



TABCORP

TABCORP Holdings Limited

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Dear Shareholder

Capital Gains Tax Implications of the Merger with Star City Holdings Limited

The purpose of this letter is to answer some of the questions you may have on the Capital Gains Tax (**CGT**) implications of the compulsory acquisition by TABCORP Investments Pty Ltd of your Star City preferred ordinary shares.

TABCORP intends that you only use this letter as a guide for calculating your liability for tax under the CGT rules in respect of the disposal of your Star City shares. The contents of this letter have not been subject to review by the Australian Taxation Office. This letter is not to be relied upon as advice and TABCORP recommends that you seek your own professional financial and taxation advice in respect of the taxation consequences of disposing of your Star City shares and acquiring shares in TABCORP Holdings Limited.

Disposal of your Star City shares

(i) Date of Disposal of Star City Shares

Based on taxation advice received by TABCORP, you will be treated as having disposed of your Star City shares for CGT purposes on the date TABCORP Investments Pty Ltd provided the disposal consideration and was registered as the holder of your shares. We have been advised by Star City that this occurred on 9 December 1999.

(ii) Amount of Capital Proceeds Received on Disposal of Star City Shares

The amount of capital proceeds to be taken into account when calculating whether or not you have CGT liability on the disposal of your shares should be the sum of:

- (a) the cash amount you received from TABCORP Investments Pty Ltd; and
- (b) the value of the TABCORP Holdings Limited shares you were issued in connection with the disposal of your Star City shares. We understand that the value of the TABCORP Holdings Limited shares you received in respect of disposal of your Star City shares should be determined using the weighted average selling price of TABCORP Holdings Limited shares on the date on which you disposed of your shares for CGT purposes (ie, 9 December 1999). The weighted average price in respect of shares in TABCORP Holdings Limited on this date was \$10.25.

Acquisition of TABCORP Holdings Limited Shares

(i) Date of Acquiring TABCORP Shares

For CGT purposes, it is our understanding that you will be taken to have acquired each TABCORP Holdings Limited share on the date it is issued by TABCORP Holdings Limited. The shares were issued by TABCORP Holdings Limited to Star City on your behalf on 9 December 1999.

(ii) Cost Base of TABCORP Shares

The cost base of each TABCORP Holdings Limited share you received should include the market value of the eight (8) Star City preferred ordinary shares you transferred to TABCORP Investments Pty Ltd, on the day the TABCORP Holdings Limited shares were issued (ie 9 December 1999 - \$1.54 x 8), less that cash amount received by you in respect of the eight (8) Star City preferred ordinary shares (\$1.97). The market value of Star City shares has been determined by a valuation by independent experts. The valuation was required because, on the date the TABCORP Holdings Limited shares were issued, Star City shares had been delisted. You should consider obtaining you own valuation advice.

On this basis the cost base of each TABCORP Holdings Limited share issued to you should be \$10.35.

If you require any further information, please contact Brendan Fahy, TABCORP's Shareholder Liaison Officer on (03) 9868 2779.

Yours faithfully

Peter Caillard
General Counsel & Company Secretary