

6. Additional expense considerations

6.1. Overview of additional expenses considered

We have been instructed to overlay the financial forecasts with the inclusion of new assumptions in relation to additional animal welfare expenditure; and the rationalisation of the number of clubs from 34 to between 8 and 14.

The following are the additional expenses considered:

6.1.1. Upgrade to Wyee GAP facility

On 20 March 2016, GRNSW announced a plan for a major expansion of the Greyhounds As Pets rehoming facility including the creation of 76 additional kennels, a veterinary clinic and a specialised adoption centre. The improvements announced by GRNSW are expected to be undertaken between FY16 and FY17 and are expected to cost at least \$1m.

We note that GRNSW have not factored the above mentioned costs in their forecasts and accordingly, these costs have been considered.

6.1.2. Track rationalisation

In 2015, KPMG prepared a report for GRNSW which recommended the optimisation of the number of clubs in order for the greyhound racing industry to be financially sustainable due to the increased costs associated with meeting the revised standards of compliance. Currently, there are 34 greyhound racing clubs operating in NSW and GRNSW have confirmed that they plan to reduce the number of clubs to between 8 and 14 mainly through the closure of the non-TAB racing clubs.

In addition, KPMG estimated that the funding cost per club to cover operating expenses amounts to \$0.83m including the proposed upgrading to the revised compliance standards and excluding prize money. We note that per GRNSW's current FY16 budget, \$9.8m is allocated annually for 'Club Administration and Funding', which considers operating expenditure for approximately 12 clubs (c. \$0.83m per club).

The final number of clubs is yet to be agreed; therefore we have been instructed to evaluate a number of scenarios depending on the number of clubs (8 to 14) and based on a funding cost of \$0.83m per club. We have considered that any costs saved from closing clubs will be part of the additional investment into the remaining clubs and that the reduction in the number of clubs will have no impact on the annual budget for 'racing club and infrastructure' currently projected at \$1.55m per year.

In addition, initial one off costs [REDACTED] scheme spread over FY17 – FY19 in relation to infrastructure improvements, the closure of Breeding Incentive Scheme, the launch of the Online Services Portal and the digitalisation of Kennel Inspections.

6.1.3. Establishment of Centres of Excellence

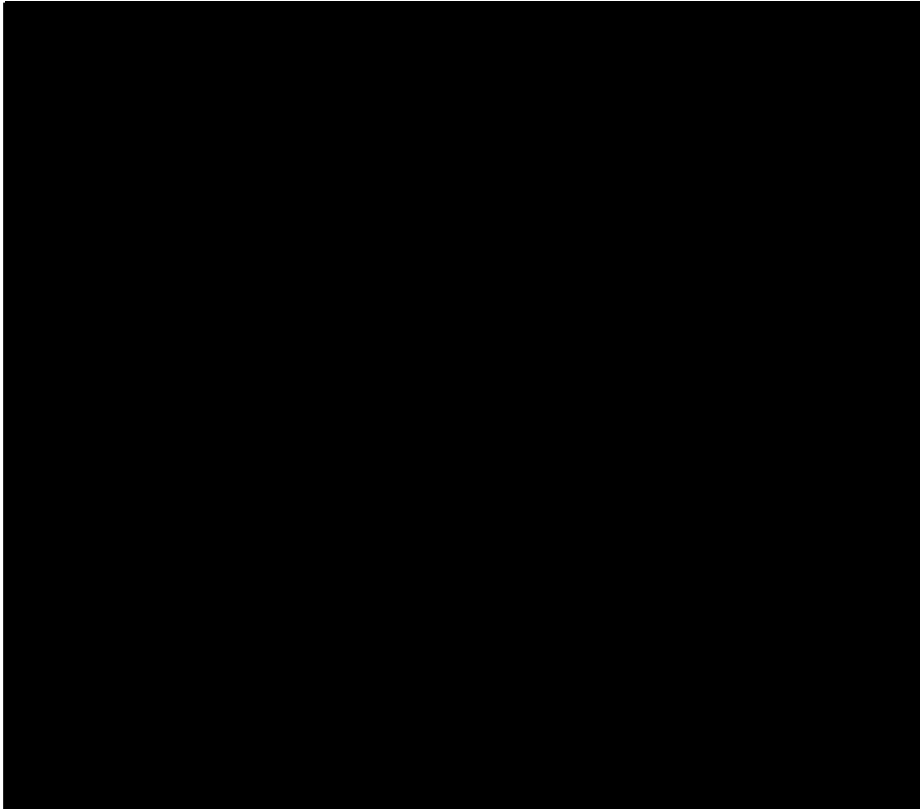
As part of the animal welfare measures adopted by GRNSW, 8 to 14 clubs are expected to be converted into Centres of Excellence ("COE"). We note that per GRNSW, the cost to convert a track into a COE is estimated to be \$8.513 million for a 'one turn track' or \$10.513 million for a 'two turn track', over a period of 20 years.

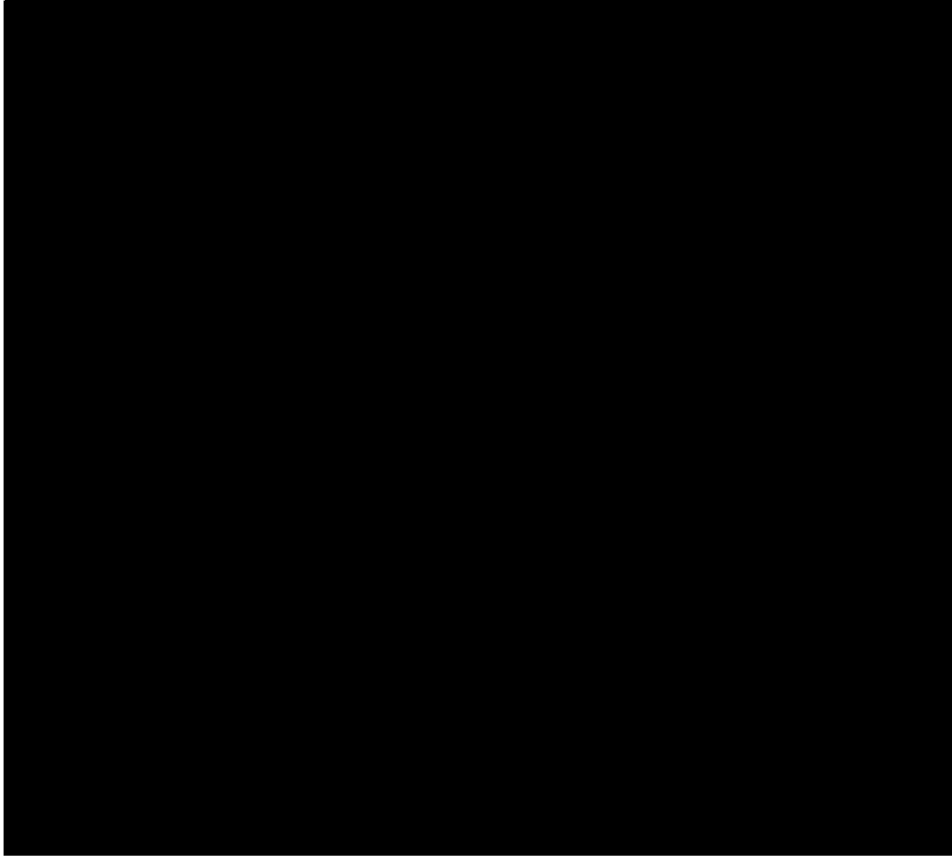
6.2. Impact of additional expense considerations

The impact of the additional expenses has been prepared considering the following:

- GRNSW will be eligible for the benefits accruing from tax harmonisation (Refer Table 24)
- RFIU fees will be calculated in accordance with the revised Racing Administration Regulation. We note that that the revised forecasts provided by GRNSW already consider the maximum cap on RFIU fees levied on the participants per the revised Racing Administration Regulation (Refer Table 25)

Considering the above and the additional expense considerations outlined in Section 6.1, the following tables show EBIT levels for GRNSW in the event the racing clubs are reduced to 8, 10, 12 and 14 respectively.





6.2.1. Conclusion on additional expense considerations

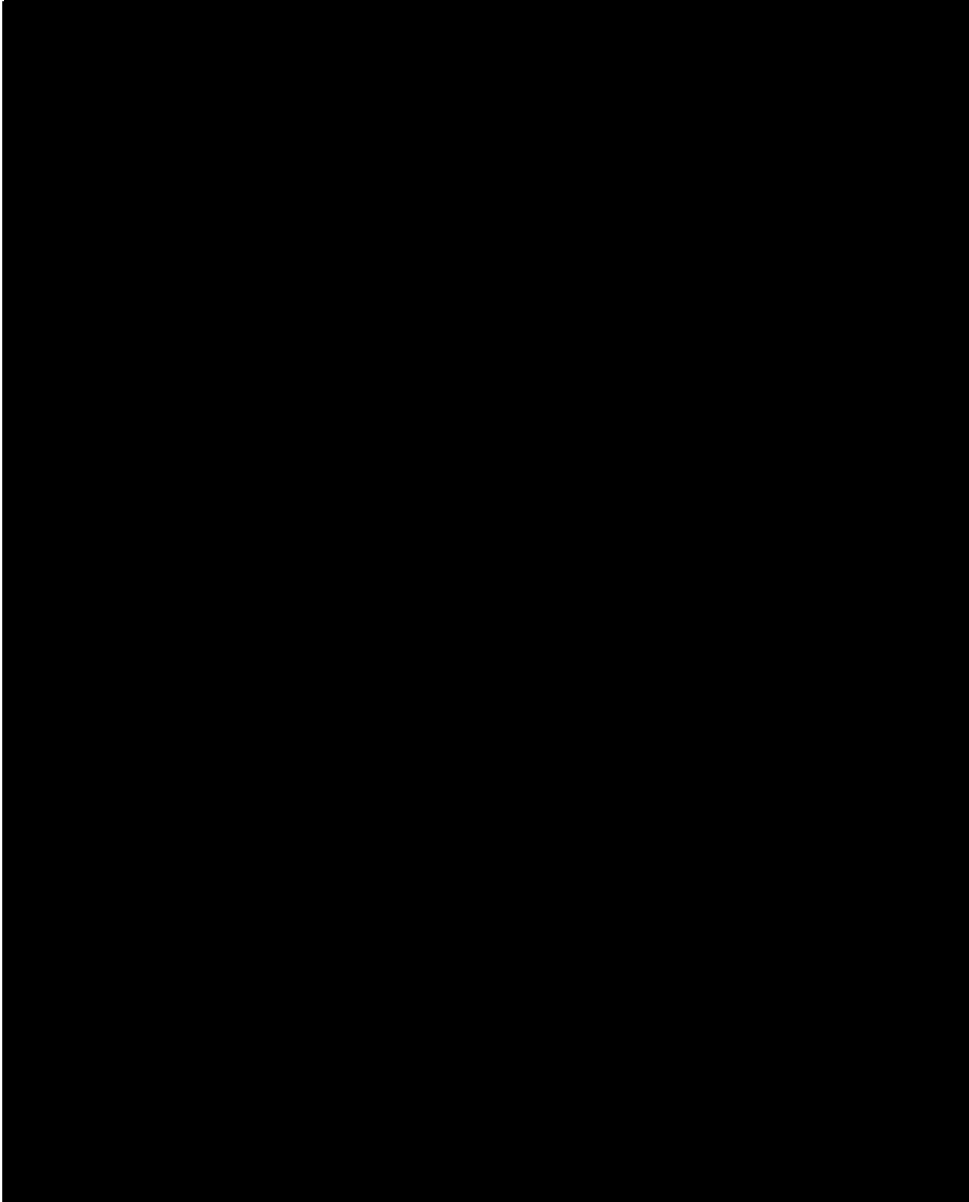
- The calculations indicate that the profitability of GRNSW is significantly affected for the scenario where 14 clubs are improved, even after considering the benefits of tax harmonization.
- GRNSW is still forecast to be profitable if track improvements for a maximum of 12 clubs are undertaken, considering the track turn period of 20 years.

6.3. Scenario analysis

Section 6.2 highlights the impact of additional cost consideration if the clubs are reduced from the current levels. The cost to convert a track into a COE is estimated to be \$8.513 million for a 'one turn track' or \$10.513 million for a 'two turn track', over a period of 20 years.

We note the following illustrative sensitivities have been calculated to understand impact on EBIT if the track turn is undertaken over 3, 5 and 10 year period (Please refer to Appendix 7 for detailed calculations):

Additional expense considerations



6.3.1. Conclusion on scenario analysis

- The calculations indicate that the profitability of GRNSW is significantly affected if the time for convert the clubs into COE is reduced.
- On a cumulative EBIT basis earned between FY16-FY20, GRNSW will not be profitable if track conversion period is reduced to 3 or 5 years, and will only be profitable if track improvements for a maximum of 10 clubs are undertaken for one track turn scenario, considering the track conversion period of 10 years.
- The losses incurred by GRNSW are significant in scenarios where track conversion period are reduced to 3 or 5 years and would have significant impact on the sustainability of GRNSW.

7. Glossary of Terms

| Term | Definition |
|--------------------------|---|
| BTLA Act | Betting Tax Legislation Amendment Act 2015 |
| CAGR | Compounded Annual Growth Rate |
| Client | NSW Crown Solicitor's Office |
| COE | Center of Excellence |
| Commission | Special Commission of Inquiry into the Greyhound Racing Industry in New South Wales |
| CPI | Consumer Price Index |
| EBIT | Earnings Before Interest and Tax |
| Engagement Letter | Letter of Engagement with the Client dated 13 January 2016 |
| FY | Financial Year |
| GAP | Greyhound As Pets |
| GRNSW | Greyhound Racing New South Wales |
| GST | Goods and Service Tax |
| IT | Information Technology |
| k | Thousand |
| m | Million |
| NSW | New South Wales |
| PGI | Premier Gateway International |
| PwC | PricewaterhouseCoopers |
| RFIU | Race Field Information Use |
| Tabcorp | Tabcorp Holdings Ltd |

Appendices

1 Engagement Letter



Private & Confidential

Ms Cheryl Drummy
Special Counsel
NSW Crown Solicitor's Office
Level 5, 60-70 Elizabeth Street,
Sydney NSW 2000

13 January 2016

Dear Cheryl,

Engagement Letter – Review of financial viability of Greyhound Racing NSW (“GRNSW”)

Further to our recent *discussions*, we are writing to confirm our engagement to carry out a review of the financial viability of GRNSW. This engagement letter, including the Terms of Business in Appendix 1, confirms the scope of our services and the terms of our engagement.

1. Background

As a consequence of the 2015 “live baiting” scandal involving the Australian greyhound racing industry, the Special Commission of Inquiry into the Greyhound Racing Industry in New South Wales was established. As part of this inquiry, the Commissioner is seeking a professional firm to undertake a review of the financial viability of GRNSW taking into consideration recent regulatory changes impacting upon GRNSW’s income and likely increased expenditure relating to animal welfare.

2. The services

We will perform a review of the financial viability of GRNSW.

As you are responsible for determining the adequacy or otherwise of the procedures we will perform, we make no representations as to whether the Services are sufficient for your purposes or will disclose all matters of significance to you.

(a) Scope of work

1. Analyse and comment on the Ferriers report dated 20 August 2015 in relation to the profitability, solvency, liquidity and expenditure of GRNSW;
2. Review GRNSW’s historical financial performance;
3. Comment on GRNSW’s financial forecasts to 2020 together with the underlying assumptions used to develop these financial forecasts. Where appropriate identify vulnerabilities and apply sensitivities to these assumptions;
4. Overlay the financial forecasts with the revenue impact of proposed legislation changes across future years;
5. Review GRNSW information detailing assumptions relating to expected increased expenditure on animal welfare in relation to structural changes in the greyhound racing industry and incorporate this additional expenditure in the financial forecasts; and

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Liability limited by a scheme approved under Professional Standards Legislation.



6. Consider potential additional expense assumptions in relation to animal welfare expenditure, provided by the Commission.

(b) Prospective Financial Information

The procedures that we will perform in relation to prospective financial information ("PFI") necessarily cannot constitute an audit in accordance with Australian Auditing Standards, nor will they constitute a review in accordance with Australian Auditing Standards applicable to review engagements and, consequently, no assurance will be expressed.

We will not prepare the PFI or take responsibility for developing the assumptions underlying the PFI. Where we comment on bases and assumptions underlying the PFI, our Report may include tables aggregating quantified vulnerabilities and sensitivities in order to illustrate effects of possible alternative assumptions. Those tables should not be regarded as a restatement of Management's PFI, or preparation of revised PFI; they are provided as a means of summarising our comments to assist you in considering their implications for the Transaction.

In the event that the PFI presented to us for comment is of such poor quality that suggesting adjustments in our Report would amount to preparation or re-preparation of the PFI, we will not propose adjustments but will discuss with you whether any revised PFI will be prepared for us to consider.

You acknowledge that when considering likely future profitability and cash flows, it is your responsibility to consider our comments and make your own decision based on the information available to you.

Because events and circumstances frequently do not occur as expected, there will usually be differences between predicted and actual results, and those differences may be material. We take no responsibility for the achievement of results predicted by the management of the Target in the PFI or otherwise.

(c) Deliverables

Our deliverable will be a report summarising our findings and setting out the financial forecasts of GRNSW for the five years to 2020 incorporating the increased revenue as a consequence of regulatory changes and increased animal welfare expenditure based on predicated animal welfare requirements.

(c) Scope exclusions

Whilst our engagement may involve the analysis of financial information and accounting records, it does not constitute an audit in accordance with Australian Auditing Standards or a review in accordance with Australian Auditing Standards applicable to review engagements and accordingly no such assurance will be provided in our report or deliverables.

3. Timetable

Subject to timely receipt of all information, instructions and access to third parties we require to perform the Services, we expect to submit our deliverables in approximately three to four weeks from commencement of our work, subject to events beyond our control.

(2)



4. Our team

We have selected the individual team members to ensure the right blend of abilities, specialist expertise and practical experience relevant to your needs.

The key team members are:

| Name | Phone numbers Office/Mobile | Email |
|---------------|--------------------------------|------------|
| Andrew Cloke | +61 [REDACTED] | [REDACTED] |
| Cameron Coles | +61 [REDACTED] | [REDACTED] |

While every effort will be made to ensure the above personnel are available for the duration of the engagement, we reserve the right to change personnel at our sole discretion.

5. Fees and expenses

Based on our scope of work as set out in this letter and assuming the timely receipt from you of information we require, we estimate our professional fees inclusive of goods and services tax ("GST") will be:



Please note that our fee estimate is not binding and is not a cap on the fees we may charge and our fees will be charged on the basis described above. Our estimate is subject to any caveats and assumptions referred to above and are subject to change arising from factors outside our control. We will notify you if it becomes apparent to us that the estimate above is likely to be materially exceeded.

We will recover expenses and an administration charge in accordance with clauses 3.2 and 3.3 of the attached terms of business. Out of pocket expenses incurred on your behalf, such as travel and accommodation, will be charged at cost. Invoices will be sent to you on a fortnightly basis. Payment terms are strictly fourteen days from the date of invoicing.

6. Limitation of Liability

Our liability in respect of the Services provided under this letter will be limited as provided for in the Terms of Business.

(3)



7. Acknowledgement of terms

Please acknowledge your agreement to the scope and terms of our engagement as set out in this engagement letter and the attached Terms of Business by signing the copy of the engagement letter in the space provided and returning it to us.

Should we not receive such a signed copy, but you continue to instruct us, you will be taken to have accepted the terms and conditions of this engagement letter including the Terms of Business set out in Appendix 1.

If you would like to discuss any aspect of our assignment further, please contact me on 02 [REDACTED]

Yours faithfully

[REDACTED]

Andrew Cloke
Partner

(4)



Client Acceptance

The terms of this engagement are accepted by Catherine Follans, NSW Crown Solicitor (name of signatory) on behalf of NSW Crown Solicitor's Office who represents that he/she is authorised to accept these terms on its behalf. Lee Armstrong

Signed [Redacted]

Name Catherine Follans

Position NWS Crown Solicitor

Date 13/1/2016.

(5)

Terms of business

These terms of business apply to the services you have engaged us to provide under the attached engagement letter. Our engagement letter and these terms of business form the entire agreement between us about those services. They replace any earlier agreements, representations or discussions. If anything in these terms of business is inconsistent with our engagement letter, our engagement letter takes precedence.

Contents

| | |
|----|--|
| 1 | Our services |
| 2 | Your responsibilities |
| 3 | Fees, expenses and costs |
| 4 | Confidentiality and privacy |
| 5 | Liability |
| 6 | Electronic communications and tools |
| 7 | Subcontractors (including other PwC firms) |
| 8 | Filing and destruction of documents |
| 9 | Performing services for others |
| 10 | Termination |
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| 13 | Force majeure |
| 14 | Assignment |
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| 16 | Definitions |
| 17 | Confidentiality for certain tax services |

1 Our services

- 1.1 **Scope** – We will perform the services described in our engagement letter with reasonable skill and care.
- 1.2 **Changes** – Either of us may request a change to the services, or anything else in this agreement. A change will not be effective unless we have both agreed to it in writing.
- 1.3 **Oral advice and draft deliverables** – You may only rely on our final written deliverables. If you wish to rely on something we have told you, please let us know so that we can prepare a written deliverable on which you may rely.
- 1.4 **Services for your benefit** – Our services are provided solely for your use for the purpose set out in our engagement letter or the relevant deliverable. Except as stated in our engagement letter or the relevant deliverable, as required by law, or with our prior written consent, you may not:
- show or provide a deliverable to any third party or include or refer to a deliverable or our name or logo in a public document
 - make any public statement about us or the services.
- We consent to you providing copies of deliverables to your legal advisers provided they have agreed:
- the deliverables are not for their use or benefit
 - we accept no responsibility or liability to them
 - they may not do any of the things referred to in paragraph (a) or (b) above.
- 1.5 **No liability to third parties** - We accept no liability or responsibility to any third party in connection with our services. You agree to reimburse us for any liability

(including reasonable legal costs) we incur in connection with any claim by a third party arising from your breach of this agreement.

- 1.6 **Additional terms for legal services** – Our services are not legal services unless expressly identified as legal services in the engagement letter. The additional terms of business for legal services apply to legal services (in addition to these terms of business).

2 Your responsibilities

- 2.1 **Generally** – You agree to:
- provide us promptly with all information, instructions and access to third parties we reasonably require to perform the services, including letting us know if you want us to use information we hold from other engagements we have performed for you
 - ensure we are permitted to use any third party information or intellectual property rights you require us to use to perform the services
 - provide adequate and safe facilities for us when we work at your premises.
- 2.2 **Information** – You are responsible for the completeness and accuracy of information supplied to us. We may rely on this information to perform the services and will not verify it in any way, except to the extent we have expressly agreed to do so as part of the services.
- 2.3 **Interdependence** – Our performance depends on you also performing your obligations under this agreement. You agree we are not liable for any default to the extent it arises because you do not fulfil your obligations or because information supplied is, or becomes, inaccurate or incomplete, except to the extent we have expressly agreed to verify its accuracy and completeness as part of the services.

3 Fees, expenses and costs

- 3.1 **Payment for services** – You agree to pay us fees for our services on the basis set out in our engagement letter.
- 3.2 **Expenses** – You agree to pay any reasonable expenses we incur in connection with the services (other than expenses covered by the administration charge in clause 3.3).
- 3.3 **Administration charge** – You agree to pay an administration charge equal to 2% of our fees to cover costs such as telecommunications, stationery, printing, photocopying, mail and administrative support.
- 3.4 **GST** – Our fees, expenses and charges exclude GST (unless stated otherwise). If a supply to you under this agreement is a taxable supply under *A New Tax System (Goods and Services Tax) Act 1999*, you agree to pay us an amount equal to the GST we are required to pay on the taxable supply.



- 3.5 **Invoices and payment** – We will invoice you monthly, unless we have agreed something different in our engagement letter. You agree to pay the invoiced amount within 14 days of the invoice date.
- 3.6 **Fee scales** – If we calculate our fees based on time spent at hourly or other rates, we may increase those rates once every six months. The increase takes effect when we notify you.
- 3.7 **Compliance costs** – If we are required to provide information regarding you or the services to comply with a statutory obligation, court order or other compulsory process, you agree to pay the reasonable costs and expenses we incur in doing so. This includes time spent by professional staff and our reasonable legal costs. This clause does not apply to the extent a compulsory process relates to our alleged wrongdoing.

4 Confidentiality and privacy

- 4.1 **Confidential information** – We each agree not to disclose each other's confidential information, except for disclosures required by law or confidential disclosures under our respective policies.
- 4.2 **Referring to you and the services** – We may wish to refer to you and the nature of the services we have performed for you when marketing our services. You agree that we may do so, provided we do not disclose your confidential information.
- 4.3 **Privacy** – Our approach to privacy is set out in our Privacy Policy, available at www.pwc.com.au/privacy. You agree to comply with the Privacy Act 1988 (Cth) when providing us with information. We agree to co-operate with each other in addressing our respective privacy obligations in connection with the services.

5 Liability

- 5.1 **Accountants scheme** – Our partners are members or affiliate members of the Institute of Chartered Accountants in Australia (ICAA). Where ICAA schemes have been approved under professional standards legislation in force in Australian states or territories, our liability in connection with the services (other than legal services) is limited in accordance with those ICAA schemes. Legislation providing for apportionment of liability also applies.
- Please let us know if you would like a copy of a relevant scheme.
- 5.2 **Liability cap where no scheme** – Where our liability is not limited by a scheme, you agree our liability for all claims connected directly or indirectly with the services (including claims of negligence) is limited to an amount equal to 10 times the fees payable for the services, up to an overall maximum of \$20 million.
- 5.3 **Aggregate cap** – Where more than one client is identified in our engagement letter, the limits on our liability in this clause 5 must be allocated between them. We do not need to know how a limit is allocated and, if it is not, you agree not to dispute a limit on our liability on the basis that you have not agreed how it is to be allocated.
- 5.4 **Consequential loss** – To the extent permitted by law, we exclude all liability for:
- a) loss or corruption of data

- b) loss of profit, goodwill, business opportunity or anticipated savings or benefits
- c) indirect or consequential loss or damage.

- 5.5 **No claims against employees** – You agree not to bring any claim against any of our employees personally in connection with the services. This includes claims in negligence but excludes claims of fraud or dishonesty. This clause is for the benefit of our employees. You agree that each of them may rely on it as if they were a party to this agreement. Each of our employees involved in providing the services relies on the protections in this clause 5.5 and we accept the benefit of it on their behalf

6 Electronic communications and tools

- 6.1 **Electronic communications** – We each agree to take reasonable precautions to protect our own information technology systems, including implementing reasonable procedures to guard against viruses and unauthorised interception, access, use, corruption, loss or delay of electronic communications.
- 6.2 **Electronic tools** – We may develop or use electronic tools (eg spreadsheets, databases, software) in providing the services. We are not obliged to share these tools with you, unless they are specified as a deliverable in this agreement. If they are not a specified deliverable, and we do share them with you, you agree that:
- a) they remain our property
- b) we developed them solely for our use
- c) you use them at your own risk
- d) you may not provide them to any third party.

7 Subcontractors (including other PwC firms)

- 7.1 **Subcontractors** – We may use subcontractors, including other PwC firms (in Australia or overseas) to perform or assist us to perform the services. Despite this, we remain solely responsible for the services.
- 7.2 **No claims against other PwC firms** – No other PwC firm has any liability to you in connection with the services or this agreement and you agree not to bring and to ensure none of your affiliates brings any claim (including in negligence) against any other PwC firm or its partners or employees in connection with the services or this agreement. Any partner or employee of another PwC firm who deals with you in connection with the services does so solely on our behalf.
- 7.3 **Benefit of clause 7.2** – Clause 7.2 is for the benefit of other PwC firms and their partners and employees (each a *beneficiary*). You agree each beneficiary may rely on clause 7.2 as if they were a party to this agreement. Each beneficiary that provides or assists in providing the services relies on the protections in clause 7.2 and we accept the benefit of clause 7.2 on their behalf.
- 7.4 **Transfer of information** – We use contractors or suppliers located in Australia and overseas to provide us with services we use in performing services and in our internal functions. Other PwC firms may be involved in our client relationship management and other admin systems and in quality reviews. You consent to information provided to us by you or on your behalf (including personal information and your confidential information) being transferred to those contractors and suppliers and to other PwC firms and our subcontractors, so long as they are bound by confidentiality obligations.



8 Filing and destruction of documents

If you leave documents or material with us, we may destroy them after seven years (except to the extent we are required to retain them by law).

9 Performing services for others

Provided we do not disclose your confidential information, you agree that we may perform services for your competitors or other parties whose interests may conflict with yours.

10 Termination

- 10.1 **By notice** – Either of us may terminate this agreement by giving the other at least 14 days notice in writing (unless it would be unlawful to do so). This agreement terminates on expiry of that notice.
- 10.2 **Changes affecting independence** – Changes to the law or other circumstances beyond our reasonable control may mean that providing the services to you results in us ceasing to be independent of an audit client. If that happens, we may terminate this agreement immediately by giving you notice in writing.
- 10.3 **Fees payable on termination** – You agree to pay us for all services we perform before termination, within 14 days after receipt of our invoice. Where we agree a fixed fee for services, and the services are not completed before termination, you agree to pay us for the services that we have performed on the basis of the time spent at our then current hourly rates, up to the amount of the fixed fee.
- 10.4 **Clauses applying after termination** – The following clauses continue to apply after termination of this agreement: 1.3, 1.4, 1.5, 2.3, 3, 4, 5, 6.2, 7, 8, 9, 10.3, 10.4, 11, 12, 13, 14, 15, 16 and 17.

11 Relationship

We are your independent contractor. You agree that we are not in a partnership, joint venture, fiduciary, employment, agency or other relationship with you. Neither of us has power to bind the other.

12 Corporations Act and SEC prohibitions

Nothing in this agreement applies to the extent that it is prohibited by the Corporations Act 2001 (Cth) or the rules of the US Securities and Exchange Commission.

13 Force majeure

Neither of us is liable to the other for delay or failure to fulfil obligations (other than an obligation to pay) to the extent that the delay or failure arises due to an unforeseen event beyond their reasonable control which is not otherwise dealt with in this agreement. Each of us agrees to use reasonable endeavours to remove or overcome the effects of the relevant event without delay.

14 Assignment

Neither of us may assign or deal with our rights under this agreement without the other's prior written consent.

15 Applicable law

Unless our engagement letter states otherwise, the law applying to this agreement is the law of New South Wales. Both of us submit to the exclusive jurisdiction of the courts of that state and waive any right either of us may have to claim that those courts do not have jurisdiction or are an inconvenient forum.

16 Definitions

In this agreement the following words and expressions have the meanings given to them below

- 16.1 **affiliate** – an entity which, directly or indirectly, controls or is controlled by or under common control with you
- 16.2 **PwC firm** – an entity or partnership which carries on business under a name which includes all or part of the name 'PricewaterhouseCoopers', or is otherwise within or a correspondent firm of the global network of PricewaterhouseCoopers firms, each of which is a separate and independent legal entity
- 16.3 **this agreement** – these terms of business and the engagement letter to which they are attached
- 16.4 **you** – client identified in our engagement letter
- 16.5 **we** – the Australian firm of PricewaterhouseCoopers, a partnership formed in Australia.

17 Confidentiality for certain tax services

- 17.1 **When clauses 17.2 and 17.3 apply** – Clauses 17.2 and 17.3 apply only if the services are tax services regarding a transaction and either:
 - a) you are a SEC registrant (or an affiliate of and SEC registrant) which is audited by a PwC firm or
 - b) our tax services could give rise to a tax benefit within the meaning of US Income Tax Regulation 1.6011-4 or a similar provision enacted by a US state.
- 17.2 **Permitted disclosure** – You may disclose to any person any information and materials we give you regarding the tax treatment and structure of the transaction (PwC materials).
- 17.3 **Consequences of disclosure** – If you make disclosure under clause 17.2, you agree to:
 - a) tell us the name and address of the person to whom you disclose PwC materials and the PwC materials you disclose
 - b) tell the person to whom you make the disclosure that they may not rely on any PwC materials and that we have no liability or responsibility to them in connection with the PwC materials
 - c) use your best efforts to obtain the person's agreement to release and indemnify all PwC firms from and against all liabilities (including legal costs) arising from or in connection with the disclosure of the PwC materials or the person's reliance on them.



2 List of documents reviewed

| S.No | Document |
|-------------|--|
| 1 | 1 - Ferriers Report and annexures (20 August 2015) |
| 2 | 2 - Order 24 to GRNSW to Answer Questions and Produce Documents - Industry financial issues and welfare spending |
| 3 | 3 - Response to Order 24 to GRNSW to Answer Questions and Produce Documents - Industry financial issues and welfare spending |
| 4 | 4 - GRNSW Final Budget 2015-2016 |
| 5 | 5 - GRNSW's Planned Additional Expenditure |
| 6 | 6 - Unaudited financial statements for financial year to June 2015 |
| 7 | 7 - Grouping Summaries |
| 8 | 8 - Balance Sheet - June 2015 |
| 9 | 9 - GRNSW_s 2016 budget |
| 10 | 10 - GRNSW Profit and Loss Statement for 12 months ending 30 June 2015 |
| 11 | 11 - FY2016 Consolidated Budget - Update |
| 12 | 12 - Greyhound Racing NSW 2015 Financials_21 10 15_ Final - audited |
| 13 | 13 - GRNSW Expenditure 1 July 2015 - 30 November 2015 |
| 14 | 14 - Testing Costs |
| 15 | 15 - Greyhound Ownership Cost Index |
| 16 | 16 - GRNSW Annual Report 2010-2011 |
| 17 | 17 - GRNSW Annual Report 2011-2012 |
| 18 | 18 - GRNSW Annual Report 2012-2013 |
| 19 | 19 - GRNSW Annual Report 2013-2014 |
| 20 | 20 - GRNSW Annual Report 2014-2015 |
| 21 | 21 - GRNSW Submission to the SCI re finances |
| 22 | 22 - Betting Tax Legislation Amendment Act 2015 |
| 23 | 23 - Racing Administration Amendment (Race Field Information Fees) Regulation 2015 |
| 24 | 24 - GRNSW Statement on Tax Harmonisation (16 November 2015) |
| 25 | 25 - Fairer Race Field Fees - NSW Government Media Release 31 July 2015 - |
| 26 | A - 2011-12 RFIU Annual Reconciliations (excl. TAB Ltd) |
| 27 | B - 2012-13 RFIU Annual Reconciliations (excl. TAB Ltd) |
| 28 | C - 2013-14 RFIU Annual Reconciliations |
| 29 | D - 2014-15 Annual Reconciliations |
| 30 | E - FY2016 Consolidated Budget - Update |
| 31 | Revised FY16 Budget |
| 32 | GRNSW racing club policy |
| 33 | Analysis of tax harmonisation legislation and projected revenue to GRNSW (PWC 11 March 2016) |
| 34 | Media Release - Tax Harmonisation (16 June 2015) |
| 35 | Remuneration Budget & Forecast |
| 36 | State of Play Report 2nd half FY 2015 |
| 37 | State of Play Report 1st Quarter FY 2016 |
| 38 | KPMG Report - Track Rationalisation |
| 39 | GRNSW Joint Working Group - Final - Report 29 01 2016 |
| 40 | Media Release - GRNSW Reform Bolstered by Major initiatives (20 March 2016) |

3 Adjusted financial statements

| Profit and Loss (\$) | FY12 | FY13 | FY14 | FY15 |
|---|---------------------|---------------------|---------------------|---------------------|
| Income | | | | |
| TAB Distributions | 30,704,497 | 30,448,406 | 32,018,231 | 34,020,554 |
| <i>Adjustments: Product fees - PGI Agreement</i> | | 729,245 | (729,245) | |
| TAB Distributions normalised | 30,704,497 | 31,177,651 | 31,288,986 | 34,020,554 |
| Race Field Information Use Fees | 8,905,038 | 6,734,242 | 11,341,362 | 12,235,588 |
| <i>Adjustments: Deferred revenue</i> | - | 2,846,211 | - | - |
| Race Field Information Use Fees normalised | 8,905,038 | 9,580,453 | 11,341,362 | 12,235,588 |
| Race Form | 455,105 | 479,309 | 322,382 | 258,105 |
| Licensing & Registration Fees | 415,187 | 594,133 | 732,415 | 739,120 |
| Vet Servs, Blue Paws, GAP | 317,777 | 409,044 | 486,308 | 932,816 |
| <i>Adjustments: Revenue from Playhouse Pet Motel</i> | | | | (436,207) |
| Vet Servs, Blue Paws, GAP normalised | 317,777 | 409,044 | 486,308 | 496,609 |
| Marketing & Digital | 144,818 | 152,520 | 120,419 | 116,234 |
| Other income | 71,474 | 102,280 | 68,945 | 25,032 |
| Fines & Penalties | 27,078 | 38,748 | 56,591 | 31,955 |
| Operating Revenue | 41,040,974 | 42,534,138 | 44,417,408 | 47,923,197 |
| Expenditure | | | | |
| Racing and club infrastructure | | | | |
| Racing and club infrastructure | (3,172,681) | (1,465,417) | (2,012,517) | (980,366) |
| <i>Adjustment: Infrastructure and IT costs from acquisition of The Gardens Property</i> | 1,200,000 | - | - | |
| <i>Adjustment: Deferred infrastructure costs</i> | | | | (500,000) |
| Racing and club infrastructure normalised | (1,972,681) | (1,465,417) | (2,012,517) | (1,480,366) |
| Depreciation, impairment, loss on sale | (392,426) | (318,011) | (298,716) | (370,693) |
| Prizemoney and race club costs | | | | |
| Prizemoney & Race Club Costs | (29,625,412) | (30,508,353) | (31,907,926) | (31,695,838) |
| Stewards and integrity | | | | |
| Stewarding, integrity auditor | (2,267,421) | (2,446,418) | (2,387,785) | (2,416,282) |
| Drug Detection | (964,092) | (1,040,200) | (1,227,731) | (1,182,551) |
| <i>Adjustment: Deferred drug detection tests</i> | | | | (130,000) |
| Drug detection costs normalised | (964,092) | (1,040,200) | (1,227,731) | (1,312,551) |
| Grading & Member Services | (539,345) | (827,316) | (1,079,775) | (1,462,049) |
| Vet and Welfare | | | | |
| Vet Servs, animal welfare, Blue Paws, GAP | (925,827) | (1,140,966) | (1,309,908) | (1,954,733) |
| Administration and other | | | | |
| Finance & Corporate Overheads | (1,949,788) | (2,436,691) | (2,687,319) | (2,654,670) |
| <i>Adjustment: CEO's Salary (Feb-June)</i> | | | | (136,875) |
| Finance & Corporate Overheads normalised | (1,949,788) | (2,436,691) | (2,687,319) | (2,791,545) |
| Media & Digital | (754,559) | (801,610) | (559,287) | (678,885) |
| IT Costs | (364,010) | (558,365) | (508,514) | (648,129) |
| Marketing & Events | (197,191) | (209,487) | (215,993) | (893,026) |
| Board Expenses | (140,235) | (175,254) | (164,399) | (125,194) |
| Other expenses | (56,441) | (87,154) | (35,310) | (34,411) |
| Operating Expenses | (40,149,428) | (42,015,242) | (44,395,180) | (45,863,702) |
| Adjusted EBIT | 891,546 | 518,896 | 22,228 | 2,059,495 |
| Interest | 556,102 | 294,052 | 206,492 | 120,243 |
| Abnormal / Non-operating items | | | | |
| International GST Recovery | | 652,610 | | |
| Infrastructure and IT costs | (1,200,000) | - | - | - |
| NCA loan forgiven (Gardens purchase) | (2,100,000) | | | |
| Investigation Four Corners | - | - | - | (1,373,924) |
| Abnormal / Non-operating items | (3,300,000) | 652,610 | - | (1,373,924) |
| (Loss)/Surplus for the Year | (1,852,352) | 1,465,558 | 228,720 | 805,814 |

Appendices

| Balance Sheet (\$) | FY12 | FY13 | FY14 | FY15 |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Current Assets | | | | |
| Cash and cash equivalents | 4,400,966 | 8,463,821 | 897,286 | 2,082,467 |
| Receivables | 10,114,166 | 9,721,758 | 10,801,394 | 12,330,336 |
| Financial assets | - | - | - | 275,000 |
| Other current assets | 4,175 | 675 | 110,136 | 263,491 |
| Total Current Assets | 14,519,307 | 18,186,254 | 11,808,816 | 14,951,294 |
| Non-Current Assets | | | | |
| Property, plant & equipment | 1,726,387 | 1,558,695 | 3,334,378 | 3,646,566 |
| Intangible assets | - | - | 254,100 | 254,100 |
| Other non-current assets | 6,875,355 | 6,945,355 | 7,075,355 | 389,318 |
| Due from Wentworth Park Trust | - | - | - | 6,497,681 |
| Total Non-Current Assets | 8,601,742 | 8,504,050 | 10,663,833 | 10,787,665 |
| Total Assets | 23,121,049 | 26,690,304 | 22,472,649 | 25,738,959 |
| Current Liabilities | | | | |
| Deferred revenue | - | 7,648,112 | - | - |
| Payables | 6,787,571 | 5,186,645 | 4,781,298 | 6,671,463 |
| Provisions | 1,479,872 | 1,111,839 | 1,062,267 | 522,523 |
| Total Current Liabilities | 8,267,443 | 13,946,596 | 5,843,565 | 7,193,986 |
| Non-current liabilities | | | | |
| Provisions | - | - | 81,200 | 81,432 |
| Total non-current liabilities | - | - | 81,200 | 81,432 |
| Total Liabilities | 8,267,443 | 13,946,596 | 5,924,765 | 7,275,418 |
| Net Assets | 14,853,606 | 12,743,708 | 16,547,884 | 18,463,541 |
| Equity | | | | |
| Reserves | 676,386 | 676,386 | 676,386 | 676,386 |
| Retained surplus | 14,177,220 | 12,067,322 | 15,871,498 | 17,787,155 |
| Total equity | 14,853,606 | 12,743,708 | 16,547,884 | 18,463,541 |

Appendices

| Cash flow (\$) | FY13 | FY14 | FY15 |
|---|--------------------|--------------------|------------------|
| Normalised EBIT | 518,896 | 22,228 | 2,059,495 |
| D&A | (318,011) | (298,716) | (370,693) |
| Normalised EBITDA | 200,885 | (276,488) | 1,688,802 |
| Working capital changes | (1,573,051) | (1,644,016) | (606,876) |
| Var. WC - Current assets | 395,908 | (1,189,097) | (1,957,297) |
| Var. WC - Current liabs | (1,968,959) | (454,919) | 1,350,421 |
| Normalised CF from operations | (1,372,166) | (1,920,504) | 1,081,926 |
| Capex | 485,703 | (215,797) | 58,505 |
| Normalised free cash flows | (886,463) | (2,136,301) | 1,140,431 |
| Other non current assets | (70,000) | (48,800) | 188,588 |
| Interest | 294,052 | 206,492 | 120,243 |
| Normalised net cash flow | (662,411) | (1,978,609) | 1,449,262 |
| Initial cash | 4,400,966 | 8,463,821 | 897,286 |
| Closing cash | 8,463,821 | 897,286 | 2,082,467 |
| Cash movement per Balance sheet | 4,062,855 | (7,566,535) | 1,185,181 |
| Variance - movement of normalised net cash flow and closing cash per Balance sheet | 4,725,266 | (5,587,926) | (264,081) |
| Normalisation adjustments | | | |
| Deferred revenue - Balance sheet | (7,648,112) | 7,648,112 | |
| Deferred revenue - GRNSW portion | 2,846,211 | (2,846,211) | |
| PGI Revenue | 729,245 | (729,245) | |
| Revenue from Playhouse Pet Motel | | | (436,207) |
| Deferred infrastructure costs | | | (500,000) |
| Deferred drug detection tests | | | (130,000) |
| CEO's Salary (Feb-June) | | | (136,875) |
| Abnormal items | | | |
| International GST Recovery | (652,610) | - | - |
| Acquisition of Playhouse Pet Motel | - | 1,515,270 | |
| Investigation - Four corners | - | - | 1,373,924 |
| Unreconciled differences | | | 93,239 |
| Total adjustments | (4,725,266) | 5,587,926 | 264,081 |