offered a firm allocation of Shares by your stockbroker, you will be treated as a Broker Firm Applicant under the Public Offer in respect of this allocation. Broker Firm Applicants are required to apply for Shares at the Public Application Price of \$2.15 per Share, which will be the maximum price payable by Broker Firm Applicants. The Public Application Price payable by Broker Firm Applicants is \$0.10 per Share above the Public Application Price payable by all other applicants under the Public Offer. You must use the green Application Form attached to this Offer Document.

Application Documents if you did not reserve an Offer Document

If you did not reserve an Offer Document by 8 May 1998, you should use the green Application Form attached to this Offer Document. The green Application Form contains detailed instructions on how to apply for Shares.

2 Details of the Offer

If applications for Shares exceed the number of Shares available, scale-back arrangements will apply. There is no assurance that applicants using the green Application Form will be allocated the number of Shares for which they have applied.

Applicants under the Public Offer (other than Broker Firm Applicants or Eligible TAB Employees applying as public applicants in the Public Offer) should not lodge more than one application.

The NSW Government reserves the right to reject or aggregate applications which appear to be multiple applications from the same person.

Lodgement of Applications

Your completed Application Form and cheque(s) should be:

- mailed using the enclosed reply paid envelope; or
- mailed to
Reply Paid 888
NSW TAB – Share Offer
ULD 888
Eastern Suburbs MC NSW 1328; or
- placed in the collection box at any branch of the Commonwealth Bank of Australia in NSW or ACT; or
- lodged at any office of the Joint Lead Managers, International Co-Lead Manager, Co-Lead Managers or Co-Managers; or
- lodged at any office of any other member of the ASX

so that it is received by 4.00 pm Sydney time on Friday, 12 June 1998.

Broker firm Applications must be received by 5.00 pm Sydney time on Wednesday, 10 June 1998.

You should send in your completed Application Form and cheque(s) as soon as possible after the Public Offer opens. The NSW Government reserves the right to close the Public Offer and/or the Institutional Offer early without prior notice, and to vary any of the dates relating to the Offer, including those set out on page 1 in the Important dates.

Allocation of Shares

A proportion of Shares has been reserved for:

- Eligible TAB Employees; and
- Broker Firm Applicants.

Applications by Eligible TAB Employees, by pre-registered applicants and by Broker Firm Applicants may have preference over other Applications made in the Public Offer. Shares not allocated to these parts of the TAB Share Offer will be allocated to other applicants in the Offer.

If Applications exceed the number of Shares available, then scale-back arrangements will apply.

To the extent that applicants are not allocated the number of Shares for which they have applied, they will receive a refund of Application Monies in respect of those Shares for which they have applied but were not allocated. No interest will be paid on any Application Monies refunded.

The NSW Government will publish the basis of allocation of Shares in advertisements in major Australian metropolitan newspapers. This is expected to take place on Monday, 22 June 1998. **From that date, you may telephone the TAB Share Information Centre on 1800 356 888 to seek confirmation of your allocation. You should note the application number in the right hand corner of your Application Form to assist you with this enquiry.**

The Institutional Offer

The Institutional Offer will be conducted using a bookbuild process. For further details of the Institutional Offer, refer to Appendix 4.

Invitations to bid

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

Invitations to international institutional investors to bid in the Institutional Offer will be made pursuant to separate international offering documents.

The Institutional Offer bookbuild process will be conducted from 9 June to 19 June 1998.

The book will close, unless varied, on Friday, 19 June 1998 at 4.00 pm Sydney time.

Indicative price range

Institutions will bid into the book based on an indicative price range of \$1.80 - \$2.20 per Share ('Indicative Price Range'). This range may be varied by the NSW Government at any time.

Bidders may bid above, within or below the Indicative Price Range.

Determination of the Final Price

The Final Price will be determined by the NSW Government after the close of the Institutional Offer, after consultation with the Joint Lead Managers and the Government's financial adviser.

The Final Price will be determined based on the level of demand for Shares and having regard to the objective of optimising the proceeds of the Offer and the desire for an orderly aftermarket. 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.

Institutional Offer allocation policy

The NSW Government will determine the allocation of Shares among bidders in the Institutional Offer after consultation with the Joint Lead Managers and the Government's financial adviser. Bidders in the Institutional Offer may not be allocated the number of Shares for which they lodged a bid. See Appendix 4 for details of the Institutional Offer allocation policy.

Subject to bid prices being competitive, the Government expects that a minimum of 157.5 million Shares will be allocated to successful applicants in the Institutional Offer. However, the Government reserves the right to determine and vary the allocation of Shares between the Public Offer and the Institutional Offer in its absolute discretion.

Shares to be sold

The number of Shares to be sold by the NSW Government pursuant to the TAB Share Offer is 450 million, and there is no mechanism for the Offer to be increased in size.

Proceeds of sale

The NSW Government will receive all proceeds from the sale of Shares. TAB will not receive any proceeds from the Offer.

The Government will pay a total of \$75 million to the NSW Racing Industry from the proceeds of the sale in accordance with the Privatisation Act and the Government Agreement. Refer to Appendix 4 for further details.

The remaining proceeds of sale, after payment of expenses in connection with the Offer, will be paid into NSW Consolidated Revenue so as to reduce net NSW state debt.

Issue of shares by TAB in connection with Sky Channel purchase

At the same time as Shares are transferred pursuant to the Offer, a total of 50 million shares will be issued to PBL and News in connection with TAB's acquisition of Sky Channel. Following the allotment of those shares, PBL and News will each beneficially own 5% of the issued shares in TAB.

TAB shares to be allotted to PBL and News will be issued at the Final Price, with a cash adjustment receivable or payable by TAB, to the extent that the total issue price of those shares varies from \$100 million.

PBL and News have undertaken that they will not dispose of their TAB shares before the earlier of the date which is six months from the date TAB is admitted to the official list of the ASX and TAB shares are granted quotation or 31 December 1998.

For further details, refer to Appendix 4.

2 Details of the Offer

Australian Stock Exchange listing

TAB will apply within three Business Days after the date of this Offer Document for admission to the official list of the ASX and for official quotation of TAB shares on the ASX.

TAB expects that trading on the ASX will commence on a deferred delivery basis on the first Business Day following the close of the Institutional Offer. Trading is expected to commence on Monday, 22 June 1998.

It is the responsibility of applicants to determine their allocation prior to trading in the Shares. If you sell Shares before receiving confirmation of your allocation, you do so at your own risk.

TAB will apply to participate in CHESS, in accordance with the ASX Listing Rules and the Business Rules of SCH. TAB will maintain an electronic issuer-sponsored subregister and an electronic CHESS subregister.

Following the transfer of Shares to successful applicants, shareholders will receive an initial statement of holding (similar to a bank account statement) that sets out the number of Shares which they have been allocated in the Offer.

This statement will also provide details of a shareholder's HIN in the case of a holding on the CHESS subregister, or SRN in the case of a holding on the issuer-sponsored subregister. Shareholders will be required to quote their HIN or SRN, as applicable, in all dealings with a stockbroker or the Share Registrar.

Shareholders will receive subsequent statements at the end of any month in which there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules. Additional statements may be requested at any other time either directly through the shareholder's sponsoring broker, in the case of a holding on the CHESS subregister, or through the Share Registrar in the case of a holding on the issuer-sponsored subregister. TAB may charge an administration fee for these additional issuer-sponsored statements.

Shareholding restrictions

The Totalizator Act and the Privatisation Act impose shareholding restrictions which prohibit anyone being entitled to more than 5% of the voting shares in TAB. Details of these shareholding restrictions are set out in Section 8 and Appendix 4. No allocation will be made which the NSW Government has reason to believe would result in any person contravening these shareholding restrictions. In completing and submitting an Application Form, each applicant will be taken to have represented and warranted that no person will contravene the shareholding restrictions if the applicant is allocated the number of Shares for which they have applied.

Refund of Application Monies

The NSW Government reserves the right not to proceed with the TAB Share Offer at any time before execution of the transfers of Shares to successful applicants. If the TAB Share Offer does not proceed, Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer or otherwise.

The NSW Government also reserves the right to reject any application for Shares and to allocate to any applicant in the Public Offer or bidder in the Institutional Offer fewer Shares than applied or bid for by those applicants.

Industry Overview **3**



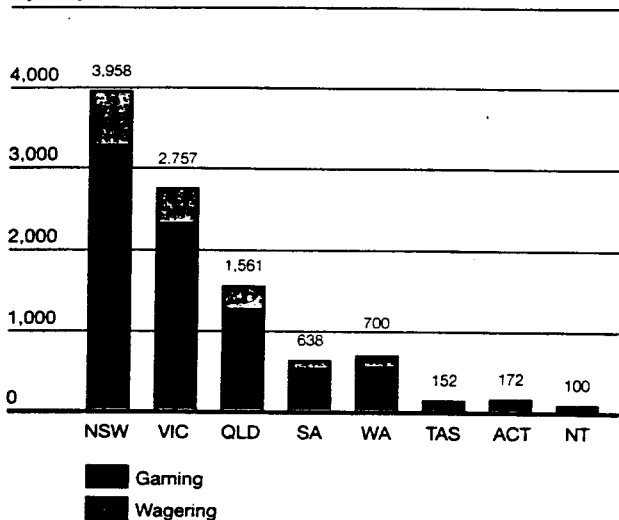
Wagering and gaming

The Australian wagering and gaming industries generated revenue of approximately \$10.0 billion in FY1997, with wagering representing 17% and gaming 83% of revenue.

Revenue on wagering and gaming is measured by the difference between turnover, being the amount wagered, and the amount returned to bettors or players as winnings.

The NSW wagering and gaming market is the largest in Australia, generating revenue of approximately \$4.0 billion in FY1997, more than \$1.2 billion higher than any other State.

Wagering and gaming revenue by State - FY1997
A\$ million



Source: TGC.

Wagering in Australia

Wagering includes the conduct of off-course and on-course totalizators and fixed-odds wagering on thoroughbred, harness and greyhound racing and wagering on sporting events, such as cricket, rugby league, rugby union, Australian Rules football, golf and motor racing. The Australian wagering industry generated revenue of \$1.7 billion in FY1997.

The principal form of wagering in Australia is totalizator wagering. In a totalizator, the operator pools all wagers and deducts a commission, with the remainder (exclusive of fractions) available to winning bettors.

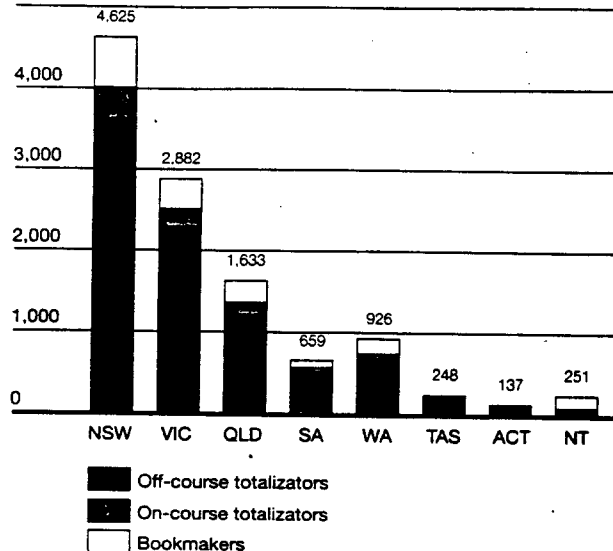
An alternate form of wagering in Australia is fixed-odds wagering. Fixed-odds wagering differs from totalizators in that at the time a wager is placed, the bettor is informed as to the odds of the wager. The bettor's odds do not normally change, regardless of the pattern of wagering subsequent to the placement of this wager.

Traditionally, State-based totalizator operators have conducted off-course and on-course wagering businesses, Australian race clubs have operated on-course totalizators and bookmakers have taken fixed-odds wagers on racing and sporting events.

Wagering in NSW

NSW is Australia's largest wagering market. In FY1997, approximately \$4.6 billion was wagered in NSW, with totalizators taking approximately \$4.0 billion and bookmakers taking the balance.

Wagering turnover by State - FY1997
A\$ million



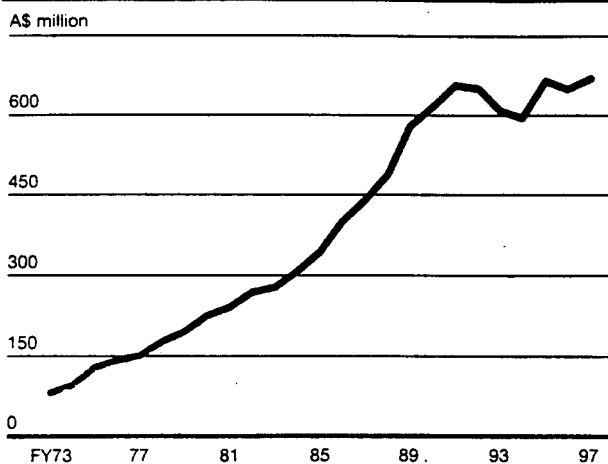
Source: TGC.

The divergence in turnover between States partly reflects both the larger population base of NSW and the relatively higher propensity of people in NSW to wager.

The NSW wagering market generated revenue of \$0.7 billion in FY1997. Approximately 86% of NSW wagering revenue in FY1997 was generated by TAB.

Aggregate revenue from wagering in NSW has increased substantially between FY1973 and FY1997, with TAB's share of wagering revenue in NSW increasing from 63% to 86%. In the same period, bookmakers' market share has fallen from 25% to 5%.

Total NSW wagering revenue – FY1973 to FY1997



Source: TGC.

During the 1990s, growth in wagering in NSW has slowed. Over this period, inflation has been relatively low and wagering revenue has also been affected by new sources of gaming competition, such as the opening of the Sydney casino and the introduction of poker machines into hotels. TAB believes that wagering growth has also been adversely affected by a decline in the attractiveness of the NSW Racing Industry product.

The NSW Racing Industry

The NSW Racing Industry comprises thoroughbred, harness and greyhound racing. In FY1997, the NSW Racing Industry conducted 3,146 race meetings.

NSW race meetings

FY1997	Racing code			Total
	Thoroughbred	Harness	Greyhound	
Racecourses	136	43	45	224
Race meetings	986	563	1,597	3,146

Source: DGR.

In December 1997, TAB entered into the RDA with NSW and the Racing Controlling Bodies.

Under the RDA, TAB expects the NSW Racing Industry will receive more money from TAB than previously. TAB anticipates that the increased funding to the NSW Racing Industry may result in increased prize money, although there is no obligation for the NSW Racing Industry to do so. TAB believes increased prize money may contribute to improvements in the attractiveness of racing in NSW.

A more detailed explanation of the RDA is provided in Appendix 4.

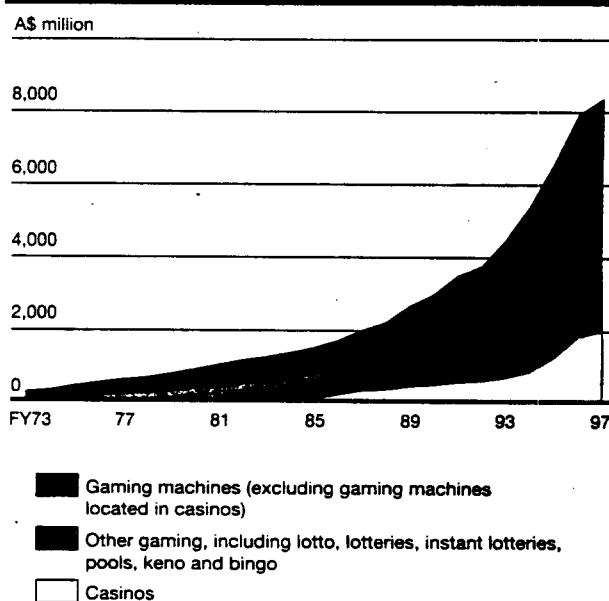
Gaming in Australia

The main forms of gaming in Australia are the operation of gaming machines in hotels, casinos and clubs, the conduct of table games in casinos and other forms of gaming including lotto, lotteries, instant lotteries, pools, keno and bingo.

Due to the substantial variation in the percentage return to players on the various gaming products, the discussion in the Offer Document and the Appendices in relation to gaming focuses on revenue, rather than turnover.

In the period from FY1973 to FY1997, Australian gaming industry revenue grew from \$0.2 billion per

Total Australian gaming revenue – FY1973 to FY1997



Source: TGC.

annum to \$8.4 billion per annum. The most significant period of growth in gaming has been since the mid 1980s with Australian annual gaming revenue increasing by over \$6.0 billion since FY1986.

The growth in gaming has primarily been due to the introduction of gaming machines in several States during this period and an increase in the number of casinos in Australia from four in 1984 to 14 at present.

TAB expects that rates of growth in the Australian gaming market in future years may decrease, due to a reduction in the rate of installation of gaming machines and because casinos are now established in every State and capital city:

Gaming machines in Australia

There were almost 158,000 gaming machines (excluding gaming machines located in casinos) in operation as at 31 March 1998.

The regulatory regimes applying to gaming machines vary among States. Differences include the number of machines permitted in individual venues, the number and type of venues in which machines are permitted, the minimum return to players, State taxation rates and the permitted ownership of machines.

Other gaming in Australia

Casinos in Australia operate gaming machines and table games, such as blackjack, roulette and baccarat, typically as part of an integrated entertainment complex. There are now 14 casinos in Australia, including one casino in every State capital city.

Other gaming activities such as lotto, lotteries, instant lotteries, pools, keno and bingo, offer large prizes to winners but often at high odds and at lower returns to players.

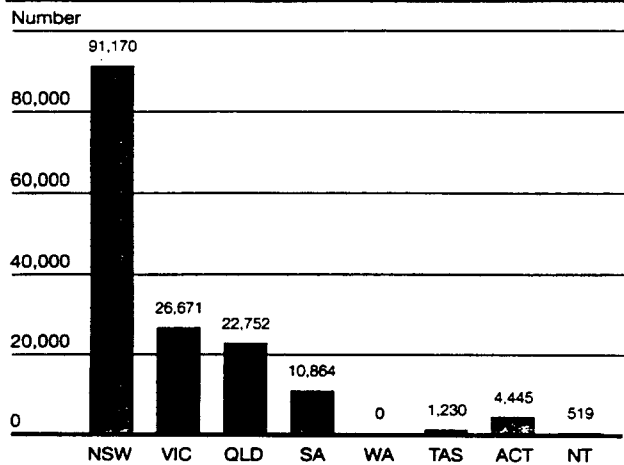
Gaming in NSW

The NSW gaming market generated revenue of \$3.3 billion in FY1997. Approximately 76% of NSW gaming revenue in FY1997 was generated by gaming machines.

Gaming machines in NSW

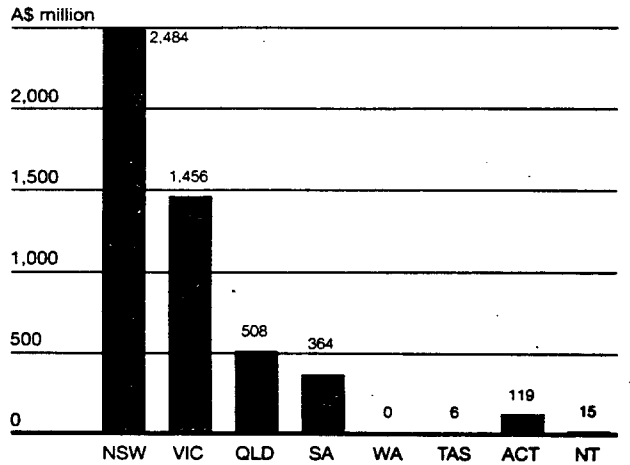
Gaming machine revenue in NSW of approximately \$2.5 billion in FY1997 was more than \$1.0 billion higher than that in any other State, reflecting, amongst other things, the larger number of gaming machines operated in NSW.

Number of gaming machines by State as at 31 March 1998*



* Excluding gaming machines located in casinos.
Source: Various State government departments regulating gaming and racing.

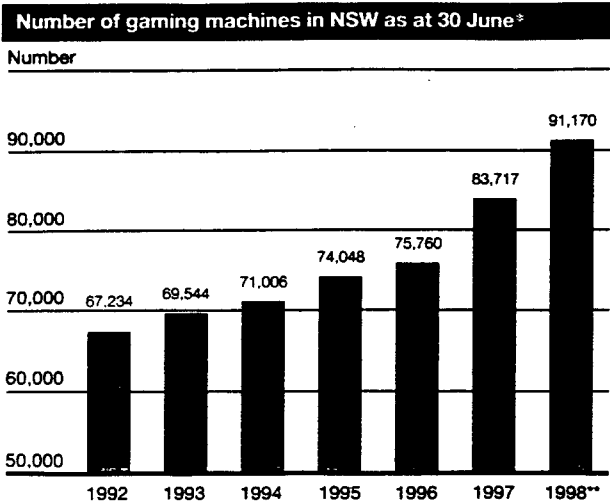
Gaming machine revenue by State - FY1997*



* Excluding gaming machines located in casinos.
Source: TGC.

As at 31 March 1998, registered clubs and hotels operated 67,305 and 23,865 gaming machines respectively. In addition, the Sydney casino operated 1,500 gaming machines.

Registered clubs in NSW are not restricted in the number of gaming machines they may operate, whereas hotels are currently permitted to operate a maximum of 30 gaming machines.



* Excluding gaming machines located in the Sydney casino.

** As at 31 March 1998.

Source: DGR.

Proposed legislation currently before the NSW Parliament will, if passed, alter certain restrictions in relation to gaming machines currently imposed on hoteliers. Refer to Appendix 1 for details.

Other gaming in NSW

The permanent Sydney casino opened in November 1997, and is licensed to operate a maximum of 1,500 gaming machines and 200 gaming tables. It replaced the temporary casino which opened in September 1995. The casino operator has the exclusive right to operate a casino in NSW until 2007. The casino currently operates less than 2% of the total number of gaming machines in NSW.

Other gaming activities conducted in NSW include lotto, lotteries, instant lotteries, pools, keno and bingo. Statewide keno was available in over 900 registered clubs as at 30 April 1998.

Revenue on other gaming activities in NSW in FY1997 totalled \$803 million.

Competition in and across wagering and gaming markets

Competition in and across wagering and gaming markets in Australia has increased in recent years and is predominantly focused at the State rather than national level.

State-based totalizator operators currently operate off-course totalizator wagering activities exclusively in their respective States. They generally compete with gaming providers in their own State and, to some extent, with providers of other forms of leisure and entertainment. They also compete with operators of authorised betting auditoriums, on-course totalizators and bookmakers in their own State. To some extent, State-based totalizator operators compete with interstate and international wagering operators, as bettors can place wagers with interstate or international wagering operators using telecommunications media such as telephones and personal computers.

Competition in gaming markets has intensified in recent years with the introduction of gaming machines into several States in the 1990s, the opening of new casinos and the expansion of lottery products, such as instant lotteries. Statewide keno games are also now in operation in most States. There are also several internet sites based outside Australia offering Australians wagering and gaming opportunities.

A more detailed description of the Australian wagering and gaming industries is contained in Appendix 1.

Telecasting of racing on Australian television

Regulatory environment

The Broadcasting Services Act regulates the ownership and operation of television and radio services in Australia, and applies to all categories of broadcasting and narrowcasting radio and television services by whatever means those services are transmitted.

The Australian Broadcasting Authority issues licences and determines class licences under the BSA for the categories of services covered by the BSA. Certain categories of services require individual licences

while others can be provided under class licences.

Sky Channel provides a subscription television service under a subscription television narrowcasting class licence under the BSA.

Subscription television narrowcasting class licences apply to television services that are only made available on payment of subscription fees and whose reception is limited in some way, such as being intended only for limited locations or because they provide programmes of limited appeal or targeted to special interest groups. These licences are subject to certain conditions, including compliance with relevant codes of practice.

Overview

Racing is telecast in Australia on Sky Channel, free-to-air network television and Channel 31.

Sky Channel

Sky Channel provides telecasts of race meetings and racing information to wagering outlets, registered clubs and hotels throughout Australia. Sky Channel charges subscribers a fee to receive its telecasts.

Sky Channel provides a subscription service specialising in the provision of racing pictures. Sky Channel currently has exclusive commercial rights to televise the major race meetings of the three codes of Australian racing.

Free-to-air television and Channel 31

Several thoroughbred race meetings conducted during the major racing carnivals are broadcast on free-to-air network television in Australia. Further, selected races from certain metropolitan thoroughbred race meetings are broadcast on free-to-air network television.

Channel 31 is a community-based free-to-air television service. In south-east Queensland and Melbourne, Channel 31 provides limited coverage of race meetings.

Pay television

TAB and Sky Channel are planning to develop a dedicated domestic pay television racing service.

Broadcasting of pay television in Australia commenced in 1995.

Australia currently has three major metropolitan and a number of regional pay television operators which broadcast via a range of delivery technologies including cable, microwave multi-point delivery systems and direct-to-home satellite.

Pay television is currently available to almost all Australians. It is estimated that approximately 10-15% of Australian households currently subscribe for pay television services.