

BLAKE DAWSON WALDRON

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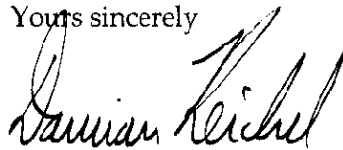
Dear Madam

Takeover bid by PBL (WA) Pty Limited for Burswood Limited (ASX:BIR)

We act for PBL (WA) Pty Limited ACN 095 976 275 (**PBL(WA)**), a wholly owned subsidiary of Publishing and Broadcasting Limited (ASX:PBL), in relation to its offer for all of the ordinary shares (**Offer**) in Burswood Limited (**Burswood**).

PBL(WA) has today lodged a supplementary bidder's statement dated 4 June 2004 (**First Supplementary Bidder's Statement**) with the Australian Securities and Investments Commission. On behalf of PBL(WA) and in accordance with section 647(3)(b) of the *Corporations Act 2001* (Cth), we attach a copy of the First Supplementary Bidder's Statement

Yours sincerely



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Our reference
DTR CXC 02 1365 6463

4 June 2004

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JAKARTA
SHANGHAI

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PBL (WA) PTY LIMITED (ABN 73 095 976 275)

FIRST SUPPLEMENTARY BIDDER'S STATEMENT

1. Introduction

This document is a supplementary bidder's statement under section 643 of the *Corporations Act 2001* (Cth). It is the first supplementary bidder's statement (**First Supplementary Bidder's Statement**) issued by PBL (WA) Pty Limited (**PBL(WA)**) in relation to its off-market takeover bid for all of the ordinary shares in Burswood Limited (ABN 36 075 071 537) (**Burswood**). This First Supplementary Bidder's Statement supplements, and should be read together with, PBL(WA)'s bidder's statement dated 29 April 2004 (**Bidder's Statement**).

2. Extension of Offer Period and analysis of Target's Statement

Attached as Annexure A to this First Supplementary Bidder's Statement is a copy of a letter which has been sent to Burswood shareholders by PBL(WA) on 4 June 2004 in which PBL(WA):

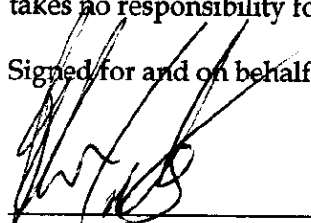
- (a) advises of an extension of the Offer Period so that it will now close at 7.00 pm Sydney time (5.00 pm Perth time) on Friday 2 July 2004 (unless further extended or withdrawn); and
- (b) analyses deficiencies which it believes exist in the target's statement dated 27 May 2004 issued by Burswood.

3. Authorisation

Unless the context otherwise requires, terms defined in the Bidder's Statement have the same meaning in this First Supplementary Bidder's Statement. The annexure to this First Supplementary Bidder's Statement forms part of this First Supplementary Bidder's Statement.

A copy of this First Supplementary Bidder's Statement has been lodged with ASIC. ASIC takes no responsibility for the contents of this First Supplementary Bidder's Statement.

Signed for and on behalf of PBL(WA) following a resolution of its directors.


Peter Yates
Director
PBL (WA) Pty Limited

Dated: 4 June 2004

Annexure A – Letter to Burswood shareholders



PBL (WA) PTY LIMITED
 ABN 73 085 976 275
 LEVEL 2,
 54 PARK STREET
 SYDNEY NSW 2000
 GPO BOX 4088
 SYDNEY NSW 1028
 AUSTRALIA

4 June 2004

Dear Burswood shareholder

We are writing to advise you of a variation to the offer by PBL (WA) Pty Limited ("PBL") to acquire all of your shares in Burswood Limited ("Burswood") and to detail what are in our view some serious deficiencies in the Target's Statement recently mailed out to you by the Board of Burswood.

PBL believes the Target's Statement sent to you by Burswood is misleading. It is important that you as a shareholder have accurate information upon which to base your decision.

Following requests from Burswood shareholders that we extend the closing date for the offer into the new financial year, we wish to advise you that PBL has varied its offer by extending the date by which acceptances must be received to 7.00pm Sydney time (5.00pm Perth time) on 2 July 2004. The offer remains \$1.40 in cash per share. The other terms and conditions of the offer remain the same.

Why you should accept PBL's offer

PBL believes that its \$1.40 cash offer is compelling for several reasons. In particular:

- PBL's offer is priced at an attractive multiple of Burswood's forecast earnings for the year to 30 June 2004 (at theoretical)¹ and allows the vast majority of Burswood shareholders to realise a cash profit on their Burswood shares. The implied enterprise value to EBITDA multiple of 9.4x is at the upper end of the 9.0x to 9.5x range suggested by Burswood's own independent expert, Lonergan Edwards and Associates Limited ("Lonergan Edwards").
- No competing offer for Burswood's shares has been made or foreshadowed. As PBL's stake of 15.6% in Burswood will prevent another bidder from proceeding to compulsory acquisition, a competing offer appears unlikely.
- If PBL does not succeed in obtaining 50.1% of Burswood's shares and allows its offer to lapse, we believe the Burswood share price is almost certain to fall. Lonergan Edwards believes that, in the absence of a rival bid (which they consider unlikely), Burswood's share price is likely to fall to as low as \$1.15 if PBL allows its offer to lapse.
- The Burswood high roller business is small, continues to be highly volatile, and, in PBL's view, is almost certain to decline further in the face of additional competition from both Australian and overseas casinos if Burswood remains a stand alone business.

¹ For the reasons outlined on page 2 of the Target's Statement, shareholders should be aware that meaningful analysis of the pricing multiples for casino operators engaged in the high roller business should be adjusted to reflect the impact of above or below theoretical or normal win rates.

Deficiencies in the Target's Statement and report by Lonergan Edwards

PBL believes that the Target's Statement sent to you by Burswood's Directors is misleading. We also believe the Lonergan Edwards report incorporates double counting errors and fails to provide adequate information on major components of the valuation, and is thus deficient in several material respects.

The Directors of Burswood should, in PBL's view, correct the misleading statements we believe are included in the Target's Statement in order to ensure there is not a false market in Burswood's shares.

In the Target's Statement, Burswood's Directors have set out a summary of the reasons for their recommendation to shareholders. We have outlined below why, in PBL's view, those reasons do not stand up to scrutiny.

Directors' Reason: Current performance of Burswood's business.

PBL's \$1.40 cash offer represents an attractive multiple of Burswood's **current** year forecast earnings (at theoretical). As the Burswood Directors would be aware, the fact that Burswood has benefited from good luck in its high roller business during the current year is not particularly relevant to a meaningful assessment of the \$1.40 cash offer.

PBL notes that Burswood's Directors are forecasting 4.4% growth in underlying (theoretical) earnings for the year to 30 June 2004. This outcome is broadly consistent with market consensus estimates at the time PBL made its offer and was priced into PBL's offer.

Notwithstanding the 4.4% growth inherent in the current year forecast, Burswood's current year forecast is lower than levels achieved as long ago as 1996 (at theoretical). Burswood has been unable to produce sustained growth in earnings for almost a decade.

Directors' Reason: Relative transaction multiples.

The Burswood Directors' presentation of comparable domestic casino transactions is, in PBL's view, misleading. On page 3 of the Target's Statement the Directors state that:

Based on Burswood's full year forecast earnings for the year ending 30 June 2004, the EBITDA multiple implied by PBL's Offer is 8.2x versus the average of recent domestic casino transactions of 10.0x.

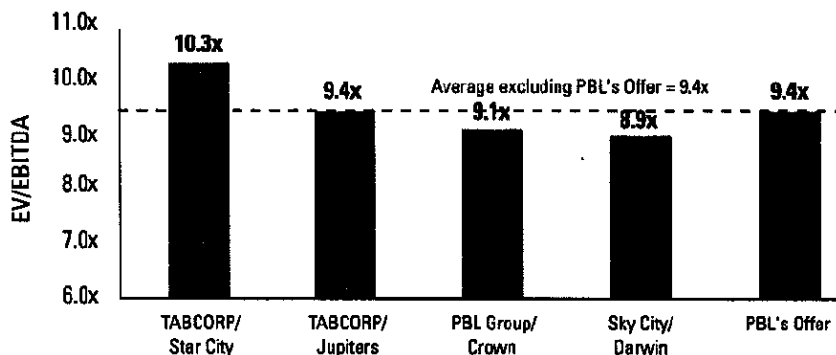
The multiple of 8.2x is calculated based on a forecast for the year to 30 June 2004 which incorporates \$14.0 million of earnings (before interest, tax, depreciation and amortisation) attributable to an above theoretical (and therefore unsustainable) win rate. The Burswood Directors would, or at least should, be aware of the shortcomings of presenting valuation measures or pricing multiples which are based on the assumption of continued good luck by a casino operator in its high roller business. Notwithstanding this knowledge, they have presented a comparison and drawn a conclusion based on the wrong multiple.

The approach adopted by the Burswood Directors on this issue is inconsistent with that of their independent expert. Not only does Lonergan Edwards adjust for this good luck, it considers an appropriate multiple is in the range 9.0 - 9.5x, not 10.0x.

The statement by the Directors quoted above also seeks to compare transaction multiples calculated based on historic earnings with an implied transaction multiple for Burswood based on forecast earnings. The comparison is therefore not "like for like". The comparison also omits data relating to other Australian casino transactions referred to by Burswood's independent expert, and which took place at lower multiples than all the precedent transactions to which the Burswood Directors refer.

Set out below is a proper comparison of the pricing multiple implied by PBL's \$1.40 cash offer to other casino transactions in Australia. The chart below adjusts to theoretical, compares multiples based on "maintainable" earnings in each case (as is common market practice), and provides a more meaningful basis upon which to assess PBL's offer.

Proper comparison of pricing multiples based on maintainable earnings (at theoretical)



(Tabcorp/Star City) Multiple based on the mid point of the independent expert range using a consideration of \$1,590m to \$1,660m and future maintainable EBITDA of \$152.5m to \$157.5m

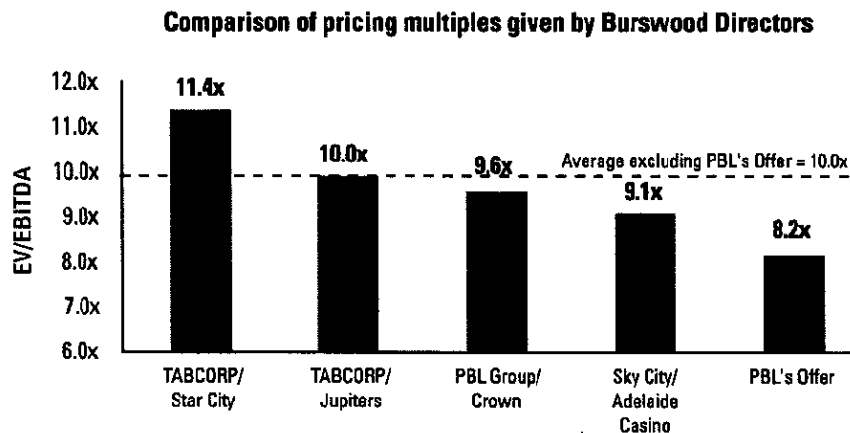
(Tabcorp/Jupiters) Multiple based on the mid point of the independent expert range using a consideration of \$1,716m to \$1,843m and future maintainable EBITDA of \$175m to \$180m

(PBL Group/Crown) Multiple based on the mid point of the independent expert range using a consideration of \$1,801m to \$1,855m and future maintainable EBITDA of \$200m

(Sky City/Darwin) Sky City/Darwin transaction included in place of Sky City/Adelaide as no maintainable earnings figures publicly available for Sky City/Adelaide. Pro-forma acquisition multiple based on consideration of \$195m and forecast earnings excluding the community gaming machine allowance rebate as reported in the Lonergan Edwards independent expert report prepared for Burswood

(PBL's offer) To allow for a comparison with the transaction multiples previously provided by the Burswood Directors this chart incorporates the Enterprise Values used by the Burswood Directors in Burswood's Target's Statement dated 27 May 2004

Following is a reproduction of the chart from page 11 of the Target's Statement, upon which the Burswood Directors have relied in providing a recommendation to shareholders. The chart calculates the implied earnings multiple from PBL's offer using the Burswood Directors' forecast of current year earnings, including the earnings attributable to good luck.



Shareholders should refer to page 12 of the Target's Statement for footnotes in relation to this chart.

Directors' Reason: The Independent Expert's view.

In making their recommendation to shareholders in relation to PBL's offer, the Burswood Directors have relied upon the report prepared by Lonergan Edwards.

The Lonergan Edwards report suggests a valuation of Burswood's core operations of \$1.30 - \$1.40 per share. Surplus assets have been valued by Lonergan Edwards at between 22 and 28 cents per share. Accordingly, the Directors' recommendation that the \$1.40 cash offer be rejected is reliant on the valuation of the surplus assets.

In PBL's view, Lonergan Edwards' valuation of surplus assets incorporates a serious double counting error in relation to the largest surplus asset. Further, the report does not provide adequate information to determine whether the other surplus assets have been valued appropriately. These issues are of critical importance to Burswood shareholders because without these additional items, the Directors' recommendation would presumably be to accept the offer.

□ **Between 7.3 cents and 11.1 cents per share has been double counted**

The range of multiples used by Lonergan Edwards to value Burswood's core business is only appropriate for a business with strong growth prospects.

In terms of Burswood's core gaming machine business, a substantial portion of the growth prospects have been separately valued by Lonergan Edwards as a surplus asset. The application of a strong growth multiple to Burswood's business generally and the separate valuation of growth prospects in its gaming machine business amounts to double counting.

A further double counting error has, in our view, been made by Lonergan Edwards in relation to what it describes as "efficiency initiatives". These measures, the achievement of which is subject to "significant hurdles and uncertainty", should not be valued separately when a relatively high multiple has been used to value Burswood's core business.

□ **Inadequate information regarding major components of valuation**

PBL considers the information provided by Lonergan Edwards concerning the other major items incorporated in the valuation to be completely inadequate. In particular:

- Lonergan Edwards values Burswood's interest in the Mirvac Fini joint venture at between \$29.6 million and \$36 million. Other than disclosing the discount rate used (for which no justification has been provided), no information is provided concerning the critical assumptions underlying this valuation.
- Details regarding the valuation of Burswood's "surplus" car park land are limited to the statement that it was valued by Knight Frank. There is no discussion of the negative impact on patronage of either a reduction of available car parking spaces or forcing patrons to walk further distance in the open. Clarification of critical assumptions underlying the Knight Frank valuation is necessary in order to determine whether such land is genuinely surplus to the operations of Burswood, and if it is, whether the valuation of the land is reasonable.
- No details have been provided to shareholders regarding the valuation of Burswood's 50% interest in the IHG partnership other than the post tax discount rate of 10% (again for which no justification has been provided).
- No detail is provided regarding how Burswood intends to achieve efficiency improvements valued at \$4.7m, nor why such improvements should be valued as a surplus asset rather than part of the core operating business.

□ **Omission of important information regarding trading multiples**

Lonergan Edwards makes no mention of the fact that Burswood has historically traded at a significant discount to other listed Australian gaming companies, based on a comparison of EBITDA multiples implied by share prices over an extended time period.

Lonergan Edwards does not explain why, despite this history, Burswood should now be valued at pricing multiples which do not reflect a discount to other listed Australian gaming companies.

Directors' Reason: Premium for control.

PBL's cash offer of \$1.40 represents a significant premium to the price at which Burswood shares were trading prior to September 2003 when PBL took its strategic stake in Burswood.

Lonergan Edwards acknowledges that PBL's acquisition of its strategic stake caused the Burswood share price to rally on the basis of takeover speculation.

Lonergan Edwards argues that, since PBL's acquisition of its strategic stake, the All Ordinaries Index and share prices of companies such as TABCORP, Publishing and Broadcasting Limited and UNITAB have increased, and this, at least in part, explains the increase in Burswood's share price over the period. Unlike Burswood, these companies are not "pure play" casino companies, and historically have not been good proxies for Burswood's share price. The only other listed "pure play" casino company in Australasia is Sky City, whose share price has decreased since September 2003.

Directors' Reason: Value of franking credits, underdeveloped assets, development projects, etc.

The Burswood Board has not provided the market with any meaningful information regarding its plans to return franking credits to shareholders. Furthermore, they have not provided shareholders with sufficient information which can be used to form a view on the value of Burswood's underdeveloped assets, development projects or ongoing operational efficiencies.

Questions you should ask the Burswood Directors

PBL believes that the Target's Statement gives rise to a series of important questions which Burswood's Directors fail to address:

- Why haven't the Directors provided shareholders with any financial information in relation to the Mirvac Fini joint venture?
- Why haven't the Directors provided shareholders with any financial information regarding the IHG partnership, including the assumptions underpinning the valuation of the partnership to Burswood?
- Why have the Directors accepted Lonergan Edwards' valuation of the net present value of the Burswood hotel at \$52.6 million, when Burswood paid \$104.7 million for the hotel less than 2 years ago? If the Directors accept the Lonergan Edwards valuation of \$52.6 million, how does this compare to the carrying value of the asset in the Burswood balance sheet? Given that a writedown appears to be required, what impact will this have on Burswood's retained earnings, and ability to pay dividends and use its franking credits?
- Why have the Directors repeatedly emphasised the value of Burswood's franking credits, yet refused to provide shareholders with details of how they plan to return the value of excess franking credits to shareholders?
- Why haven't the Directors provided shareholders with details of how they plan to sell land currently used by Burswood patrons for car parking without affecting patronage? Is it intended that the total amount of parking spaces available for patrons will be reduced? What is the impact on operations if patrons are required to park further away from the casino and walk long distances in the open? If underground car parking is proposed, is the cost of constructing underground parking known and was the requirement for an underground car park an assumption adopted in the Knight Frank valuation?
- If the car park land is genuinely surplus and worth over \$20 million, why didn't Burswood's Directors sell the land to raise urgently needed capital in November 2002 rather than issuing shares at 66 cents per share?

I encourage you to carefully consider PBL's offer and the Burswood Directors' response in light of the above. **PBL believes that its offer price incorporates a generous premium and provides full and fair value for all the assets of Burswood.**

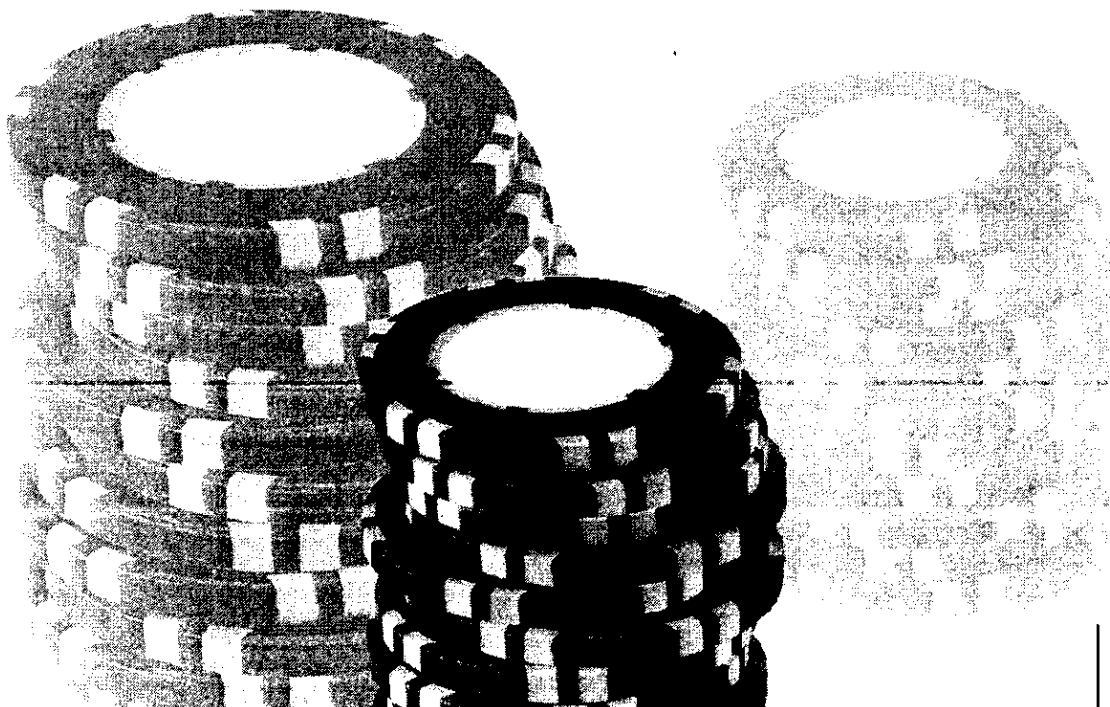
If you wish to accept our offer, please refer to clause 1.2 on page 12 of the Bidder's Statement. Full details as to acceptance procedures are set out in clause 7.3. Please note that with the extension of the offer period until 2 July 2004, shareholders who wish to have any capital gain included in their tax return for the 2005 financial year (rather than the 2004 financial year) should accept the offer after 30 June 2004 (although you should consult with your taxation adviser).

If you have any questions please do not hesitate to call the PBL Offer Information Line on 1800 132 009 (within Australia) or + 612 8280 7324 (from overseas).

Yours sincerely



Peter Yates
Director
PBL (WA) Pty Limited



**NOTICE OF VARIATION - EXTENSION OF OFFER PERIOD
SECTION 650D(1) CORPORATIONS ACT 2001**

**TO: Australian Securities and Investments Commission
Burswood Limited ABN 36 075 071 537**

Each person to whom offers were made under the takeover bid referred to in this notice

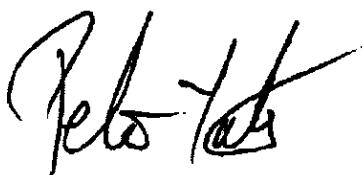
PBL (WA) Pty Limited ACN 095 976 275 (**PBL (WA)**), a wholly owned subsidiary of Publishing and Broadcasting Limited, **GIVES NOTICE** under section 650D(1) of the Corporations Act 2001 (Cth) that:

- (a) it varies the takeover offers dated 13 May 2004 (**Offers**) made by it under its off-market takeover bid to acquire all of the ordinary shares in Burswood Limited and contained in its bidder's statement dated 29 April 2004 (**Bidder's Statement**) by extending the offer period during which the Offers will remain open for acceptance until 7.00pm Sydney time (5.00pm Perth time) on Friday 2 July 2004 (unless further extended or withdrawn); and
- (b) the Offers are varied by:
- (i) replacing "15 June 2004" with "2 July 2004" in clause 7.2 of the Bidder's Statement;
 - (ii) replacing "15 June 2004" with "2 July 2004" wherever it appears on the Acceptance Form; and
 - (iii) replacing "4 June 2004" with "21 June 2004" in clause 7.6(k) of the Bidder's Statement.

A copy of this notice was lodged with the Australian Securities and Investments Commission (**ASIC**) on 4 June 2004. ASIC takes no responsibility for the contents of this notice.

DATED 4 June 2004.

Signed for and on behalf of PBL (WA) Pty Limited pursuant to a resolution passed by its directors



Peter Yates
Director