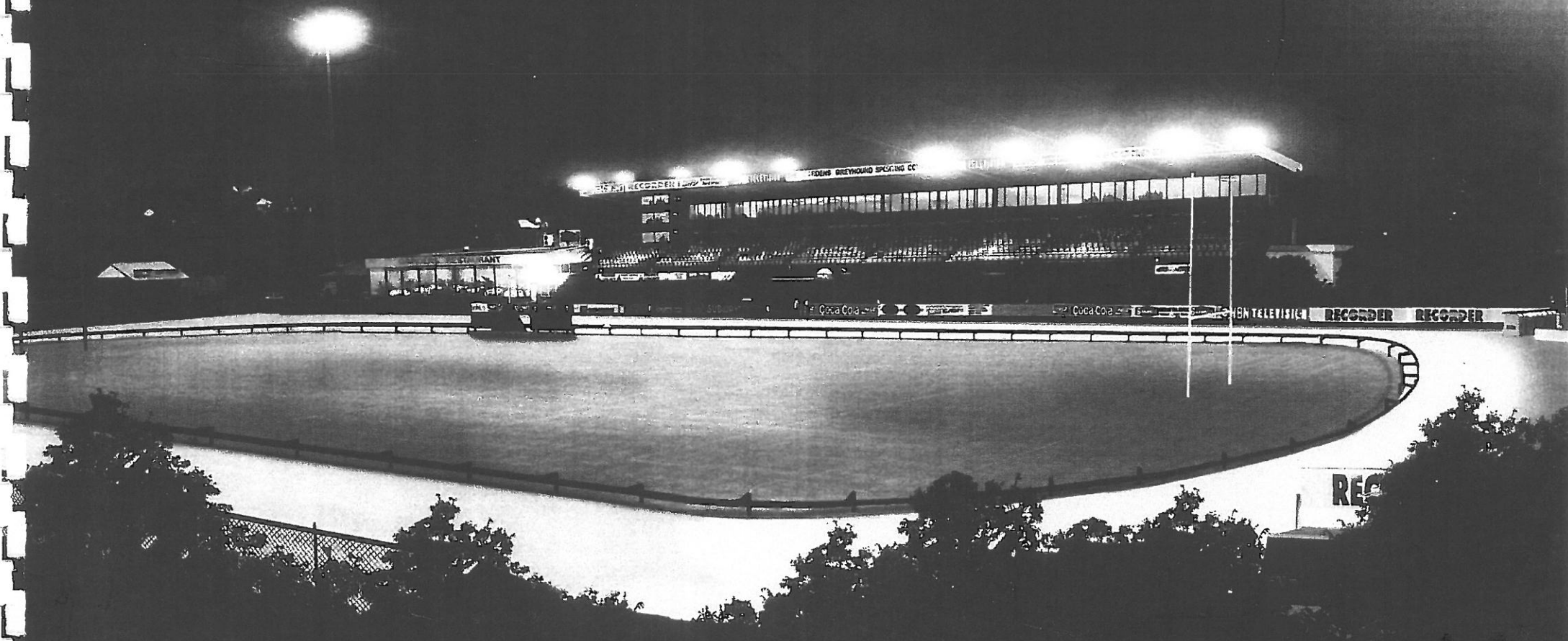


BUSINESS PLAN

The Gardens

November 2003



THE GARDENS GREYHOUND SPORTING COMPLEX
NEWCASTLE



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Executive Summary

The Gardens project will provide the Hunter with a significant multi-use sporting and leisure facility from the ashes of the Breakers stadium in Birmingham Gardens, Newcastle.

This Business Plan is intended primarily for prospective financiers willing to make \$4.5 million of commercial debt available for the completion of the project.

The Gardens Project is eminently feasible, with projected returns of 13.4% pa before financing, and showing strong sensitivity results against adverse cost and operating assumptions. Risk analysis shows minimal residual risk and sound risk management initiatives will reduce exposure to most risks.

The NSW National Coursing Association (NCA) will be responsible for the execution of the Project, as freehold owners of the site and one of the nation's premier greyhound racing organisations. The NCA has the executive capability to manage the Project from design and construction through to marketing and operations.

The State Government entities charged with overall management of the greyhound racing industry, Greyhound Racing NSW (GRNSW) and the Greyhound Racing Authority (GRA), both support the Project as the showcase racing venue for the Hunter Valley.

The Project will make provision for three businesses:

- *Greyhound racing;*
- *A licenced club with 34 gaming machines; and*
- *Field sports (such as rugby and soccer) and special events.*

Newcastle has been without a greyhound racing venue since the closure of Beaumont Park in 1997. The City is in short supply of quality sports fields, especially those permitting the taking of a gate. The existing licenced club will provide a leisure and entertainment focus for the many visitors anticipated once racing, sports and special events commence in July 2004.

The commercial debt being sought for this Project is summarised as follows:

- *Quantum: \$4.5 million to \$5.0 million*
- *Term: Ten years*
- *Interest rate: Around 8% pa, fixed*
- *Repayments: First year – interest only
Thereafter – equal principal & interest*
- *Debt/equity: About 60/40%*
- *Security: First mortgage on The Gardens site*

Interested parties are invited to contact Mr. Tony Cividin, the NCA's Commercial Manager, on (02) 9646 5711, or by email tcividin@ncagreys.com.au.

1. Business Objective

The objective behind this Business Plan is to develop The Gardens site as a multifaceted entertainment venue incorporating:

- Greyhound racing,
- A licenced club, and
- Sporting and community activities.

The Gardens site is ideally suited and located for these activities, and already has a modern stadium structure and associated earthworks inherited from the Breakers soccer franchise, a fully equipped and licenced club, and a sports field and facilities suitable for the use of most football codes.

Acquired freehold in 2001 by the NCA, The Gardens site is ideally suited to development of the following three profit centres in pursuit of this objective:

1.1 Greyhound Racing Facilities

The existing stadium earthworks will be reconfigured to accommodate what is termed in the industry a Sandown Replica greyhound racing track, replicating one pioneered in Sandown Park, Victoria, as Australian best practice. This track will be surfaced with loam sand, and will be 480 metres in circumference with two 51 metre radius banked turns. It will have three starting boxes, allowing races of 515, 600 and 715 metres length to the single finishing line adjacent to the northern end of the grandstand and a catching pen beyond.

Steward's and judge's boxes, TV cameras and public address control will be strategically placed in line with the finishing line at the top of the grandstand with the corporate boxes.

New track perimeter lighting will be designed to illuminate the greyhound racing for both trackside spectators and television coverage. The current 96 lights on two light towers to be removed will be repositioned on the fascia of the grandstand to eliminate excessive glare that might affect neighbouring properties to the immediate east. Lighting will also be more than adequate for night use of the playing field.

Runoff retention tanks will be installed below the playing field surface at the northern end of the track. Playing field and track watering will use recycled water to minimise environmental impacts.

The existing grandstand with covered seating capacity for around 2,000 spectators and 22 air-conditioned corporate boxes will be retained with minimal reconditioning required.

A state-of-the-art kennel block will be constructed partially beneath the southern end of the grandstand. The building will be sound-proofed and air-conditioned, will comprise 114 ground-level kennels, and will feature strategically placed video cameras and monitoring facilities in the steward's office in keeping with GRA security standards for safeguarding the integrity of greyhound racing. The facility will include suitable accommodation for a resident veterinary clinic, a first at NSW tracks.

The jewel in the greyhound racing crown at The Gardens will be a fully enclosed glass-walled viewing area under the northern half of the grandstand adjacent to the finishing line. This area, to be named the Garden Lounge, will accommodate 200 people in air-conditioned comfort with unimpeded views of the track and playing field, and will feature bookmakers' stands, tote facilities, and hot food and bar service.

Communication lines using the best technology available will be utilised throughout the site to take it into the next phase of digital telecommunications for sound, television and on-site visual information via a state-of-the-art semaphore board.

1.2 The Licenced Club

The Gardens Sports Club located on the site has a liquor licence and 34 gaming machines. It provides bistro-style meals during limited hours, offers numerous promotions such as bingo, raffles, shows and entertainment, and is a popular venue for parties and catered events. Since the NCA purchased the stadium complex 18 months ago, the Sports Club membership has increased to 2,300.

Based on these assets, services and goodwill, we propose to “grow” the club into an attractive and profitable venture designed for and directed towards the market that The Gardens’ other clientele generates, as well as for the local community market.

A 120-cover restaurant is already being constructed as part of the club facilities and is scheduled for opening in December 2003. This restaurant will displace the current limited bistro service provided by the club, and will be of a much superior standard.

This is a feature which until now the club has lacked as an attraction for the general public and which when completed will allow patrons to dine in comfort while enjoying greyhound racing or other sports events. It also has the advantage of being a quiet rendezvous point, away from the noise and atmosphere of other licensed club activities.

The restaurant has been designed and located so that it can service patrons of both greyhound racing and sports events without requiring them to enter the licenced club premises. This is a key innovation that will enable The Gardens to pursue family patronage to a much wider extent than at other greyhound racing venues.

Within the licenced club, immediate improvements include the reworking of the main entry to be more welcoming, improvements to the carpark and immediate landscaping, and provision of disabled access ramps and bathrooms.

The licenced club will be upgraded progressively as demand dictates. For example, once the operation’s profitability is secured, it is intended to increase the number of the club’s gaming machines from 34 to 50 at the rate of 2 per year.

The licenced club’s Board of Directors is now dominated by NCA appointees and the constitution has been amended to secure this control. Despite having slipped into deficit operation over past years, through recent management changes the club has now brought to account all incurred debts from previous periods and has returned to profitability in the most recent quarter (see The Gardens Sports Club Limited Annual Report).

1.3 Sporting and Community Facilities

Previously, The Gardens was known as the Breakers Stadium. It was the home of the Breakers soccer team and the Hunter Mariners Super League team until its “mothballing” in 1996.

With the conversion of the site to a Sandown replica greyhound racing track, the infield will be large enough to accommodate most field sports codes, as is the case at Wentworth Park in Sydney. The grandstand seats 2,000 spectators, and another 250 patrons can be accommodated in the 22 corporate boxes. The greyhound racing staff will be fully capable of the necessary line-marking, goalpost erection and subsequent clean-up for any event of this nature.

The NCA currently has a contract with the Newcastle and Hunter Rugby Union for the lease of 175 sqm. of office space at the stadium’s office complex.

The N&HRU has staged its grand final series of games at the stadium for the past four seasons, and is keen to continue this arrangement in the future. Besides the excellent location, the advantages for the Union are as follows:

- An excellent sports field, with a reputation as the best football playing surface in the Hunter;
- A 2,000 seat covered grandstand and 22 corporate boxes;
- On-site parking for 185 vehicles, with an overflow parking arrangement on the adjacent property to the south for an additional 300 vehicles;
- Four very large team change rooms, complete with shower blocks, rub down rooms and toilets, as well as ancillary administrative rooms and first aid facilities.

The N&HRU has also indicated an interest in locating one of its metropolitan clubs at The Gardens for future seasons. NSW Rugby has set home ground criteria for metropolitan rugby clubs, such as crowd capacity, control and technology, and The Gardens is one of the few sites available in the region capable of meeting such criteria. Therefore, should N&HRU expand into the metropolitan competition, The Gardens could host a Sydney competition club in future seasons.

While it is too early to pursue negotiations in this direction, there is no reason why such an arrangement, centred around both training sessions and home game access, cannot be accommodated at The Gardens without interfering with greyhound racing operations.

There is great demand from other sporting organisations to use the grounds on a regular basis. Other codes, including soccer and rugby league, have shown an interest in holding showcase matches at the stadium. The local Wallsend Soccer Club will use the stadium as its home ground for the senior competition starting this season, and negotiation of the commercial terms is currently in progress.

Apart from the structured sporting activities of football and greyhound racing, the stadium offers the community a wonderful

asset and resource for community activities and other forms of entertainment and special events. The scope and size of special events such as pop concerts, dirt-bike exhibitions and school exhibitions will be subject only to Newcastle City Council consent conditions.

The Gardens' carparks might prove attractive as a venue for community open-air markets or car-boot sales on a weekly or monthly basis.

Once regular operations at the stadium settle down to a regular use pattern and with adequate lead-time and planning, we intend to pursue significant revenue generating events that have minimal impact on the local community.

The Gardens site boasts an ideal location along the busy Sandgate Road for billboard advertising. There are currently two large illuminated "Super Site" billboards along the site's frontage with potential for more signage.

2. Background

The freehold assets and location of The Gardens Stadium place it in an ideal position to capitalise on the many business areas identified for development. These are described below.

2.1 Greyhound Racing

The greyhound racing industry within New South Wales consists of several levels of participants ranging from the Government of the day down to the part-time hobby owner/trainer.

In general terms, the industry is comprised of the following participants:

- Government-related agencies;
- TAB Ltd (including SKY and 2KY);
- Race clubs;
- Track operators;
- Spectators and punters;
- The bookmaking fraternity;
- The media;
- Totalizator system providers;
- Owners (including syndicates);
- Trainers;
- Stud managers and breeders;
- Veterinary and ancillary welfare services;
- Sponsors;
- Service and supply providers;
- And of course the greyhounds themselves.

The Government, through related agencies, promulgates the legislation, racing licenses, registration of clubs, distribution of TAB profits and sets the agenda for capital improvement.

In February 2002, the Government created a commercial body called Greyhound Racing NSW (GRNSW) to represent, fund and control the commercial operations of the greyhound racing industry in NSW. The Government arm, Greyhound Racing Authority (GRA), remains purely to control regulatory matters.

In a study completed by NSW Racing in February 2002, the following statistics on greyhound racing were reported:

	Metro Tracks	Non-metro Tracks	Total Tracks
Number of race tracks	1	37	38
Number of race clubs	2	37	39
Number of race meetings	104	1,432	1,536
Number of races	1,040	15,245	16,285
Of which, TAB races	1,040	5,717	6,757
Racing participants	2,613	3,623	6,236
Race club staff	92	1,696	1,788
Trainers	1,140	500	1,640
Handlers	500	201	1,001
Breeders	340	515	855
Dogs in training	4,700	3,155	7,855
Number of starters	8,057	115,221	123,278
Number of members	620	9614	10,234

The NSW National Coursing Association is one of the two metropolitan clubs listed above and also conducts the racing at Singleton, a TAB track, and Wyong and Tamworth, both non-TAB tracks.

The NCA controls and operates all facets of the racing function at its tracks from co-ordinating staff, programming of feature races, advertising, ensuring rules and regulations are followed, managing prizemoney and catering for patrons on race days.

2.2 Licenced Clubs

Licenced clubs are an important component of the fabric of society in the Hunter region. They provide a venue for many social activities, including having a meal and a drink with friends, enjoying a game of bingo or the use of a gaming machine, and organising a party on a special occasion.

Licenced clubs are often associated with a sporting event or venue such as bowls, golf or rugby league, and often subsidise junior sports activities from their profits. They also subsidise member activities and services such as inexpensive meals and low-cost holiday accommodation, and make donations to local charitable organisations.

According to the industry publication Club Biz, there are 56 such clubs in the region, of which The Gardens Sports Club is one. A recent casualty has been the Shortland RSL which recently went into receivership, evidently more from poor management than from declining markets.

Commercially, the gaming machines and the liquor licence are the key components of any licenced club.

Within the region, gaming machine numbers have increased progressively in both clubs and hotels. Although the majority of machines are in clubs, the growth in numbers has been much

stronger in the hotels. Between 1994 and 1999, machine numbers increased by an average of 12.2% per annum in hotels, but by only 4.5% in clubs, but these growth rates have narrowed in recent years. This is more likely to be due to an aggressive push by hoteliers than a lack of demand for gaming machines in clubs.

2.3 Sporting and Community Facilities

Newcastle Council lists some 345 parks, which include 146 playing fields, 60 tennis courts, 87 netball courts, and 103 playgrounds. Of the playing fields, 29 are used for soccer, 16 for rugby league and only 6 for rugby union. This would appear to indicate that rugby union is under-catered for within the Newcastle area.

Newcastle also has very few sports grounds that allow organisers to charge for entry to events. Most of the above playing fields are in park-like environs that do not facilitate spectator control.

Newcastle has only four multi-purpose venues suitable for large outdoor events such as rock concerts, two of which are galloping and trotting venues. The area is considered to be under-provided for in terms of medium-sized outdoor venues.

2.4 The Hunter Region

Following the 2001 Census, the Hunter was named as the country's sixth largest region with a population of 470,610. Its annual population growth was estimated at 4.63% compared with the 1996 census.

Although the closure of BHP's rolling mill operations in the area temporarily halted this growth, regional development initiatives have been successful in returning the local economy and employment opportunities to acceptable levels.

The Hunter has always had a strong affinity to greyhound racing, with around 30% of the State's racing activity located within the

region. However, there has never been a Sandown style track in the region, and The Gardens track will be the first.

2.5 Newcastle City

The City of Newcastle has a population of 137,307 according to the 2001 census, a 2.71% increase over the 1996 census figures.

City Council is very well disposed to the development of The Gardens as a sports and multi-function venue, and specifically as a greyhound racing venue. The city currently does not have a greyhound racetrack, the nearest being at Maitland.

2.6 The Local Neighbourhood

The Gardens is located within the neighbourhood of Birmingham Gardens within the Jesmond Planning District, which borders a growth corridor for the LGA. The populations of both Birmingham Gardens and Jesmond showed very strong growth between the 1996 and 2001 censuses, posting population increases of 12.6% and 13.7%, both well above the City of Newcastle’s average growth rates.

Birmingham Gardens and Jesmond are decidedly working-class areas, with local employment dominated by the heavy manufacturing and processing industries in Mayfield along the South Channel of the Hunter River. This is precisely the clientele most attracted to greyhound racing and licenced club activities.

For the purpose of this business plan, the most recent census data available for the 2287 postcode provides a useful snapshot of the local area’s demographics.

Australian Bureau of Statistics 2001 Census of Population & Housing – Population for Postcode 2287; 30.5 sq. kms

	Males	Females	Persons
Total persons	14,051	14,884	28,935
Aged 15 years and over (a)	10,736	11,715	22,451
Aged 65 years and over (a)	1,332	1,902	3,234
Aboriginal & Torres strait Islander (b)	288	277	565
Born in Australia	11,960	12,697	24,657
Born overseas (c)	1,493	1,510	3,003
Speaks English only	12,565	13,327	25,892
Speaks other language (d)	1,032	1,024	2,056
Australian citizens	13,952	14,741	28,693
Enumerated elsewhere (a)(e)	99	143	242
Overseas visitors	26	42	68

- a Includes overseas visitors.
- b Applicable to persons who are of both Aboriginal and Torres Strait Islander origin.
- c Includes ‘Inadequately described’, ‘At sea’, and ‘Not elsewhere classified’.
- d Includes ‘Non-verbal so described’ and ‘Inadequately described’.
- e Includes ‘Non-Private dwellings’, ‘Migratory and Off-shore’.

The proposed development will not have a significant effect on existing social trends other than providing some jobs and maintaining a place that has importance to some local people, namely the licensed club. The NCA has demonstrated on many occasions that it is a responsible corporate citizen and that it acts with the community interest in mind at all times.

3. Capital Program

The Gardens site is already well on the way to achieving its intended development, with \$2.2 million or about 30% of the capital budget already expended or committed. Another \$5.13 million is yet to be committed, pending suitable debt financing.

The future expansion potential of The Gardens is significant. However, any further capital expenditure beyond the proposed works is not part of this Business Case.

3.1 Expenditure to Date

The NCA's total expenditure to date has been just over \$2.2 million. To support this preliminary work at The Gardens site, the Greyhound Industry Development Fund (GIDF), which the GRNSW administers, voted \$1.5 million to support the project. Of this amount, about \$1 million has not yet been drawn and is still available to the project.

3.1.1 Acquisition of Land and Assets

Expenditure to date on this project has been limited to the NCA's original purchase of the site in September 2001 for \$1,080,000.

This purchase acquired for the NCA the following:

- 3.7 hectares of land,
- A 2,000 seat grandstand with 22 corporate boxes,
- A fully fenced, full size football field, suitable for rugby union, soccer or rugby league,
- Well appointed change rooms and umpires room,

- Additional areas underneath the grandstand suitable for other sporting related purposes,
- A hot food kiosk,
- A fully licensed club with 34 gaming machine licences,
- An administration office,
- An adjoining administration area, and
- Car parking for up to 185 vehicles.

This purchase was made with the full knowledge and consent of the previous controlling body, the Greyhound Racing Authority (GRA), as a site that could be developed as a showcase greyhound track for the Hunter Region.

The asset was purchased from cash reserves held by the NSW National Coursing Association and is currently unencumbered.

Earlier this year, negotiations were completed for the purchase of additional land from the landholder neighbouring onto The Gardens site for \$258,000. This was made necessary to accommodate a requirement of the GRA that the greyhound racing track should be a "Sandown replica", necessitating extra length and width that the existing land package could not provide.

3.1.2 Improvements to Date

Minor improvements in the scope of the total project have been completed to date, at a direct cost of \$554,000, either expended or committed.

These improvements include:

- Additional administration space to the northwest corner of the administration block;

- Refurbishment of the offices and fixtures within the administration area;
- Upgraded security and air conditioning systems;
- Return of the sports field and its facilities to a high standard of functionality;
- Minor improvements to the interior of the licensed club; and
- Demolition of the small western grandstand and food and drink kiosks.

Currently under construction (and included in the above committed expenditure) is the 120 cover restaurant being built in front of and adjoining the licensed club, and the associated furniture, fixtures and equipment.

Included in this construction will be an additional disabled bathroom accessible by restaurant and club patrons alike, a new club entrance access and an upgraded 185-bay environmentally, acoustically and aesthetically designed car park.

3.1.3 Design and Costings

The design of the major works described above has been undertaken by Robertson & Marks Architects under the guidance of David Mayes on instruction from NCA's General Manager, John McCabe. Cost estimates have been drawn up principally by Leightons Constructions under instruction from Robertson & Marks and with their input.

The steps followed in the design process have taken into account the original intention of the NCA and GRA and that of the industry at large to create a premier showcase track for the Hunter and NSW.

Under the guidelines established by the State Government's GRA, and now more recently by the newly constituted GRNSW Commercial Board, tenders were called from a short list of GRA accredited consultants. The GRA appointed an independent architect, Robertson & Marks, to supervise and authorise the expenditure for the project on its behalf in conjunction with the NCA's John McCabe.

Expressions of interest were called for the project's construction management from reputable companies able to display the professional expertise and track record required to deliver such a project on time and within budget. Three companies were short-listed following evaluation of submissions received, and Leightons Constructions of Newcastle was subsequently selected by The Gardens Working Party.

The brief given to Leightons Constructions to date is limited to providing cost estimates for construction based on Robertson & Marks' design and information available to date. These costings will be firmed up when GRNSW gives the go ahead for tenders to be called for the various trades and suppliers. Leightons has also developed a construction time line for the project which is both reasonable and achievable – six months from go-ahead to commissioning.

Once the funding is secured, Leightons have indicated that they will be in a position to proceed with earthworks virtually immediately and commence construction shortly afterwards.

Under the GRA's original commission to develop a "showcase" greyhound racing venue, and GRNSW's endorsement of this intent, the engineering standards applied to the design of the track from the foundations to the lure system, catching pen, fencing and sound system have taken no half measures. A key criterion of the design is to secure

the television spectacle of the venue, while at the same time ensuring that the requirements of all parties involved in the complex are met, be they patrons, GRA Stewards, owners and trainers, bookmakers, punters, service providers, Sky Channel, TAB and sponsors.

The plans incorporate the utilisation of existing assets wherever appropriate.

Following is a tabulation of the expended and committed funds for the project, which are not part of the proposed funding being sought:

Capital expenditure to date:

Land purchase:		
Breakers purchase		1,080,270
Additional land parcels		257,719
Total Land Purchases =		1,337,989
Office complex refurbishment		27,911
Restaurant construction	in progress	345,000
Restaurant FF&E allowance	to follow	81,000
Club & carpark refurbishment	in progress	50,000
Total direct costs =		1,841,900
ADD:		
Professional fees for the above	18%	90,704
Professional fees for proposed works		193,980
Owners' costs		5,000
GST payable @ 10%		79,400
TOTAL EXPENDITURE TO DATE =		\$2,210,984

3.2 Proposed Investment

The proposed investment involves a further expenditure of \$5.14 million, of which a significant part is to be financed through commercial debt being sought by way of this Business Plan.

3.2.1 Earthworks

The earthworks for this project will involve the relocation of 140,000 cubic metres of fill in reconfiguring the existing embankments on the site to make way for the enlargement of the sporting field, and cut-and-fill and paving for the reconfiguration of the car park.

As the site exists today, there are earth embankments to the north, south and west boundaries. In order to resize the grounds to accommodate the Sandown track, these earthworks will require reshaping into the newly acquired property adjoining the site to the west and north.

The earthworks will also take into consideration the radius and camber of the proposed Sandown racetrack design and allow for acceptable stormwater drainage and reticulation back to subsurface holding tanks of 400,000 litres capacity located at the northern end of the site. This water will be available for subsequent irrigation of the track and playing surface and loam racetrack.

Besides the reconfiguration of the northern carpark as part of the committed upgrade of the licenced club, the southern carpark will require rework to improve parking efficiency and traffic flow for up to 185 vehicles, while also enhancing the site's aesthetics from the Sandgate Road perspective.

3.2.2 Track Construction

The construction of the Sandown track around the outside of the newly configured field will comprise laying of the loam surface as well as the installation of lighting, three starting box stations, the lure system, finishing line equipment, catching pen, semaphore system and public address system.

The track laying works will meet the requirements of a well-grounded loam surface, capable of withstanding the elements and wear and tear so as to secure a permanent and consistent greyhound racing surface.

The electrical and mechanical installation of lighting and racing equipment will be to best practice standards as encouraged by GRA and GRNSW.

3.2.3 Building

The major buildings on the site will be the kennel block under the southern end of the existing grandstand and the Garden Lounge under its northern end and adjacent to the track's finishing line.

The kennel block will be of besser block and steel framework construction on a concrete floor with a non-slip protective coating, and will feature an insulated metal roof. The interior panelling for each kennel bay will be a combination of glass panelling and masonry wall for security and soundproofing. Each bay will be individually air conditioned.

The Garden Lounge will require some minor re-engineering of the grandstand structure to relocate existing cross-bracing and open up an area suitable for the purpose. The lounge enclosure will mostly comprise glass

walls and entry point for maximum viewing, augmented with steel-framed masonry north and south walls. It will be separately waterproofed under the grandstand by way of an insulated metal roof with a false ceiling.

The interior of the Garden Lounge will be fully air conditioned and carpeted for patrons' comfort. An all-purpose bar and hot food canteen, tote and bookmakers facilities, realignment and refurbishment of toilets and construction of ticket offices will complete the interior appointments.

Cost estimates for the above proposed construction components have been prepared in collaboration with Leighton Contractors and Marks & Robertson, and represent our best knowledge of the true cost of construction, including on-costs, professional design and supervision, and ancillary project expenses. These cost estimates, together with the anticipated timing of expenditures, are shown overpage:

Proposed capital expenditure program:

Earthworks, drainage, landscaping & paving	1,084,527
Racing equipment installation	918,106
Lighting	240,000
Kennel block	726,478
Garden Lounge construction	560,769
Garden Lounge FF&E allowance	30,847
Grandstand refurbishment	108,870
Southern carpark refurbishment	27,300
Additional DA works allowance	100,000
Construction contingencies	137,246
Total direct costs =	3,934,143

ADD:

Professional fees - design & doc	15%	396,141
Professional fees - supervision	8%	314,731
Authority fees		6,000
Owners' costs		20,000
GST payable @ 10%		468,000
TOTAL PROPOSED EXPENDITURE =		\$5,139,016

rooms, or dining and gaming room space, for example, is self funding.

If additional car parking space is required, the site has farmland properties to the north and northwest and a currently vacant scrap metal site to the south, which could be explored for future purchase should the need arise.

Adequate provision for the timely refurbishment of the facilities has been allowed for, most notably for the interior appointments of the Garden Lounge and the Gardens Sports Club, and the replacement of the gaming machines every three years.

3.3 Future Expansion Potential

The Gardens site and buildings have excellent opportunities for future expansion, should the need or demand arise.

The current club and administration buildings can be demolished and reconstructed as multi-level structures in the event that extra space is required for future expansion. This of course would only be considered if such expansion for function or convention

4. Operations

The Gardens development will facilitate the operation of three distinct profit centres, each having strong profitability and growth potential.

These are:

- Greyhound racing;
- The licenced club; and
- Sporting and community events.

Each of these is described below in turn:

4.1 Greyhound Racing

The NCA annually conducts 174 greyhound race meetings, 102 of which are broadcast by SKY for TAB distribution. These are:

- Wentworth Park, Glebe 52 TAB (Sat & Mon nights)
- Singleton 50 TAB (Friday afternoons)
- Wyong 50 non-TAB (Sat afternoons)
- Tamworth 22 non-TAB (Sat afternons)

Once The Gardens project is completed, Singleton will be closed and its 50 TAB race days will be transferred to The Gardens. Another 44 TAB race days will be transferred from Cessnock, also to be closed down as a greyhound racing venue. This will give the NCA a total of 144 TAB race days, with 94 of them at The Gardens.

The racing calendar at The Gardens will likely be as follows:

- 44 twilight meetings of 10 races each on Thursdays; and
- 50 afternoon meetings of 10 races on Fridays.

Thus, most weeks will feature two meetings of different characters, to suit different dog owners and breeders, race enthusiasts and television audiences.

The Gardens will have a race day manager who runs the trackside operation. This involves the employment of around 25 casual race day staff and specially trained operators of specialist equipment such as the mechanical lure and the computerised photo finish system for determining the placegetters in each race.

Prize money is paid to winners and placegetters out of a fund guaranteed by the Racing Distribution Agreement (RDA) and administered by GRNSW on behalf of the industry. The NCA may choose to retain up to 12% of these funds to help defray the costs of administration of the prize money and purchase of trophies.

The GRA appoints race day stewards who perform all duties of a regulatory nature. They are in ultimate control of the racing activity and maintain the integrity of the race day operations.

Race days usually generate the majority of the venue's net income, with revenues from the gate, on-course tote, TAB and bookmaker fees, and food and beverage sales exceeding staff wages and other operational expenses. The Gardens will likely generate net income averaging \$4,800 per meet, which goes towards paying for fixed costs and overheads, and contributing to profits.

Usually during non-race day afternoons, the Club conducts trials for the benefit of its members to train their greyhounds in the disciplines of racing and to trial their progress. These trials are carried out under similar conditions as on race days, but with fewer controls. Trials may be competitive or run singly. The dog owners and trainers pay a trial fee for the privilege, which usually contributes a small amount to overheads and profit.

Based on its extensive experience in greyhound racing, the NCA has developed pro-forma cost and revenue budgets for its greyhound racing profit centre, commencing in July 2004. Following is a summary of the first full year's operation, for the financial year 2005/06:

Business Plan – The Gardens

Greyhound Racing Profit Centre: Estimates for 2006

Revenue Calculation

Per Meeting Revenues

Gate proceeds	2,850
Bar and Catering	1,080
Bookmaker and other fees	995
Sale of race books	610
TAB/on-course tote	1,935
GRNSW disbursement	<u>11,910</u>

SUB-TOTAL per Meet 19,380

No. of Meets 94

SUB-TOTAL – VARIABLE REVENUES: \$1,821,720

Fixed Revenues

Sponsorship	197,000
Trial fees	89,000
Veterinary franchise	11,000
SUB-TOTAL – FIXED REVENUES:	<u>297,000</u>

TOTAL - ANNUAL RACING REVENUES: \$2,118,720

Cost Calculation

Per Meeting Costs

Plant & operator hire	223
Wages - meeting	1,721
Entitlements (super etc)	103
Contractors	1,243
Power	100
Prize money	<u>9,255</u>

Other

1,665

SUB-TOTAL per Meet 14,310

No. of Meets 94 88

SUB-TOTAL - VARIABLE COSTS: \$1,345,140

1259,280

Fixed Costs

Rent and/or rates	5,310
Wages - ground staff	21,200
Wages - trial	22,650
Management	66,820
Entitlements (super etc)	8,770
Ground maintenance	72,600
Building maintenance	11,000
Motor vehicles	20,000
Advertising	27,000
Water	26,400
Other site costs	20,000
Insurance	46,200
Misc admin expenses	31,900
Net GST payable	<u>23,830</u>

SUB-TOTAL - FIXED COSTS: 403,680

TOTAL - ANNUAL RACING COSTS: \$1,748,820

ANNUAL RACING PROFIT / (LOSS): \$369,900

Profit / (Loss) as % of costs = 21.2%

31,120

407 @ \$7

165 @ \$370

1705440

2002440

71 70% of 1259,280

20.4%

4.2 Licenced Club

The Gardens Sports Club is a tenant on the NCA's Gardens Greyhound & Sporting Complex. As such, it pays the NCA a nominal monthly rent, which, for the purposes of this Business Plan, is not shown as it constitutes an internal funds transfer.

The NCA has a controlling interest in the Sports Club in order to secure its financial investment in the club.

The Gardens Sports Club has a Board of 9 Directors, 6 of whom will always be NCA nominees. The Chairman of The Gardens Sports Club will always be an NCA Director. The constitution was appropriately amended by the members and approved by the Department of Gaming & Racing in December 2002.

A new Secretary/Manager was appointed to the Club just over a year ago and the Club has made strong progress towards profitability since then, specifically in paying all outstanding debts accumulated over the past three years.

The Sports Club is adjacent to the football field and proposed greyhound race track. Once greyhound racing activity commences and regular rugby union and soccer games are scheduled for the field, the flow-on effects to the Club's revenue from the additional patronage will be significant.

The most significant earners for the Club are its 34 gaming machines. While utilisation of the machines in the past has been poor by industry standards, significant improvements in net clearances have been made since the installation of new club management. The anticipated increase in Club patronage will raise utilisation to another level in 2004/05. Consequently, it is anticipated that the stock of machines can be increased at a rate of 2 per annum once performance has improved sufficiently, to a maximum of 50 machines.

Beverage service at the Club has also been languishing in the past several years, suffering from a lack of focus for the Club as a venue in its own right. However, bar sales have increased with the recent change in management and will predictably improve significantly with the introduction of greyhound racing and regular football fixtures, including grand finals.

Connected to the Club will be a new 120 seat restaurant that is currently under construction and will be opened in December 2003 under a commercial franchise. This facility will also help to increase the Club's patronage and revenue. The restaurant will be heavily patronised by greyhound enthusiasts on race days and sports spectators who are prepared to pay a premium price for comfortable facilities and service.

The Sports Club is seen as an important business integrator, bringing together patrons of greyhound racing, rugby union and soccer as well as the Club's 2,500 members in providing a comprehensive range of leisure and entertainment services to augment their other reasons for visiting The Gardens.

Based on recent improvements in the club's performance, projected patronage and extensive research of similar licenced clubs associated with adjacent sporting facilities, the NCA has developed cost and revenue pro-formas for the Club and associated restaurant as a discrete profit centre.

The pro-forma for the financial year 2005/06 is shown overpage:

Business Plan – The Gardens

Licenced Club Profit Centre: Estimates for 2006

Restaurant

Covers available	120	
Commercial franchise	\$300/week	15,600
LESS:		
Franchise administration		0
Restaurant Contribution:		15,600

Beverage Service

Bar patrons per week	550	
Average spend	\$15.00	
Annual bar revenues		412,500
Restaurant patrons per week	500	
Average spend	\$10.00	
Annual table revenues		250,000
Total beverage revenues		662,500
LESS:		
Cost of stock	40.0%	265,000
Consumables	3.0%	19,875
Staff salaries		150,000
Beverage Contribution:		227,625

Gaming Machines

No. gaming machines	34	
Ave weekly take/machine	\$600.00	
Annual gaming machine revenues		1,020,000
LESS:		
Licence purchase	30000	0
CDSE contribution		300
Machine maintenance		12,240
Supervision & surveillance		5,000

Data monitoring	12,300
Gaming machine tax	119,000
Gaming machine contribution:	871,160

Functions & Events

No. functions per year	50	
Average spend/function	\$200.00	
Annual function revenue		10,000
No. events per year	120	
Average spend/event	\$20.00	
Annual event revenue		2,400
Total function & event revenues		12,400
LESS:		
Function supervision		5,000
Event costs		2,400
Function & event contribution:		5,000

TOTAL CLUB CONTRIBUTION: 1,119,385

LESS: Club Overheads

Club management	100,000
Utilities	10,000
Insurance	30,000
Administration	100,000
Refurbishment fund contribution @ 20.0%	224,000
GST payable	114,000
TOTAL CLUB OVERHEADS:	578,000

ANNUAL CLUB PROFIT / (LOSS): **\$541,385**

Profit / (Loss) as % of costs = 47.8%

Profit / (Loss) per gaming machine = \$15,923

4.3 Sporting and Community Events

The sporting ground and its facilities are second only to Energy Australia Stadium in Newcastle, the home ground of the Newcastle Knights. The Gardens' playing surface has a reputation for being the best football surface in the Hunter, and the venue is one of the few in the region capable of facilitating paid entrance to any sporting or arena event. Consequently, there is great demand from both local and regional sporting organisations to use the ground on a regular basis.

4.3.1 Rugby Union

The Newcastle and Hunter Rugby Union has entered into a contractual arrangement with the NCA that covers 5 + 5 years of sojourn at The Gardens. It has relocated its administrative headquarters to the NCA administration building at The Gardens.

Next year, given the completion of the project, the Rugby Union intends to expand its activities at The Gardens to embrace all aspects of the code's administration:

- Juniors;
- Seniors;
- Ladies; and
- Referees.

The venue will also be used for representative rugby union selection trials, inter-district matches and the grand final series.

There is also interest in relocating a metropolitan rugby union club to The Gardens as a home ground venue. This will further enhance the patronage of the licenced Club, guaranteeing use of the site on 2 to 3 occasions a week.

All of the above uses of the stadium can be accommodated into The Gardens' operations. All the requisite equipment is already on site, the proposed grounds staff will have spare capacity and the capability to provide the necessary services, and any additional staffing that might be required can be acquired at short notice through contract.

4.3.2 Soccer

The local Wallsend Soccer Club will use the stadium as its home ground for the seniors competition, for both training and home fixtures. Commercial negotiations are currently proceeding, and it is understood that the soccer club favours a long lease that will provide the team with some home-ground permanency.

Switching goalposts and field markings are well within the grounds staff's routine capabilities.

4.3.3 Community and Other Events

Use of The Gardens as a venue for special events such as concerts, exhibitions, extravaganzas and community markets is expected to be an active business proposition.

This form of usage should be well within the operational capabilities of The Gardens staff and management. Special events might require additional staff time and contract resources, but not beyond the normal range of capabilities of the team at The Gardens.

There are also further signage and advertising opportunities available at the site.

The NCA has developed cost and revenue projections for the above operations, based on current contracts and probable future commitments and events. The 2005/06 projection is shown overpage:

Business Plan – The Gardens

Sports & Events Profit Centre: Estimates for 2006

N&HRU:

Admin office rent		11,000
Trials & rep games	12 games	4,800
Finals series hosting	25 games	4,000
Club training	48 sessions	7,200
Club home games	15 games	5,250

LESS:

Grounds maintenance		7,500
N&HRU Contribution:		<u>24,750</u>

Wallsend Soccer Club:

Finals series hosting	Still	1,200
Club training	52 sessions	7,800
Club home games	15 games	3,000

LESS:

Grounds maintenance		5,700
WSC Contribution:		<u>6,300</u>

Events:

No. of events assumed	6 per	
Ground rental @ \$5,000 per event		30,000
Advertising surcharge @ \$200 per event		1,200

LESS:

Post-event cleanup	15.0%	4,680
Grounds maintenance	10.0%	3,120
Security contractor for	6 events	3,000
Events Contribution:		<u>20,400</u>

Site Signage Rights:

No. of "Super Signs"	4 faces	
Signage rental @ \$22,500 per face		90,000
LESS:		
Agency fees	5.0%	4,500
Signage Contribution:		<u>85,500</u>

TOTAL SPORTS & EVENTS \$136,950

LESS: Sports & Events Overheads

Sports & Events management		25,000
Utilities		11,800
Insurance		33,000
Administration		11,000
Refurbishment fund contribution	5.0%	7,000
GST payable		7,000

TOTAL CLUB OVERHEADS: \$94,800

ANNUAL CLUB PROFIT / (LOSS): \$42,150

Profit / (Loss) as % of costs =	34.0%
Profit / (Loss) per event =	\$577

Grand Total

5. Marketing Plan

The NCA has developed a coordinated marketing plan to promote the various businesses proposed for The Gardens. This plan is based on a combination of in-house marketing experience and acquired marketing expertise in certain specialist areas.

5.1 Greyhound Racing

The NCA has had much experience in marketing key events and at its various racing facilities. Included in this is the Melbourne Cup Day event held at the Wyong Racecourse; The Greyhound of the Year award at Star City; the Paws of Thunder, the richest greyhound race in NSW; Australian Greyhound Racing Association conferences; the world conference of the World Greyhound Racing Association; and many other events.

From this experience, the NCA can draw on its resources and knowledge of how its current events have been successfully marketed and refine a marketing plan for all events at The Gardens. This includes recognising target markets for particular events, developing a promotional campaign to attract dog owners and spectators, and identifying the most appropriate medium to create awareness.

To ensure that the venue is attractive for patrons, the NCA has envisaged a superior standard of facilities available to patrons for use. This includes SKY and TAB facilities that are particularly important for race days.

The NCA has given special consideration to the transition for owners, trainers, bookmakers and the like in patronising a new track at The Gardens. Prize money for The Gardens races will be set at levels that will ensure attractive rewards for owners and trainers to the new facility.

The NCA will make best use of its extensive experience and capability in conducting and scheduling competitive racing events to enable it to program the highest standard of racing at The Gardens. This will create interest among owners and trainers, and act as a drawcard for greyhound nominations at The Gardens. As a result of a good racing programs, spectators, enthusiasts and punters will want to attend.

The NCA has paid great attention to recent events in the Hunter Region and how they have been advertised and received by patrons. The NCA will market the opening of greyhound racing at The Gardens with the intention of attracting maximum crowds for the first two months. This will be achieved through advertising on the 2KY racing station, SKY racing channel, as well as local television and radio stations.

Greyhound racing has not been conducted in Newcastle since 1997 when Beaumont Park was closed and the race dates lost to the region. The Gardens will introduce the first greyhound racing event in 7 years and the marketing build-up will aim at creating a level of anticipation centred around “greyhound racing’s back in town”.

The NCA will create maximum exposure to the local community through fliers, advertising in local shopping centres and promotion in conjunction with other local community events.

The NCA has already registered interest from a number of bookmakers to field at The Gardens to cater for the punting patrons when racing begins.

In comparison to other racetracks in the region, there will be a greater frequency of races conducted at The Gardens. This creates the necessity for trainers to trial greyhounds at the track, as this is where they will be racing. The Gardens should therefore draw a large number of trials, as seen at the Richmond Greyhound Racing Club which also boasts two race days per week.

The NCA will promote trial times via the Greyhound Recorder, NSW's most popular greyhound publication, on the NCA website, in GRNSW publications and on GRNSW's website. These are the most popular means of contacting trainers.

5.2 Licenced Club

Many of The Gardens Sports Club's 2,300 current members are greyhound enthusiasts. Their loyalty will only be strengthened with the introduction of greyhound racing and other sporting events that will improve the attractiveness of the venue and create further reason to patronise the Club.

The Club currently conducts a number of daily events to promote regular patronage and offer some degree of differentiation from other local competitors. This includes events like Bingo, Keno, card nights and raffles that are already well patronised.

Advertising for such events appears in local newspapers and publications, the NCA website which displays a regularly updated calendar of events, and word of mouth.

Within the local region, there is limited competition that can offer a package of a live sporting spectacle, a drink, a restaurant meal and access to gaming machines. This package will be marketed regularly through local and regional media sources so that awareness is increased and patronage is maximised. Crossover promotion will also be pursued, encouraging racegoers and sports spectators to use the club's facilities before, during and after events, especially during the key period shortly after commissioning the facility.

The restaurant facility will also be advertised as a function venue for weddings, parties and corporate events in the local Yellow Pages, local newspapers, fliers to the local community and the Super Site signs on site. A wide array of users will assist the

NCA in ensuring that the Club and restaurant attain high patronage.

5.3 Sporting and Community Events

The NCA is conscious of its commitment to the local community and its key focus on sporting events. As a result, the NCA is discussing opportunities for local sporting groups to make use of The Gardens with the view of securing seasonal calendars for local teams.

The Wallsend Soccer Club has recently reached agreement with the NCA to relocate its training and home games to The Gardens. The N&HRU is considering relocating a metropolitan club to The Gardens for future seasons. These initiatives will deliver many more visitors to The Gardens, both players and spectators, for training and home matches.

The NCA has been working closely with these and other local sporting groups to ensure all parties are cared for once the new facilities are commissioned. This will present the NCA with an opportunity to attract these visitors to the licenced club and restaurant, and perhaps convert them to greyhound racing as well. Promotional campaigns would be developed in this instance to capitalise on these opportunities.

The NCA will promote the site as a multi-use centre through agents, associations and societies. It can cater for sporting events, concerts, markets and many other activities that will all be considered based on a site availability schedule.

With increased activity at the site, the NCA will be actively pushing to increase signage and sponsorship at the site.

It is the aim of the NCA's marketing plan to maximise the use of The Gardens facility in order to generate maximum income whenever possible, seven days a week.

6. Management

The NCA has the requisite management capability and professional assistance to implement the proposed Gardens project and then to operate its various businesses in a businesslike and profitable manner.

6.1 NCA's Project Management Capability

The NCA has the capability to manage the implementation of a project of the size and nature of that proposed for The Gardens site, through all phases including design, construction and operation.

The NCA's responsible person for the entire project will be the General Manager, John McCabe. He is a qualified builder and construction supervisor. Prior to joining the NCA, he accumulated vast experience with commercial projects, both large and small, for both the Government and private sector.

Since the start of the project, Mrs Donna Summers, Corporate Projects Manager, has been working jointly with Mr. McCabe on The Gardens project.

Professional assistance has been obtained from the NCA's finance department headed by Mr. Tony Cividin and his team.

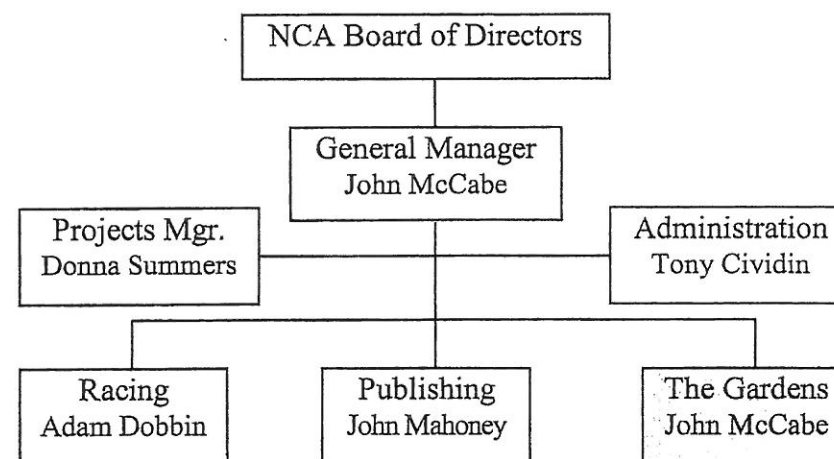
The NCA has appointed a Gardens Working Party which meets monthly and as needs determine. The Working Party consists of:

- Five NCA Directors;
- The General Manager, Mr. John McCabe;
- The Corporate Projects Manager, Mrs Donna Summers
- The Commercial Manager, Mr. Tony Cividin;
- Mr. Adam Wallish, CEO of Greyhound Racing NSW, and

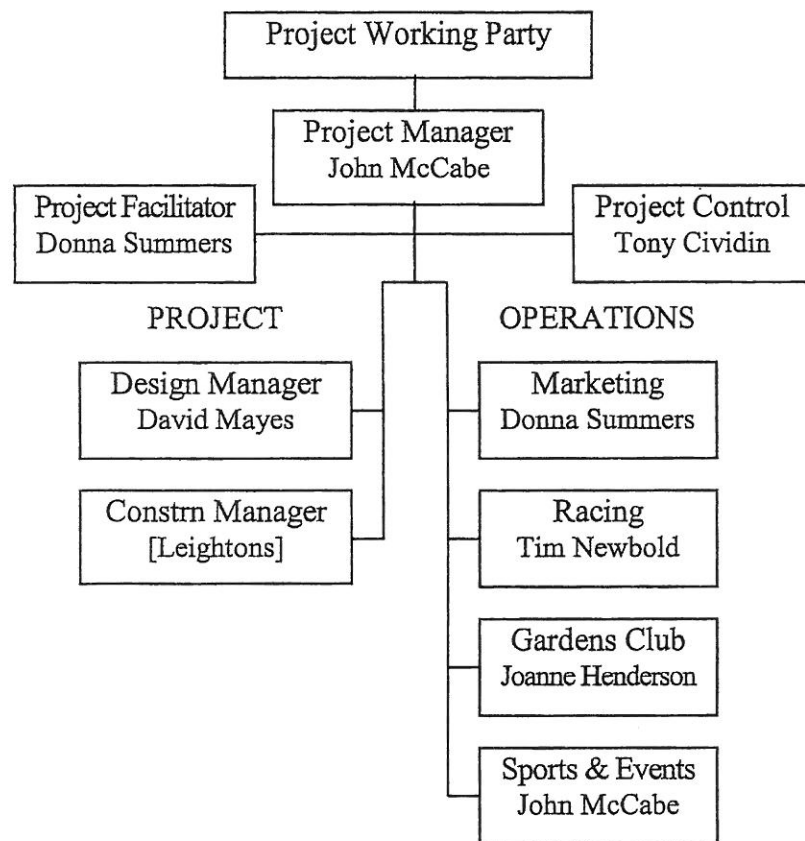
- The independent architect, Mr. David Mayes of Robertson & Marks.

The Working Party has been provided with technical input by a team of consulting engineers, architects, planners and surveyors for the total development of the Project.

The NCA intends to manage this major project as a separate organisational entity within its management structure, as shown below:



Within The Gardens project entity, management responsibility will be delegated and controlled according to a typical project organisational structure as follows:



6.2 NCA’s Greyhound Racing Capability

The professionalism of the NCA management team is second to none in the greyhound racing industry in Australia. With its young dynamic team of dedicated and passionate racing personnel, who have displayed the competencies to achieve results in such a competitive industry, bringing credit and much esteem to the management profile and leadership of the NCA.

- Adam Dobbin: NCA Racing Manager
Wentworth Park, Wyong, Singleton and Tamworth.
Four years experience with the NCA in all aspects of the business
Skilled in the statistical analysis and evaluation of racing income parameters and trends
Currently studying Sporting & Corporate Event Management
- Tim Newbold: Hunter Racing Co-Ordinator
Prior to appointment 18 months ago he had 6 years experience with the Newcastle Jockey Club and Wyong Race Club in marketing, race day operations and audit.
Tim’s local knowledge and experience within the Hunter community holds him in good stead for success at the Gardens
- Donna Summers: Corporate Projects Manager
Qualified in Communications & Marketing
Qualifications in web site design and management, information technology, office systems and procedures and human .

resources management.

Life-time involvement in greyhound industry from breeding, rearing, training and racing, to administration.

Eighteen months experience with the NCA; eg. The Gardens project and recent Tamworth acquisition.

John McCabe: General Manager
Four years as General Manager
NCA Director & Treasurer for 6 years prior to this appointment
Arts Degree with major in Regional & Urban Planning
Fellow of Australian Institute of Management
Member of the Australian College of Educators
Diploma of Education
Licenced Builder and Qualified Supervisor.
Honorary Executive Officer of the Australian Greyhound Racing Association.
Treasurer of the Metropolitan & Provincial Greyhound Clubs Association

The above management team has helped in the growth and development of the racing activities of the NCA in the last couple of years. It has placed the NCA in a respected position within the industry and it is recognized as a professional business enterprise run by very highly skilled and competent people.

To complement the racing activities the NCA has a highly qualified finance and commercial department which monitors budgets and gives tactical and strategic advice to capitalize on commercial opportunities at the present time and in the future.

With the evolving growth of the NCA the 'back office' is forever adapting and accommodating the business changes within an efficient streamlined staffing structure:

Tony Cividin: Commercial Manager;
23 years as financial controller of manufacturing plant with a turnover of \$200M pa.
4 years as a state manager of engineering company.
16 months experience as Commercial Manager for the NCA.
Former Chairman and Director of Capital Credit Union.
Associate Member of Institute of Affiliated Accountants.

Overriding the management team is the very astute NCA Board of Directors. The thirteen Directors come from a wide array of business backgrounds and experiences and set sound policy for management to implement. The Gardens project is of particular interest and relevance to:

Mr. Mike Ahern Chairman, NSW National Coursing
OAM: Association & The Gardens Sports Club
Director of GRNSW
Mike has brought vision, transparency, accountability and strong leadership to the

NCA in his seventh year as Chairman. Previously General Manager of Kogarah Council for ten years and his astute political ability to seize the moment, the NCA is ever alert to better itself and make wise and sound business decisions to fulfill the aims and objectives of the Association and meet the demands of its members.

The strength of the overall management of the NCA is its cohesiveness and the passion that exist amongst everyone to excel and succeed.

6.3 Experience with Licenced Clubs

The Board of Directors (9) of the Gardens Sports Club consists of three local businessmen who have been involved with the club industry for a number of years. The other six Directors on the Board are NCA Directors.

Over the past two years the application of sound business principles and the appointment of a highly experienced Club Secretary/Manager from a local Newcastle club – Club Nova - has put sound operational procedures in place and turned the financial trends around in a difficult climate with little funds for upgrading, marketing and promotions.

The Board of Directors is extremely pleased with the professional performance displayed by the new Secretary/Manager, and look forward to the day when activities begin at the Gardens Greyhound and Sporting Complex and the flow-on effects on club patronage from racegoers and sports spectators become evident in terms of increased revenues.

6.4 Experience with Sporting Administration

Currently, the NCA management team is involved in sporting administration on a weekly basis at all its venues. With expertise in event management, marketing, promotions, advertising, hospitality and gaining sponsorships, the NCA has made successful inroads into this very difficult market.

At The Gardens Greyhound and Sporting Complex, the NCA has entered into contractual arrangements with the Newcastle & Hunter Rugby Union for its administrative offices to be located at The Gardens.

With a full-time General Manager located at The Gardens, the Rugby Union has implemented a professional approach to the promotion and development of the game in the Hunter and brings to The Gardens management capability all the necessary skills and professionalism to operate a successful enterprise.

7. Risk Analysis

A project of this scale inevitably faces risks during its implementation and subsequent operation. However, the facilities are mostly already in place and the NCA has proven management capabilities. The risks confronting The Gardens project are therefore considered to be minimal, and little specific risk management is anticipated.

The risks that do exist are as follows:

7.1 Financial Risk

Assuming that the project is adequately financed according to the financing plan contained in this Business Plan, there is the risk that the financing plan fails to deliver the required financial support due to the NCA's inability to meet its principal and interest payment obligations.

In order to minimise the likelihood of this occurring, the NCA proposes a financing plan that provides three levels of financial risk management, as follows:

- The proposed debt obligations are well within the project's projected ability to service the debt internally;
- Failing this, the NCA will provide supplementary cash flow support to the extent of which it is capable; and
- Failing this, Greyhound Racing NSW has indicated an in-principle willingness to consider additional cash flow and operational surety to the project (see 8.3.2 below).

The NCA is also anxious to secure a fixed interest rate for the duration of the loan term in order to further reduce financial risk.

7.2 Construction Risk

The financial success of the project will to a large extent depend on the contractor carrying out the construction work efficiently and to the specified level of technical quality.

Leighton Contractors have been appointed as Head Contractor for the project, and have already completed working drawings and cost estimates for the project. The scope of work is straightforward earthmoving, building and track construction.

Under Leighton Contractors' responsibility, it is unlikely that any untoward construction risk event will occur during the remaining 6 months of construction. In any event, normal construction and third party insurance cover will be a prerequisite of all construction contracts written for the work.

The subsurface conditions of the stadium area are already well known due to prior and recent geotechnical surveys.

7.3 Delay Risk

Prolonged inclement weather has the potential of delaying the completion of construction.

Such delays are always a possibility, but sufficient contingency time has been incorporated into the program that all but the most severe weather conditions should not affect the completion date.

Under a worst-case scenario of a fortnight delay to completion of the earthworks, two greyhound race days might have to be transferred to another venue, which would deny the operator a maximum of \$7,000 in lost income.

7.4 Cost Over-run Risk

It is intended that Leighton Contractors' current cost estimates will be converted to a fixed cost commitment and enshrined in a

construction contract yet to be signed pending financing and the tendering of the various trade packages.

7.5 Commissioning Risk

The project is subject to the development consent and construction certification processes specified in the *Environmental Planning and Assessment Act 1979* and the *Building Code of Australia*. Newcastle City Council is the designated consent authority.

To date, there has been little problem in acquiring the necessary approvals and inspections for construction work undertaken.

Perhaps the major commissioning risk concerns the possibility that Council does not grant an occupation certificate upon completion of construction. This could be due to deficient workmanship, non-completion of essential elements, failure to comply with conditions of development consent or other reasons. Leighton Contractors have an enviable reputation in the construction industry for successful completion of projects both large and small, and it is highly unlikely that the deficiencies that might be identified through progressive inspections by Council inspectors are not going to be rectified on an ongoing basis. Any overhanging deficiencies upon completion should therefore be minimal and readily corrected during the defects period.

7.6 Operations Risk

Once The Gardens is operational from 1 July 2004, there are risks that racing operations will not be as well managed and profitable as planned, that the licenced club will not be as successful as anticipated, and/or that the rugby union organisation will choose to terminate its lease at The Gardens.

While none of these are substantial risks, the NCA has developed contingency plans for each and intends to take out insurance cover for much of the residual risk these contingency plans cannot cover. For example, the opportunity to stage more than 94 race days annually is available to the club, and other footballing codes have indicated an interest in sharing the stadium with rugby union.

The NCA has a long and solid history of staging successful and profitable race meets in the Hunter (at its Singleton venue), and the licenced club has already been converted from a loss-making business into a profitable venture with more scope for improvement still to be exploited. There is therefore little risk that the operating entities will not have the requisite expertise and capacity to be able to meet its objectives.

7.7 Risk Management

The NCA's proposed action plan incorporates a sound and comprehensive risk management plan to counteract the negative potential of the above and other risk events.

The risk management plan will be based on current best practice, in adhering to the following steps:

- Identify the key risks;
- Quantify the value of each risk in terms of probability of occurrence and impact, and rank them by value;
- Develop and analyse options for reducing their probability or impact, or both;
- Transfer risks that can efficiently be transferred;
- Manage the retained risk through insurance, ongoing risk management procedures and the like.

Development and evaluation of the above risk management plan will be undertaken as and when appropriate in the project process.

8. Financing

The Gardens project will be financially feasible in the medium term, given stable racing returns, steady growth from the licenced club and a minor contribution from sports and special events. The financial performance of the project was modelled to prove its feasibility, and also to ascertain the most appropriate funding arrangements to finance the proposed construction.

8.1 Modelling Assumptions

The project was modelled in annual increments over an analysis period of 20 years; that is, up to 2017. Not all 20 years of cash flows are shown in this document.

The annual increments coincide with the taxation years; that is, 2004 describes the period from 1 July 2003 to 30 June 2004.

The assumed timing for the project is summarised as follows:

- Financing in place: end December 2003;
- Commence earthworks: January 2004;
- Complete construction and commission: end June 2004;
- Commence all operations; 1 July 2004.

The capital and operating projections are based on real dollar values; that is, current values without inflation, for purposes of simplicity and ease of interpretation. However, the EBIDT line (earnings before interest, depreciation and tax) is inflated assuming 2% pa inflation from the current year onwards. This is necessary as depreciation and tax are computed in terms of nominal dollar values; that is, with assumed inflation taken into account.

The various leases are assumed to be renegotiated every 3 or 5 years, as appropriate. However, the underlying 2% pa inflation rate is netted out of projected lease increases to avoid double-counting. Otherwise, growth is only modelled where real growth is anticipated, and appropriate “ramp-up” assumptions are made in getting operating businesses from where they currently are to where they are anticipated to be in 2006.

Depreciation was modelled on declining balances on an approximate basis, bearing in mind the appropriate depreciation categories, except for the carry-forward of the property’s small current annual depreciation expense. As The Gardens project will likely not incur income tax (see below), this approximation is considered reasonable.

Working capital requirements were estimated in incremental cash flows only. Generally, 30 day payables and receivables were assumed, but exceptions to this were made where quarterly and/or in-advance payments or receipts are anticipated, for example.

8.2 Tax Structuring

The NCA is exempt from income tax as it is registered with the Australian Taxation Office as a sporting entity. However, the licenced club is taxable.

It is anticipated that the NCA will levy the licenced club a property lease similar in quantum to the licenced club’s taxable income. This would effectively render the project’s income tax obligations zero. More detailed advice on tax structuring will be sought.

8.3 Financing Assumptions

The financing requirements for The Gardens project are threefold:

- Equity, from the NCA;
- Industry funding from GRNSW’s GIDF; and

- Commercial debt funding, being sought from the market.

8.3.1 Equity Funding

The NCA has already invested \$1,365,900 in the project, and is prepared to invest the further \$145,600 required as the project unfolds.

The NCA has the financial resources to make the necessary equity injections at the appropriate junctures, and has made provision for this.

Equity injections will always precede debt drawdown.

8.3.2 GIDF Funding

The NCA was granted GIDF funding of \$1.5 million in 2002 for The Gardens project, \$500,000 of which has already been drawn. The balance will shortly go towards the restaurant construction commitments and FF&E purchase, and the first stages of the earthworks for the race track and sports field.

In addition to this, GRNSW has indicated an in-principle willingness to fund the greyhound racing profit centre in support of the project's repayment schedule over the term of the debt financing. Although the extent and duration of this assistance are not yet defined, a grant of between \$200,000 and \$450,000 pa. for the 10 year term of the debt has been discussed and is considered the most likely outcome.

Part of the GIDF funding might be reserved as provisional assistance in the event that project cash flows do not achieve the expectations necessary to meet debt servicing requirements.

The financial modelling assumes that \$300,000 pa is available for 10 years, with up to \$200,000 supplementary funding available in years where cash flows might require augmentation to meet debt servicing obligations.

While in-principle discussions are proceeding, it is likely that the GRNSW Board will delay its final determination of the matter until the project's commercial financing is in place.

8.3.3 Commercial Debt Funding

The balance of the capital investment required for The Gardens project will be sought in the form of commercial debt. The financial modelling indicates that \$4.5 million of debt would be required for the project, or about 60% of the required capital investment. However, an upper limit of \$5.0 million would permit some latitude for the purchase of an adjacent land parcel for overflow parking, should it become available.

Our advice is that such debt would be achievable on the open market at an interest rate of 8% pa over a repayment period of 10 years, with the first year interest-only to facilitate project cash flow growth. These parameters have been assumed in the financial modelling.

8.4 Financial Performance

The financial modelling confirms the commercial health of The Gardens project.

With minimal on-site business activity pending the go-ahead on the project, only the licenced club is currently operating with a small contribution from signage and the Newcastle & Hunter Rugby Union's lease of office space. While these profit centres will make small financial contributions, the anticipated expenditure of over

\$5.7 million in completing the project by June 2004 will require substantial capital funding as outlined above.

After commissioning, all three profit centres (greyhound racing, licenced club, and sports) will contribute healthy annual returns on the proposed investment, even in the first full year of operation.

Over the 20 year analysis period, the financial results can be summarised as follows:

IRR at EBIDT line =	13.4% pa
IRR after debt financing =	37.1% pa
Equity required in 2004 =	\$215,689
Cumulative breakeven in	2007

8.5 Sensitivity Analysis

In the event of capital cost over-run or operating performance not reaching the projected levels, it is possible that the proposed financial structuring will not adequately carry the project. In order to test the boundaries of these eventualities, sensitivity analysis was carried out using the financial model as a recursive tool.

The first sensitivity test varied the proposed capital expenditure by various degrees:

Proposed capital expenditure increased by:	10%	20%	50%
IRR at EBIDT line =	12.4%	11.6%	9.2%
IRR after debt financing =	27.1%	22.9%	15.4%
Equity required in 2004 =	\$729,591	\$1,243,492	\$2,785,197

Although the IRRs remain within a reasonable range, the amount of equity required to make up for a capital cost overspend becomes significantly larger. Assuming that the commercial debt remains the same, the project's ability to service the debt is not affected.

An alternative remedy to a capital overspend is to negotiate a provisional increase in the commercial debt. While this would certainly maintain the equity quantum, it would transfer the stress onto the project's ability to service the increased debt and extend the breakeven date.

The second sensitivity test varied the operating performance of the three businesses by various degrees:

Projected operating profits decreased by:	10%	20%	50%
IRR at EBIDT line =	11.8%	10.2%	4.5%
IRR after debt financing =	32.9%	28.5%	14.8%
Cumulative breakeven in	2007	2008	2014

A 30% to 50% decline in the operating performance of the project would reduce the IRRs to unacceptable levels. As this is unlikely to occur under anticipated conditions, this sensitivity test confirms the robust nature of the project.

The project's ability to recover its equity within a reasonable timeframe is severely compromised once profitability is decreased by more than 30%.

Access to the provisional GIDF assistance would only be necessary if operating performance declines by more than 50%, and even then in only one year – 2006.

Capital Expenditure Cash Flow Spreadsheet

Development of THE GARDENS Greyhound Racing and Sporting Complex

CAPITAL EXPENDITURE CASH FLOW SCHEDULE

All data are in real terms, that is, current values without inflation.

All items include GST, and GST payments shown.

	Total Cost or Revenue	Present Value @ 10.0%	Year 1 2003	Year 2 2004	Year 3 2005	Year 4 2006	Year 5 2007	Year 6 2008	Year 7 2009	Year 8 2010	Year 9 2011	Year 10 2012	Year 11 2013	Year 12 2014	Year 13 2015	Year 14 2016	Year 15 2017
Capital Costs:																	
Capital expenditure to date:																	
Land purchase:	\$1,337,989	\$1,216,354	1,337,989														
Office complex refurbishment	\$27,911	\$25,374	27,911														
Restaurant construction	\$345,000	\$285,124	0	345,000													
Restaurant FF&E allowance	\$81,000	\$66,942	0	81,000													
Club & carpark refurbishment	\$50,000	\$41,322	0	50,000													
Professional fees, GST, etc.	\$369,084	\$327,420	270,941	98,143													
Total - to date =	\$2,210,984	\$1,962,536	1,636,841	574,143	0	0	0	0	0	0	0	0	0	0	0	0	0
Proposed capital expenditure program:																	
Earthworks, drainage, landscaping & paving	\$1,084,527	\$896,303	0	1,084,527													
Racing equipment installation	\$918,106	\$758,765	0	918,106													
Lighting	\$240,000	\$198,347	0	240,000													
Kennel block	\$726,478	\$600,395	0	726,478													
Garden Lounge construction	\$560,769	\$463,445	0	560,769													
Garden Lounge FF&E allowance	\$30,847	\$25,493	0	30,847													
Grandstand refurbishment	\$108,870	\$89,975	0	108,870													
Southern carpark refurbishment	\$27,300	\$22,562	0	27,300													
Additional DA works allowance	\$100,000	\$82,645	0	100,000													
Construction contingencies	\$137,246	\$113,426	0	137,246													
Professional fees - design & doc	\$396,141	\$327,390	0	396,141													
Professional fees - supervision	\$314,731	\$260,109	0	314,731													
Authority fees	\$6,000	\$4,959	0	6,000													
Owners' costs	\$20,000	\$16,529	0	20,000													
GST payable @	\$468,000	\$386,777	0	468,000													
Total - Proposed =	\$5,139,016	\$4,247,121	0	5,139,016	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Capital Costs =	\$7,350,000	\$6,209,656	1,636,841	5,713,159	0	0	0	0	0	0	0	0	0	0	0	0	0

Operating Cash Flow Spreadsheet

Development of THE GARDENS Greyhound Racing and Sporting Complex

OPERATING CASH FLOW SCHEDULE

All data are in real terms, that is, current values without inflation, unless otherwise noted.

All items include GST.

	Total Cost or Revenue	Present Value @ 10.0%	Year 1 2003	Year 2 2004	Year 3 2005	Year 4 2006	Year 5 2007	Year 6 2008	Year 7 2009	Year 8 2010	Year 9 2011	Year 10 2012	Year 11 2013	Year 12 2014	Year 13 2015	Year 14 2016	Year 15 2017
Operating Cash Flows:																	
Greyhound Racing Profit Centre:																	
Operating revenues	\$38,136,960	\$14,360,740	0	0	2,118,720	2,118,720	2,118,720	2,118,720	2,118,720	2,118,720	2,118,720	2,118,720	2,118,720	2,118,720	2,118,720	2,118,720	2,118,720
LESS: Operating costs	\$31,566,201	\$11,919,244	0	0	1,836,261	1,748,820	1,748,820	1,748,820	1,748,820	1,748,820	1,748,820	1,748,820	1,748,820	1,748,820	1,748,820	1,748,820	1,748,820
Operating profit =	\$6,570,759	\$2,441,496	0	0	282,459	369,900	369,900	369,900	369,900	369,900	369,900	369,900	369,900	369,900	369,900	369,900	369,900
Licensed Club Profit Centre:																	
Operating contributions	\$23,587,704	\$8,353,224	0	353,399	744,214	953,678	1,016,183	1,062,317	1,141,571	1,217,705	1,267,776	1,326,700	1,369,502	1,398,054	1,440,826	1,470,826	1,470,826
LESS: Operating costs	\$12,239,741	\$4,349,779	0	203,833	313,354	525,000	552,855	573,414	608,733	642,662	664,975	691,234	710,309	723,033	742,094	755,464	755,464
Operating profit =	\$11,347,963	\$4,003,445	0	149,566	430,860	428,678	463,328	488,903	532,838	575,043	602,800	635,465	659,193	675,021	698,732	715,363	715,363
Sports & Events Profit Centre:																	
Operating contributions	\$2,563,732	\$964,533	0	45,200	102,390	136,950	137,846	139,386	139,697	141,315	142,115	142,115	142,115	142,220	143,430	143,430	143,535
LESS: Operating costs	\$1,729,051	\$658,921	0	33,210	77,784	94,800	-94,738	94,894	94,925	95,089	95,170	95,170	95,170	95,180	95,303	95,303	95,313
Operating profit =	\$834,681	\$305,612	0	11,990	24,606	42,150	43,108	44,492	44,772	46,226	46,946	46,946	46,946	47,040	48,128	48,128	48,222
Total Operating Profit =	\$18,753,403	\$6,750,553	0	161,555	737,925	840,728	876,335	903,295	947,509	991,169	1,019,646	1,052,311	1,076,038	1,091,961	1,116,760	1,133,390	1,133,485
Uninflated EBIDT Cash Flow:	\$11,403,403	\$540,897	-1,636,841	-5,551,604	737,925	840,728	876,335	903,295	947,509	991,169	1,019,646	1,052,311	1,076,038	1,091,961	1,116,760	1,133,390	1,133,485
<i>Projected Inflation Factors @ 2.0% pa</i>			<i>1.00</i>	<i>1.00</i>	<i>1.02</i>	<i>1.04</i>	<i>1.06</i>	<i>1.08</i>	<i>1.10</i>	<i>1.13</i>	<i>1.15</i>	<i>1.17</i>	<i>1.20</i>	<i>1.22</i>	<i>1.24</i>	<i>1.27</i>	<i>1.29</i>
Inflated EBIDT Cash Flow:	\$15,611,146	\$1,660,587	-1,636,841	-5,551,604	752,684	874,693	929,974	977,755	1,046,127	1,116,218	1,171,252	1,232,950	1,285,965	1,331,094	1,388,550	1,437,413	1,466,283
Annual allowable depreciation	\$3,999,882	\$1,998,969	68,500	71,618	631,010	429,462	362,604	309,381	266,868	232,802	205,419	183,342	165,490	151,010	139,232	129,623	121,759
Profit / (Loss) before Income Tax:	\$11,611,264	-\$338,382	-1,705,341	-5,623,222	121,674	445,231	567,370	668,375	779,258	883,415	965,833	1,049,607	1,120,476	1,180,084	1,249,318	1,307,790	1,344,525
Income tax	\$0	\$0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Profit / (Loss) before Financing:	\$15,611,146	\$1,660,587	-1,636,841	-5,551,604	752,684	874,693	929,974	977,755	1,046,127	1,116,218	1,171,252	1,232,950	1,285,965	1,331,094	1,388,550	1,437,413	1,466,283

Financing Plan Spreadsheet

Development of THE GARDENS Greyhound Racing and Sporting Complex

FINANCING PLAN

All data are in nominal terms, that is, with assumed inflation.

All items include GST

	Total Cost or Revenue	Present Value @ 10.0%	Year 1 2003	Year 2 2004	Year 3 2005	Year 4 2006	Year 5 2007	Year 6 2008	Year 7 2009	Year 8 2010	Year 9 2011	Year 10 2012	Year 11 2013	Year 12 2014	Year 13 2015	Year 14 2016	Year 15 2017
Profit / (Loss) before Financing:	\$15,611,146	\$1,660,587	-1,636,841	-5,551,604	752,684	874,693	929,974	977,755	1,046,127	1,116,218	1,171,252	1,232,950	1,285,965	1,331,094	1,388,550	1,437,413	1,466,283
of which: Capital Program =	\$7,350,000	\$6,209,656	1,636,841	5,713,159	0												
Source of Financing:																	
GIDF funding (2002)	20%	\$1,500,000	\$1,281,201	502,530	997,470												
Debt funding drawdown	61%	\$4,500,000	\$3,719,008	0	4,500,000												
Total Financing =	82%	\$6,000,000	\$5,000,209	502,530	5,497,470	0											
Equity injection required	18%	\$1,350,000	\$1,209,447	1,134,311	215,689	0											
Cash Flow available after Funding:	\$22,961,146	\$7,870,243	0	161,555	752,684	874,693	929,974	977,755	1,046,127	1,116,218	1,171,252	1,232,950	1,285,965	1,331,094	1,388,550	1,437,413	1,466,283
ADD: GIDF debt servicing assistance	\$3,000,000	\$1,523,446	0	0	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
GIDF provisional assistance	\$0	\$0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LESS: Working cash increases required:																	
Greyhound Racing Profit Centre:	\$0	\$26,986	0	0	144,433	0	0										
Licensed Club Profit Centre:	\$0	\$5,203	0	0	18,603	2,601	2,461	1,277									
Sports & Events Profit Centre:	\$0	-\$815	0	0	-3,597	74	160	231									
Total working cash requirements =	\$0	\$99,383	0	0	159,439	2,675	2,620	1,508	0	0	0	0	0	0	0	0	0
Cash Flow available for Debt Servicing	\$25,961,146	\$9,294,307	0	161,555	893,245	1,172,018	1,227,354	1,276,247	1,346,127	1,416,218	1,471,252	1,532,950	1,585,965	1,631,094	1,388,550	1,437,413	1,466,283
Debt Servicing Requirements:																	
Starting Principle:					4,500,000	4,500,000	4,139,641	3,750,454	3,330,132	2,876,183	2,385,919	1,856,434	1,284,590	666,999	0	0	0
Debt term	10 years																
Interest only for first year (8.0% pa	\$360,000	\$270,473	0	0	360,000												
Thereafter, P&I payments (8.0% pa	\$6,483,228	\$3,116,877	0	0	720,359	720,359	720,359	720,359	720,359	720,359	720,359	720,359	720,359	720,359	720,359	720,359	720,359
Closing Principle:					4,500,000	4,139,641	3,750,454	3,330,132	2,876,183	2,385,919	1,856,434	1,284,590	666,999	0	0	0	0
Profit / (Loss) after Financing:	\$17,767,918	\$4,697,509	-1,134,311	-54,134	533,245	451,660	506,995	555,889	625,768	695,859	750,894	812,591	865,607	910,735	1,388,550	1,437,413	1,466,283

Statement of Cash Flows

Development of THE GARDENS Greyhound Racing and Sporting Complex
STATEMENT OF CASH FLOWS

All data are in nominal terms, that is, with assumed inflation.

All items include GST

	Total Cost or Revenue	Present Value @ 10.0%	Year 1 2003	Year 2 2004	Year 3 2005	Year 4 2006	Year 5 2007	Year 6 2008	Year 7 2009	Year 8 2010	Year 9 2011	Year 10 2012	Year 11 2013	Year 12 2014	Year 13 2015	Year 14 2016	Year 15 2017
Cash Flows from Operations:																	
Operating revenues	\$78,362,639	\$27,474,904	0	398,599	3,024,630	3,339,006	3,473,067	3,594,132	3,753,861	3,916,500	4,053,265	4,203,369	4,338,589	4,460,293	4,604,186	4,734,317	4,829,139
LESS: Operating costs	-\$55,401,493	-\$19,604,661	0	-237,043	-2,271,947	-2,464,312	-2,543,092	-2,616,377	-2,707,734	-2,800,282	-2,882,012	-2,970,419	-3,052,623	-3,129,199	-3,215,636	-3,296,904	-3,362,856
LESS: Working cash required	-\$166,242	-\$124,094	0	0	-159,439	-2,675	-2,620	-1,508	0	0	0	0	0	0	0	0	0
Working cash returned	\$166,242	\$24,711	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash Flow from Operations =	\$22,961,146	\$7,770,860	0	161,555	593,245	872,018	927,354	976,247	1,046,127	1,116,218	1,171,252	1,232,950	1,285,965	1,331,094	1,388,550	1,437,413	1,466,283
Cash Flows from Investing Activities:																	
Sale of fixed assets	\$0	\$0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LESS: Acquisition of fixed assets	-\$7,350,000	-\$6,209,656	-1,636,841	-5,713,159	0	0	0	0	0	0	0	0	0	0	0	0	0
Receipt of GIDF funding (2001)	\$1,500,000	\$1,281,201	502,530	997,470	0	0	0	0	0	0	0	0	0	0	0	0	0
Receipt of GIDF assistance (2004)	\$3,000,000	\$1,523,446	0	0	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	0	0	0
Receipt of GIDF provisional assistance (200)	\$0	\$0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt funding drawdown	\$4,500,000	\$3,719,008	0	4,500,000	0	0	0	0	0	0	0	0	0	0	0	0	0
LESS: Debt servicing payments	-\$6,843,228	-\$3,387,350	0	0	-360,000	-720,359	-720,359	-720,359	-720,359	-720,359	-720,359	-720,359	-720,359	-720,359	0	0	0
Net Cash Flow from Investing Activities =	-\$5,193,228	-\$3,073,351	-1,134,311	-215,689	-60,000	-420,359	-420,359	-420,359	-420,359	-420,359	-420,359	-420,359	-420,359	-420,359	0	0	0
Cash at Beginning of Year:			0	-1,134,311	-1,188,445	-655,199	-203,540	303,456	859,344	1,485,112	2,180,971	2,931,865	3,744,456	4,610,062	5,520,797	6,909,348	8,346,761
Net Increase / (Decrease) in Cash Held	\$17,767,918	\$4,697,509	-1,134,311	-54,134	533,245	451,660	506,995	555,889	625,768	695,859	750,894	812,591	865,607	910,735	1,388,550	1,437,413	1,466,283
Cash at End of Year:			-1,134,311	-1,188,445	-655,199	-203,540	303,456	859,344	1,485,112	2,180,971	2,931,865	3,744,456	4,610,062	5,520,797	6,909,348	8,346,761	9,813,044