

NSW National Coursing Association Ltd
Administrator's Business & Performance
Improvement Plan

24 June 2013
Strictly private and confidential

This report has been prepared on the basis of the limitations set out on page 4 and in our statement of responsibility on page 29.

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Administrator	David Lombe
EBITDA	Earnings before interest, tax, depreciation and amortisation
Forecast Period	1 March 2013 to 30 June 2014
FY12, FY13, FY14	Years ended 30 June 2012, 2013, 2014
GM	General Manager
GRNSW	Greyhound Racing New South Wales
Historical Period	FY12 to YTD13
KPI	Key performance indicator
LTM	Last twelve months ended 28 February 2013
N/A	Data either not applicable or not available
NCA	New South Wales National Coursing Association Limited
NCA Group	New South Wales National Coursing Association Limited together with its wholly owned subsidiary Greyhound Publications Pty Limited
Norwest	4 Columbia Court, Baulkham Hills, New South Wales
NWC	Net working capital
PBT	Profit before tax
Publications	Greyhound Publications Pty Limited
The Gardens	The Gardens Greyhound & Sporting Complex located at 104 Sandgate Road, Birmingham Gardens, New South Wales
YTD13	Eight months ended 28 February 2013
YTG13	Four months ended 30 June 2013

Scope

- Our work, which is summarised in this Report, has been limited to matters which we have identified that would appear to us to be of significance within the context of that scope.
- [REDACTED] we have been requested to:
 - i. Develop, refine and if directed, implement a business plan for NCA to achieve the short and long term viability of greyhound racing at The Gardens;
 - ii. To review the existing governance arrangements of NCA and, if directed by GRNSW, implement any changes to those arrangements as considered necessary or desirable to achieve best practice and short and long term viability of greyhound racing at The Gardens; and
 - iii. To review the existing management and operating model of the NCA and if directed by GRNSW, implement changes as considered necessary or desirable to appropriately resource and support the NCA's business plan.

Limitations

- NCA's monthly historical financial information from July 2011 to February 2013 (upon which much of our analysis is based) appears to contain several instances of inconsistent accounting treatment, mixing of cash and accrual accounting, and incorrect timing of recognition. This may impact our assessment of the trends in underlying performance and our assumptions of forecast future performance.
- We have not audited NCA's historical financial information. Our forecast model is reliant on the accuracy of that information in terms of the timing, amount and nature of revenues and expenses.
- Due to systems limitations we have been unable to obtain monthly data for June 2011 and prior months.
- We have visited the NCA Group at their Gardens and Norwest offices.
- We have held discussions and obtained information from the following people at the NCA Group:
 - Mike Hilder, Chairman;
 - Kevin Gordon, Director; and
 - Adam Dobbin, former GM.
- Unless otherwise agreed in writing, this Report may be used only by you for the consideration of performance improvement opportunities for the NCA Group.
- We have relied on the statements of NCA being factually correct. While we have tried to corroborate their representations with external evidence, we have not been able to do this in every circumstance.

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Our review indicates that NCA needs to undertake operational and financial restructuring to be viable in the future. Legacy creditors and limited management capability put the success of any reconstruction plan at risk. This is evidenced in the base-case model Scenario 1

- We have prepared a forecast estimating NCA Group's financial performance for the 15 months to 30 June 2014 as documented in our report dated 15 May 2013. We concluded that NCA Group would be unable to continue to trade in its current form due to its marginal earnings and significant legacy creditors. **In effect, without additional support NCA is presently unable to pay its debts as and when they fall due.**
- We have subsequently performed a review of NCA Group's operations with the goal of identifying sufficient performance improvement opportunities to enhance the NCA Group's long term viability. We have identified a number of shortcomings in NCA's current operations providing significant opportunity for improvement. We estimate that the total benefit of actions identified to address these issues is \$46.1k in FY14 (\$68.5k recurring).
- NCA Management have also identified a number of performance improvement opportunities. We have not audited these opportunities but have assessed them for reasonableness and adjusted them where appropriate. The combined value of management's opportunities is \$60.5k in FY14 (\$62.5k recurring).
- The combined estimated value of the opportunities identified by NCA management and us is \$106.6k in FY14 (\$131.0k recurring). Should the NCA Group successfully implement these changes, this will raise FY14 EBITDA to \$125.1k. This Business Plan is demonstrated in the base-case Scenario 1. We are however concerned as to viability due to the level of legacy creditors and the restructuring required.
- We have significant doubts about NCA Group's ability to deliver on this plan with their current management team, and it is essential that changes be made. Recruitment of a GM with the necessary skills and experience to execute this plan should be NCA's highest priority. Failure to recruit a sufficiently qualified GM capable of executing the initiatives outlined in this report in the near future would jeopardise NCA Group's long term viability and the success of the plan.
- The initiatives outlined in this report represent our best estimate of the likely benefits arising should they be successfully implemented. The timing and value of benefits may vary substantially from these estimates, and these variances could have a substantial impact on earnings.

- For example, a one month delay in the overall implementation would mean an EBITDA reduction of \$14k. Again, it is critical that NCA act quickly to appoint a new GM and implement actions if the plan is to succeed. The potential impact of these initiatives is outlined in the table below.

Potential Performance Improvements	FY12	FY13	FY14	Recurring
\$(000's)	Actual	Forecast	Forecast	Benefit
NCA EBITDA	(2,832.2)	43.8	64.9	
Publications EBITDA	6.6	1,666.5	(46.4)	
NCA Group	(2,825.8)	1,710.3	18.5	
Identified performance improvements			46.1	68.5
Management performance improvements			60.5	62.5
Revised NCA Group EBITDA			125.1	
Total recurring benefit				131.0

Source: Management information and Deloitte analysis

- NCA Group's viability is also dependent on having time to generate sufficient earnings to pay off their \$255k of "legacy" creditors and c.\$65.6k March 2013 quarterly BAS. Even if NCA successfully implemented the performance improvement initiatives identified in this report, it will still require c.\$55.1k of external funding to fully repay legacy creditors by June 2014.
- Absent a bridging loan from GRNSW, a bank loan, loans/contributions from members or other external financing, NCA will need to negotiate long term repayment plans with all creditors. We expect there will be some success in being able to do this, however some creditors may have to be paid immediately. For example, resolution of a challenge to race results affecting c.\$90k of unpaid prizemoney would result in this amount immediately becoming due and payable. NCA would be unable to pay this prizemoney should it become payable in the immediate future without external funding.

We have sensitised our base-case Scenario 1 forecast model for varying levels of success in implementing the performance improvement initiatives, however the most significant variable is NCA's potential ability to secure the proposed member loan contributions of \$150,000

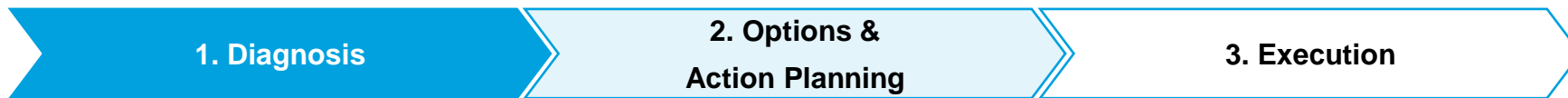
- On 17th June 2013 we received further advice from the NCA's President, Mr Mike Hilder, that three members were prepared to provide support to the level of \$150k. Mr Hilder notes that previously the amount of the financial assistance as evidenced in the letters of comfort was not specified (see **Appendix 3**).
 - Mr Hilder further advises that the members (Mr Hilder and Mr Gordon) are aware of NCA's financial position and the third, Mr Healion, has had the position explained to him by Mr Hilder.
 - The letters of comfort signed by each member are dated 15 December 2012 and appear to have a 12 month term, however they do not specify any amounts or terms and conditions. We note that further investigation is required into the terms and caveats attached to this funding
 - From our review, whilst there is potentially some form of intention, there is no legally enforceable agreement that binds the members.
 - As outlined on page 13, we have prepared two additional cashflow scenarios to reflect this and also to sensitise the performance improvement initiatives outlined in this report.
 - While these scenarios result in a more positive position, the achievability of these scenarios is still subject to the member loans and other assumptions outlined on page 16 of this report.
- Before Scenarios 2 and 3 can be viewed as more than illustrative of a potential outcome, the following matters must be addressed:
 - Can a legally enforceable loan agreement be entered into with the members
 - A solicitor's certificate is obtained to certify that the members have been advised and understand and accept the terms and conditions of the loan
 - That the terms and conditions are acceptable to NCA
 - That the term of the loan is sufficient to allow the legacy creditors to be paid and the loan not be able to be called for repayment
 - If the term of the loan is at call or 2 year or less, this will impact solvency going forward.
 - Finally, whilst Scenarios 2 and 3 indicate a more positive outcome, they are still contingent on entering into a mutually acceptable legally binding loan agreement as well as achieving the initiatives. We are unable to positively opine as to the ability of NCA to achieve a legally binding contractual outcome. However, it must be said that Mr Hilder appears to be very committed to this outcome.

Monte Carlo Simulation

- We have also performed a Monte Carlo simulation and applied it to a forecast scenario where NCA successfully obtains the \$150k in member loan contributions and where it does not.
- The results of the Monte Carlo simulation suggest that:
 - With no cash injection, there is an 80% chance that the FY14 final cash position will be between \$0 and negative \$250k having repaid all legacy creditors;
 - With an injection of \$150k of member loan contributions, there is a 91% chance that the FY14 final cash position will be between \$0 and \$280k having repaid all legacy creditors.

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We have substantially completed phases one and two of the Administration of NCA



Phase:	Phase 1(a) Initial financial viability assessment	Phase 1(b) Forecast performance review	Phase 2. Performance improvement initiatives and action plan	Phase 3. Implementation
Scope of work:	<ul style="list-style-type: none"> - Review the trajectory of trading performance up to February 2013 including commentary on non-recurring revenues or expenses - Assess NCA Group's liquidity position at February 2013 - Analyse the expected trading performance of NCA Group up to June 2014 given historical trends and certain changes. 		<ul style="list-style-type: none"> - Develop and refine a business plan for NCA to achieve the short and long term viability of greyhound racing at The Gardens - Review the existing governance arrangements of NCA - Review the existing management and operating model of the NCA. 	<ul style="list-style-type: none"> - If directed, implement the business plan for NCA - If directed, implement any changes to existing governance arrangements as considered necessary or desirable to achieve best practice and short and long term viability of greyhound racing at The Gardens - If directed, implement changes to appropriately resource and support the NCA's business plan.
	Complete Our previous report dated 15 May 2013		Complete This Report	To be directed

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We have conducted a holistic assessment of NCA Group's operations to identify areas for improvement. NCA Group's strategy, management capability, earnings and cost base all present potential performance improvement opportunities

Business Element	Key problems	Overall relevance	Controllable	Size of impact
Strategy	<ul style="list-style-type: none"> The facilities at the Gardens have been constructed to support large crowds, however, NCA do not maximise attendances and hence the facilities are under utilised. 	H	Yes	High
Business Model	<ul style="list-style-type: none"> Additional recruitment of new members, sponsorship, third party tenants, or greater use of available function areas leads to an underutilised facility. 	M	Yes	Medium
Management Capability & Execution	<ul style="list-style-type: none"> There is no current GM with the transfer of Adam Dobbin to Publications. Minimal oversight and a lack of a centralised finance function has reduced the effectiveness of reporting and financial control. The Board have insufficient information for use in key decision making and direction and it's not properly informed as to the financial position and trading of the NCA Group. 	H	Yes	High
Organisation Structure	<ul style="list-style-type: none"> There is duplication of functions between staff and locations (Norwest and the Gardens), and lack of clarity on staff roles and responsibilities. 	M	Yes	Medium
Earnings & Core Profitability	<ul style="list-style-type: none"> The revenue NCA receives from GRNSW and other sources is insufficient to cover their raceday and administrative expenses. This is not due to GRNSW's administration payments being inadequate, but is instead indicative of insufficient supplementary revenues and the larger cost base. 	H	No	High
Operations & Cost Structure	<ul style="list-style-type: none"> There are a number of instances of higher than necessary discretionary costs such as travel and motor vehicle expenses. 	H	Yes	Medium
Liquidity	<ul style="list-style-type: none"> Our forecast indicates that NCA has insufficient cash to repay its current legacy creditors totalling c. \$255k and c.\$65.6k March 2013 quarterly BAS. The balance of legacy trade creditors of c.\$88K are included in the cash flow. 	H	Yes	Medium
Capital Structure	<ul style="list-style-type: none"> NCA (with GRNSW's assistance) has restructured its balance sheet and now has no interest bearing debt. Should the legacy creditors be dealt with, NCA will have a sustainable capital position. 	L	No	Low
Stakeholders	<ul style="list-style-type: none"> NCA have recently changed the composition of the Board as outlined in Appendix 2. It is not yet clear whether these changes will ensure that the Board executes its role effectively. 	M	Yes	Medium

Success of the key initiatives will be dependent on ownership by NCA's stakeholders, who will be responsible for their timely implementation and realisation

Problem	Initiative	Timing	Financial Impact (\$)	Responsibility
<ul style="list-style-type: none"> NCA management gap 	<ul style="list-style-type: none"> Recruitment of a new GM 	<ul style="list-style-type: none"> July 2013 	<ul style="list-style-type: none"> FY14 impact: (\$90k) Recurring financial impact: (\$90k) 	<ul style="list-style-type: none"> NCA Board
<ul style="list-style-type: none"> Unnecessary additional costs created by use of Norwest office 	<ul style="list-style-type: none"> Move Publications operations to the Gardens and buy each employee a laptop to enable work from offsite where appropriate 	<ul style="list-style-type: none"> Expiry of Norwest lease in April 2014 	<ul style="list-style-type: none"> FY14 impact: \$3.1k Recurring financial impact: \$28.1k 	<ul style="list-style-type: none"> NCA Board
<ul style="list-style-type: none"> Inability to pay legacy creditors as detailed in our last Report 	<ul style="list-style-type: none"> Potential funding options to be explored by NCA may include: <ul style="list-style-type: none"> - Sale of land - Bank loan - Member contributions/loans - Loan from GRNSW 	<ul style="list-style-type: none"> July 2013 	<ul style="list-style-type: none"> n/a unless an interest bearing loan is obtained 	<ul style="list-style-type: none"> NCA Board
<ul style="list-style-type: none"> Inadequate financial reporting to the Board 	<ul style="list-style-type: none"> New GM and newly centralised finance function at the Gardens to provide monthly reporting Consider reconfiguring finance staff to better support the GM 	<ul style="list-style-type: none"> July 2013 	<ul style="list-style-type: none"> n/a 	<ul style="list-style-type: none"> NCA Management
<ul style="list-style-type: none"> Lack of facility utilisation at the Gardens 	<ul style="list-style-type: none"> Incentivise GM to increase membership base, attract additional sponsorship, improve tenancy and host more functions 	<ul style="list-style-type: none"> July 2013 	<ul style="list-style-type: none"> FY14 impact: \$67k Recurring financial impact: \$64.4k 	<ul style="list-style-type: none"> NCA Management
<ul style="list-style-type: none"> Variable costs such as motor vehicle expenses are unnecessarily high 	<ul style="list-style-type: none"> Review costs and reduce non core expenses 	<ul style="list-style-type: none"> July 2013 	<ul style="list-style-type: none"> \$66k 	<ul style="list-style-type: none"> NCA Management

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We have performed a Monte Carlo simulation which allows the estimation of the probability of NCA achieving a positive cash balance at 30 June 2014 through statistical analysis

Monte Carlo simulation - methodology

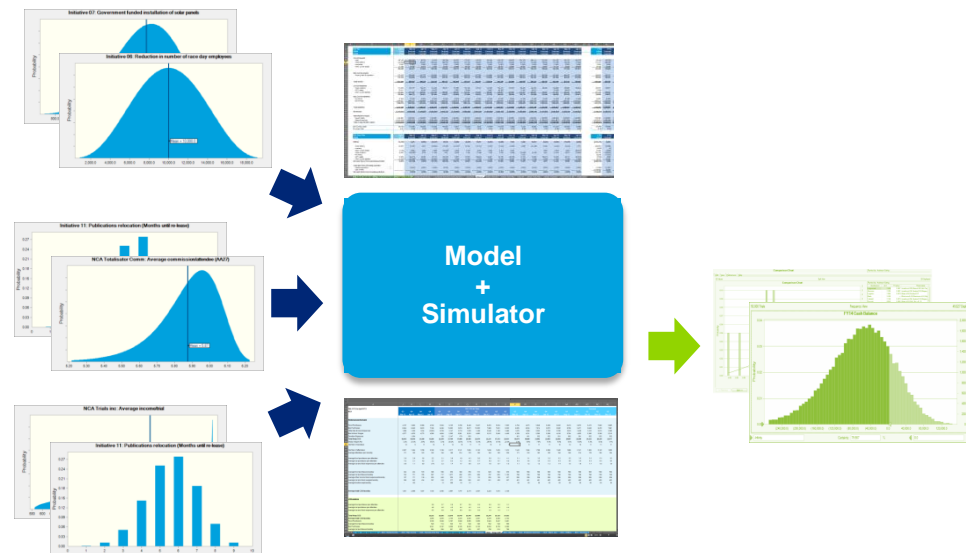
- The financial model constructed for our previous review of financial viability was adapted to allow the main underlying assumptions to be converted to a range of values and then processed through a Monte Carlo simulation.
- Monte Carlo simulations allows different assumptions around the probability of individual events to be tested across a range of estimate values. These individual estimates are then combined in thousands of individual scenarios. After analysing the distribution of the outputs of these thousands of scenarios, we are able to assign a probability to the likelihood of an outcome occurring. In the case of the NCA Group, the output can be used to estimate the likelihood of a cash shortfall at the end of FY14.
- Monte Carlo simulation has a number of benefits, including:
 - Enables multiple assumptions to be tested simultaneously
 - The combination of the different assumptions can be combined into a single output
 - The results show not only what could happen, but how likely each outcome is
 - Because of the data a Monte Carlo simulation generates, it's possible to visualise the range of different outcomes and their chances of occurrence
 - The simulation generates over 50,000 separate trials to generate the final two cash profiles, that with a \$150k cash injection during FY14 and that without
 - Over 170 individual model inputs were simulated using 22 different probability profiles to generate the final output.

Simulation process and output

Probability distributions are assigned to the individual events based on historical data and forward estimates

The simulation runs the assumptions through the model thousands of times varying all the assumptions simultaneously

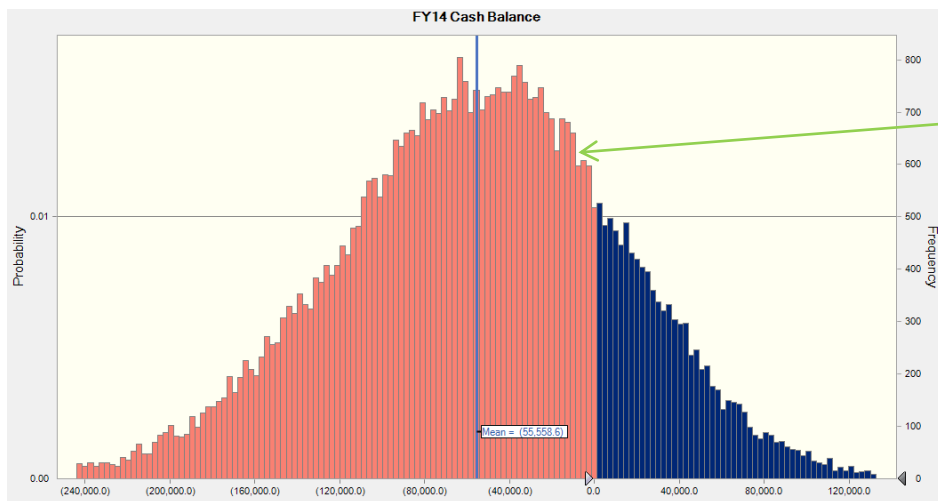
The outputs are combined to show a range of outputs and the likelihood of those ranges can be calculated



Limitations

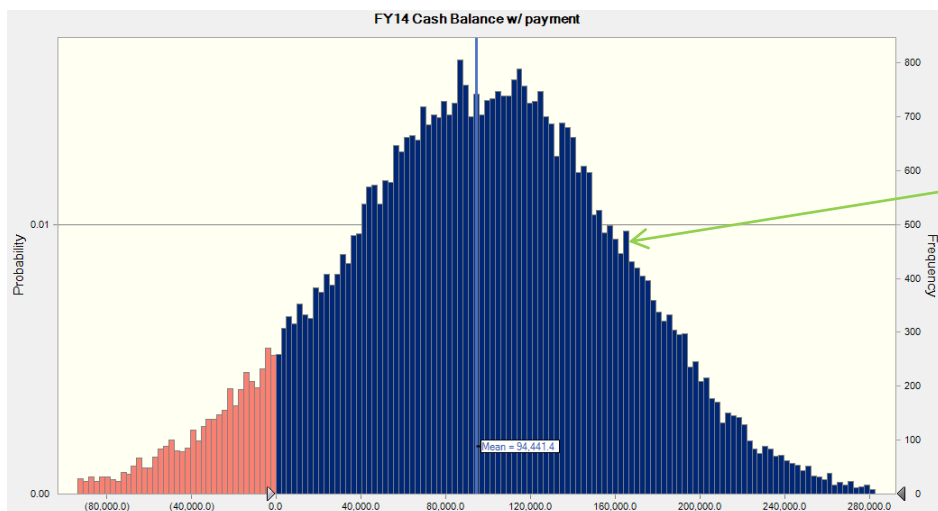
- The results are only an approximation of the outcome.
- High probability outcomes are not a guarantee that these events will occur. The simulation is reliant on the inputs into the model and their underlying assumptions. Events, however unlikely, can have a significant impact on the final outcome should they actually eventuate.

The results of the Monte Carlo simulation are significantly different depending on NCA's ability to secure the proposed \$150k in member loans



June 2014 cash balance with no member loans: With no cash injection, there is an 80% chance (the outcomes highlighted in red) that the FY14 final cash position will be between \$0 and negative \$250k.

- The model estimated that the outcomes fall between an FY14 final cash balance position between -\$250,000 and \$130,000.
- 60% chance that the cash balance will fall between \$0 and -\$110,000.
- The mean value is -\$55,500.
- The outcomes are slightly weighted towards the lower end of the range meaning the range of less favourable outcomes is wider than the favourable ones.



June 2014 cash balance with \$150k of member loans: With an injection of \$150k of member loan contributions, there is a 91% chance (the outcomes highlighted in blue) that the FY14 final cash position will be positive.

- A loan injection of \$150k during FY14 reduces the number of outcomes with a negative cash balance to less than 9% of all simulations.
- There is an estimated 50% chance that the final FY14 cash position will be between \$60k and \$150k and a 91% chance of the cash balance being positive – i.e. between \$0 and c.\$280k.
- The outcomes highlighted in blue (representing 91% of simulated outcomes) allow the payment of all legacy creditors providing the creditor payment plans are able to be achieved.

In addition to a Monte Carlo analysis, we have separately prepared three forecast Business Plan scenarios outlining possible outcomes for NCA subject to different assumptions as a sense check to our results

Scenario 1 – Business Plan Base-case

- The table on page 18 of this report depicts Scenario 1 which is the base case Scenario and that which is referred to throughout this report.
- Scenario 1 makes the following assumptions:
 - No additional external funding provided to the NCA Group;
 - Successful implementation of all proposed performance improvement initiatives and achievement of targeted benefits; and
 - Successful negotiation with all legacy creditors for a payment plan whereby all amounts are repaid by June 2014 in equal monthly instalments over FY14.

Scenario 2

- The table on page 19 of this report depicts Scenario 2.
- Scenario 2 amends Scenario 1 with the following assumptions:
 - A combined total of \$150k of funding is contributed in July 2013 by Mike Hilder, Kevin Gordon and Peter Healion pursuant to their letters of comfort (see **Appendix 3**) discussed on page 24 of this report; and
 - Successful negotiation with all legacy creditors for a payment plan whereby all amounts are repaid by June 2014 in equal monthly instalments over FY14, with the exception of the c.\$90k in Futurity prizemoney payments and the c.\$19k in amounts owing to Telstra both of which are assumed to be repaid in full in July 2013.

Scenario 3

- The table on page 20 of this report depicts Scenario 3.
- Scenario 3 amends Scenario 2 with the following sensitised assumptions:
 - A 20% reduction in the previously reported \$8k expected EBITDA benefit from moving Thursday trials to Wednesday;
 - NCA fails to complete the installation of solar panels in FY14 and/or the estimated \$3k EBITDA benefit does not materialise;
 - The NCA fails to meet its EBITDA improvement target of \$67k from improved sponsorship and facility utilisation by 50%;
 - The NCA fails to meet its EBITDA improvement target of \$17k from revised reciprocal sponsorship agreements as outlined on page 27 of this report by 50%; and
 - The assumptions outlined above do not impact the \$10k bonus scheme outlined on page 22 of this report.
- We believe that the performance improvement initiatives not sensitised above are either already actioned or within the reasonable control of NCA Group.

The range of potential outcomes in these analyses are consistent with the results of the Monte Carlo simulation

Results of scenario analyses

- Under Scenario 1, NCA is unable to repay its legacy creditors by June 2014 while maintaining a positive cash position.
- Under Scenario 2, NCA is able to repay all legacy creditors by June 2014 and retain a cash surplus of \$82.7k.
- Under Scenario 3, whereby several EBITDA assumptions are sensitised, NCA is able to repay all legacy creditors by June 2014 and retain a cash surplus of \$40k.
- Based on Scenarios 2 and 3, the NCA Group is able to pay its debts as and when they fall due providing that the assumed payment plans are able to be negotiated. Further, the risk of non-achievement of the improvement initiatives is of lesser significance due to the potential headroom that exists in Scenarios 2 and 3.
- We note that Scenarios 2 and 3 could also allow other legacy creditors' payments to be brought forward.
- Finally, the financial position of NCA under any of the scenarios does not allow the accommodation of any "abnormal adverse event" which could disrupt its operations or cause significant abnormal expenditure to be required.

Conclusion and key takeaways

- The results of the Monte Carlo simulation and additional scenario analyses performed are consistent and provide the following three key takeaways:
 - 1) If NCA is successful in arranging loan facilities from its members on beneficial terms and conditions, this would change its financial position and its ability to repay the legacy creditors by June 2014;
 - 2) NCA does not currently have the ability to repay its legacy creditors in full and must successfully negotiate long term payment plans with several key creditors; and
 - 3) Failure to implement and execute the performance improvement initiatives outlined in this report in a timely fashion would significantly and adversely impact the financial viability of the NCA Group.

In Scenario 1, the successful execution of the proposed initiatives could achieve an FY14 EBITDA uplift of \$106.6k

NCA - Impact of performance improvement initiatives

NCA Group Initiatives \$(000's)	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Total FY14
Hire a new General Manager													Jul-13
Vacate Norwest and consolidate finance function													Jul-13
Cost reduction implementation													Jul-13
Payment of legacy creditors													Jul-13
Forecast EBITDA⁽¹⁾	51.9	(10.2)	8.0	(8.1)	(7.2)	3.4	1.9	32.0	(8.5)	(14.5)	(19.3)	(10.9)	18.5
NCA Group EBITDA Initiatives													
<i>Management identified initiatives:</i>													
1. Gary Clarkes resignation from Publications	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	35.0
2. Moving Thursday trials to Wednesday	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	8.0
3. Removing insurance of prizemoney held onsite	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	4.5
4. Reduced external accounting package provided by Blackburns (refer page 18)	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Reduced onsite security with no prizemoney onsite in FY14	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Reduction in number of raceday employees required in FY14	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	10.0
7. Government funded installation of solar panels to save electricity	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	3.0
Total EBITDA uplift from Management identified initiatives	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	60.5
<i>Other identified initiatives:</i>													
8. Hire a new General Manager	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)	(16.7)	(90.0)
9. Facility utilisation (e.g. additional functions, rental income)	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	67.0
10. Discretionary cost reductions													
a. Prize money, motor vehicle expenses, travel	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	49.0
b. Improved reciprocal sponsorship agreements	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	17.0
11. Publications relocation	<u>(6.8)</u>	<u>(0.8)</u>	<u>(0.8)</u>	<u>(0.8)</u>	<u>(0.8)</u>	<u>(0.8)</u>	<u>(0.8)</u>	<u>2.3</u>	<u>2.3</u>	<u>2.3</u>	<u>2.3</u>	<u>2.3</u>	3.1
Total EBITDA uplift from other identified initiatives	(2.4)	3.6	3.6	3.6	3.6	3.6	6.8	6.8	6.8	6.8	6.8	(3.2)	46.1
EBITDA After Initiatives	54.5	(1.6)	16.6	0.6	1.4	12.1	13.7	43.8	3.3	(2.7)	(7.5)	(9.1)	125.0
Cash impact of initiatives													
Previously forecast Publications cash balance ⁽²⁾	5.8	92.3	78.1	72.3	68.9	56.3	53.6	59.9	49.8	49.5	47.9	41.0	41.0
Previously forecast NCA cash balance	<u>130.2</u>	<u>172.0</u>	<u>116.7</u>	<u>135.2</u>	<u>159.7</u>	<u>192.7</u>	<u>201.5</u>	<u>206.1</u>	<u>212.0</u>	<u>221.3</u>	<u>231.3</u>	<u>108.4</u>	108.4
Forecast Cash Balance before initiatives (per our previous report)	136.0	264.3	194.8	207.5	228.7	249.0	255.1	266.0	261.8	270.8	279.2	149.4	149.4
Additional cash inflows and outflows													
Payment of legacy creditors	(21.3)	(21.3)	(21.3)	(21.3)	(21.3)	(21.3)	(21.3)	(21.3)	(21.3)	(21.3)	(21.3)	(21.3)	(255.8)
Payment of March 2013 quarterly BAS	(5.5)	(5.5)	(5.5)	(5.5)	(5.5)	(5.5)	(5.5)	(5.5)	(5.5)	(5.5)	(5.5)	(5.5)	(65.6)
Cash impact of initiatives	<u>-</u>	<u>2.6</u>	<u>8.6</u>	<u>8.6</u>	<u>8.6</u>	<u>8.6</u>	<u>8.6</u>	<u>11.8</u>	<u>11.8</u>	<u>11.8</u>	<u>11.8</u>	<u>11.8</u>	104.8
	(26.8)	(24.2)	(18.2)	(18.2)	(18.2)	(18.2)	(18.2)	(15.0)	(15.0)	(15.0)	(15.0)	(15.0)	(216.7)
Cash Balance after Initiatives	109.2	213.4	125.7	120.2	123.2	125.4	113.4	109.3	90.1	84.1	77.6	(67.3)	(67.3)

Note: (1) Publications' FY14 forecast EBITDA and cash balance before improvement initiatives has been adjusted down from our last report to reflect the decision to remove the GRNSW editorial effective 1 July 2013 which was previously contributing \$31k p.a. of EBITDA

(2) Publications' June 2014 forecast cash balance is approximately \$26k lower than in our previous report as accrued salaries and wages payable to staff had been incorrectly reflected in the calculation of working capital

Source: Management information and Deloitte analysis

In Scenario 2, the combination of member loans of \$150k and the application of a more realistically achievable legacy creditor payment plan depict a more positive financial position

NCA - Impact of performance improvement initiatives

NCA Group Initiatives \$(000's)	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Total FY14
Hire a new General Manager													Jul-13
Vacate Nor west and consolidate finance function													Jul-13
Cost reduction implementation													Jul-13
Payment of legacy creditors													Jul-13
Forecast EBITDA⁽¹⁾	51.9	(10.2)	8.0	(8.1)	(7.2)	3.4	1.9	32.0	(8.5)	(14.5)	(19.3)	(10.9)	18.5
NCA Group EBITDA Initiatives													
<i>Management identified initiatives:</i>													
1. Gary Clarkes resignation from Publications	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	35.0
2. Moving Thursday trials to Wednesday	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	8.0
3. Removing insurance of prizemoney held onsite	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	4.5
4. Reduced external accounting package provided by Blackburns (refer page 18)	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Reduced onsite security with no prizemoney onsite in FY14	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Reduction in number of raceday employees required in FY14	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	10.0
7. Government funded installation of solar panels to save electricity	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	3.0
Total EBITDA uplift from Management identified initiatives	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	60.5
<i>Other identified initiatives:</i>													
8. Hire a new General Manager	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)	(16.7)	(90.0)
9. Facility utilisation (e.g. additional functions, rental income)	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	67.0
10. Discretionary cost reductions													
a. Prize money, motor vehicle expenses, travel	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	49.0
b. Improved reciprocal sponsorship agreements	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	17.0
11. Publications relocation	(6.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	2.3	2.3	2.3	2.3	2.3	2.3	3.1
Total EBITDA uplift from other identified initiatives	(2.4)	3.6	3.6	3.6	3.6	3.6	6.8	6.8	6.8	6.8	6.8	(3.2)	46.1
EBITDA After Initiatives	54.5	(1.6)	16.6	0.6	1.4	12.1	13.7	43.8	3.3	(2.7)	(7.5)	(9.1)	125.0
Cash impact of initiatives													
Previously forecast Publications cash balance ⁽²⁾	5.8	92.3	78.1	72.3	68.9	56.3	53.6	59.9	49.8	49.5	47.9	41.0	41.0
Previously forecast NCA cash balance	130.2	172.0	116.7	135.2	159.7	192.7	201.5	206.1	212.0	221.3	231.3	108.4	108.4
Forecast Cash Balance before initiatives (per our previous report)	136.0	264.3	194.8	207.5	228.7	249.0	255.1	266.0	261.8	270.8	279.2	149.4	149.4
Additional cash inflows and outflows													
Member contributions	150.0	-	-	-	-	-	-	-	-	-	-	-	150.0
Payment of legacy creditors	(120.8)	(12.3)	(12.3)	(12.3)	(12.3)	(12.3)	(12.3)	(12.3)	(12.3)	(12.3)	(12.3)	(12.3)	(255.8)
Payment of March 2013 quarterly BAS	(5.5)	(5.5)	(5.5)	(5.5)	(5.5)	(5.5)	(5.5)	(5.5)	(5.5)	(5.5)	(5.5)	(5.5)	(65.6)
Cash impact of initiatives	-	2.6	8.6	8.6	8.6	8.6	8.6	11.8	11.8	11.8	11.8	11.8	104.8
	23.8	(15.1)	(9.1)	(9.1)	(9.1)	(9.1)	(9.1)	(5.9)	(5.9)	(5.9)	(5.9)	(5.9)	(66.7)
Cash Balance after Initiatives	159.8	273.0	194.3	197.9	210.0	221.2	218.2	223.1	213.0	216.0	218.5	82.7	82.7

Note: (1) Publications' FY14 forecast EBITDA and cash balance before improvement initiatives has been adjusted down from our last report to reflect the decision to remove the GRNSW editorial effective 1 July 2013 which was previously contributing \$3k p.a. of EBITDA

(2) Publications' June 2014 forecast cash balance is approximately \$26k lower than in our previous report as accrued salaries and wages payable to staff had been incorrectly reflected in the calculation of working capital

Source: Management information and Deloitte analysis

Based on the assumptions in Scenario 3, a sensitised EBITDA forecast still leaves the NCA Group in a positive cash position

NCA - Impact of performance improvement initiatives

NCA Group Initiatives \$(000's)	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Total FY14
Hire a new General Manager													Jul-13
Vacate Northwest and consolidate finance function													Jul-13
Cost reduction implementation													Jul-13
Payment of legacy creditors													Jul-13
Forecast EBITDA⁽¹⁾	51.9	(10.2)	8.0	(8.1)	(7.2)	3.4	1.9	32.0	(8.5)	(14.5)	(19.3)	(10.9)	18.5
NCA Group EBITDA Initiatives													
<i>Management identified initiatives:</i>													
1. Gary Clarke's resignation from Publications	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	35.0
2. Moving Thursday trials to Wednesday	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	6.4
3. Removing insurance of prizemoney held onsite	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	4.5
4. Reduced external accounting package provided by Blackburns (refer page 18)	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Reduced onsite security with no prizemoney onsite in FY14	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Reduction in number of raceday employees required in FY14	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	10.0
7. Government funded installation of solar panels to save electricity	-	-	-	-	-	-	-	-	-	-	-	-	-
Total EBITDA uplift from Management identified initiatives	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	55.9
<i>Other identified initiatives:</i>													
8. Hire a new General Manager	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)	(16.7)	(90.0)
9. Facility utilisation (e.g. additional functions, rental income)	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	33.5
10. Discretionary cost reductions													
a. Prize money, motor vehicle expenses, travel	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	49.0
b. Improved reciprocal sponsorship agreements	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	8.5
11. Publications relocation	(6.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	2.3	2.3	2.3	2.3	2.3	2.3	3.1
Total EBITDA uplift from other identified initiatives	(5.9)	0.1	0.1	0.1	0.1	0.1	3.3	3.3	3.3	3.3	3.3	(6.7)	4.1
EBITDA After Initiatives	50.6	(5.5)	12.7	(3.3)	(2.4)	8.2	9.8	39.9	(0.6)	(6.6)	(11.4)	(13.0)	78.4
Cash impact of initiatives													
Previously forecast Publications cash balance ⁽²⁾	5.8	92.3	78.1	72.3	68.9	56.3	53.6	59.9	49.8	49.5	47.9	41.0	41.0
Previously forecast NCA cash balance	130.2	172.0	116.7	135.2	159.7	192.7	201.5	206.1	212.0	221.3	231.3	108.4	108.4
Forecast Cash Balance before initiatives (per our previous report)	136.0	264.3	194.8	207.5	228.7	249.0	255.1	266.0	261.8	270.8	279.2	149.4	149.4
Additional cash inflows and outflows													
Member contributions	150.0	-	-	-	-	-	-	-	-	-	-	-	150.0
Payment of legacy creditors	(120.8)	(12.3)	(12.3)	(12.3)	(12.3)	(12.3)	(12.3)	(12.3)	(12.3)	(12.3)	(12.3)	(12.3)	(255.8)
Payment of March 2013 quarterly BAS	(5.5)	(5.5)	(5.5)	(5.5)	(5.5)	(5.5)	(5.5)	(5.5)	(5.5)	(5.5)	(5.5)	(5.5)	(65.6)
Cash impact of initiatives	-	(1.3)	4.7	4.7	4.7	4.7	4.7	7.9	7.9	7.9	7.9	7.9	104.8
	23.8	(19.0)	(13.0)	(13.0)	(13.0)	(13.0)	(13.0)	(9.8)	(9.8)	(9.8)	(9.8)	(9.8)	(109.4)
Cash Balance after Initiatives	159.8	269.1	186.6	186.3	194.4	201.7	194.9	196.0	181.9	181.1	179.7	40.0	40.0

Note: (1) Publications' FY14 forecast EBITDA and cash balance before improvement initiatives has been adjusted down from our last report to reflect the decision to remove the GRNSW editorial effective 1 July 2013 which was previously contributing \$3k p.a. of EBITDA

(2) Publications' June 2014 forecast cash balance is approximately \$26k lower than in our previous report as accrued salaries and wages payable to staff had been incorrectly reflected in the calculation of working capital

Source: Management information and Deloitte analysis

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NCA requires a full time GM with increased responsibilities for improving the financial performance of the business

Problem NCA has recently lost its GM leaving a leadership gap

Initiative Hiring of a new GM with a mandate to improve financial performance and enhance communication channels

Timing	Impact (\$)
July 2013	(\$90,000) p.a.

Responsibility:

NCA Board

- In addition to managing the racedays and related tasks, the new NCA GM will be responsible for:
 - Improving Board reporting
 - Increasing sponsorship revenue
 - Increasing function income
 - Increasing membership base
 - Supporting succession planning by training Nathan Grech (current operations manager).
- We have assumed the total remuneration package to be \$80k including superannuation and excluding the new bonus scheme outlined below.
- We have assumed in this report that the new GM will reside in Newcastle and not require a fuel allowance. Should this not be the case, additional motor vehicle expenses may be incurred and have been conservatively estimated as \$10k/year which assumes:
 - Five return trips from Sydney to Newcastle each week
 - Petrol costs of \$1.35 per litre
 - 7 litres/100kms fuel efficiency
- A bonus incentive scheme of \$10k has also been included and should be based on the GM's success in achieving the agreed KPIs outlined above.



The Gardens facility has sufficient capacity to house the operations of Publications

Problem
Unnecessary additional costs created by use of Norwest office

Initiative
Move Publications operations to the Gardens and buy employees a laptop to enable work from offsite where appropriate

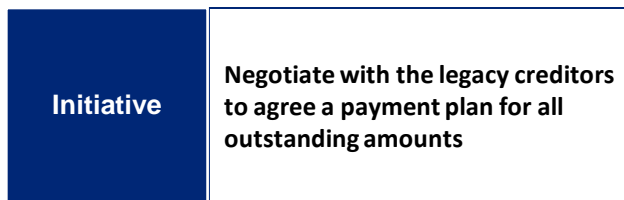
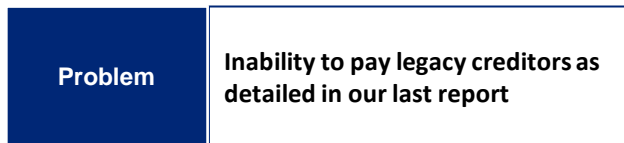
Timing	Impact (\$)
July 2013	Implementation costs: (\$11K)
	FY14 impact: \$3.1K
	Recurring EBITDA impact: \$28.1K

Responsibility:

NCA Board

- Publications FY14 rental expenses are forecast to be \$28,100 as outlined in our financial viability report dated 15 May 2013.
- There is sufficient capacity at the Gardens to house the ongoing operations of Publications.
- Many of the tasks required by the staff of Publications do not require that staff member to be present at a centralised office location.
- Moving the operations to the Gardens and allowing staff to complete certain responsibilities from their home or elsewhere via the use of Publications' provided laptops and voice or video conferencing will provide benefits including but not limited to:
 - Removing current rental expenses
 - Allowing the centralising of roles and responsibilities such as the finance function and allocating those responsibilities to ensure appropriate segregation of duties such as dual sign off for payments
 - Reducing duplication of roles and reporting.
- We have estimated up front costs of \$6k for setting up a suitable office at the Gardens and the purchase of employee laptops and related IT equipment.
- In calculating the costs of exiting the lease agreement early (which expires in July 2014), we have assumed that Publications will have to pay 6 months rent before a new tenant is found and \$5k in marketing and agency costs paid to the lessor. This matter requires further investigation as management have indicated that a properly executed lease may not be in place. Enquiries with the landlord should only be made once a move is definite.

Should the performance improvement initiatives outlined in this report be successfully implemented, NCA will generate sufficient cash flow to repay the majority of outstanding creditors by June 2014



Timing	Impact (\$)
July 2013	N/a

Responsibility:

NCA Board

- The inability of NCA to repay its legacy creditors was outlined in our financial viability report dated 15 May 2013.
- As outlined on page 18, should the NCA Group successfully implement the performance improvement initiatives identified in this report, it will still have insufficient cash flow by \$67.3k to repay the legacy creditors in full by June 2014.
- We recommend that NCA enter into a payment arrangement to pay down the debts over the course of FY14 and early FY15 in equal instalments.
- Should the NCA be unable to successfully negotiate this payment arrangement for all legacy creditors, short term funding may be required. Such short term funding could be obtained from:
 - Sale of land
 - Bank loan secured against the land
 - Loan from GRNSW secured against the land
 - Member loans/contributions. Mike Hilder, Kevin Gordon and Peter Healion have signed letters of comfort to the Board of Directors offering financial assistance upon written request to ensure that NCA is able to meet its debts as and when they fall due and payable (see **Appendix 3**). In our opinion, these letters of comfort are not enforceable and are subject to the completion of loan agreements and a number of other caveats.
- We note that the legacy creditors outlined in our report dated 15 May 2013 (refer table below) did not include a provision for the March 2013 quarterly BAS which has been calculated as c.\$65.6k.

Legacy creditors as at 28 February 2013	Amount
ATO	\$ 100,100
Clayton Utz	\$ 36,485
Futurity prize money	\$ 89,800
GRNSW	\$ 10,730
Telstra	\$ 18,681
Total legacy creditors	\$ 255,796

Source: Management Information & Deloitte Analysis

Regular access to reporting of pertinent financial and non financial information is a requisite for an effective Board and its provision of direction to the business

Problem
Inadequate financial reporting to the Board

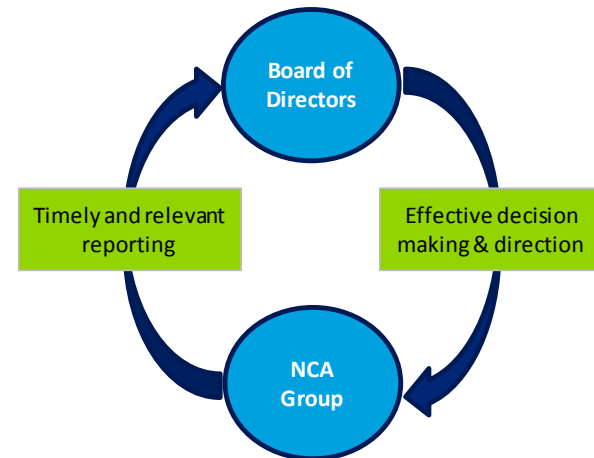
Initiative
New manager and newly centralised finance function at the Gardens to provide monthly reporting

Timing	Impact (\$)
July 2013	N/a

Responsibility:

Management

- The Board of NCA is currently receiving minimal financial and non financial information for its review and consideration at its meetings which significantly reduces their ability to make sound decisions and provide effective direction.
- A newly centralised finance function with clear lines of responsibility and under the direction of a new GM is the first step to resolving this issue.
- The finance staff at the NCA should be directed to provide consistent monthly reporting showing key KPIs of the business compared to budget for that month, the previous month and YTD which would allow the Board to efficiently and effectively gauge the performance of the NCA Group and subsequently provide appropriate direction.
- The monthly reporting should include :
 - Reconciled management accounts for both NCA and Publications comprising an income statement, balance sheet and cash flows
 - Key non financial data such as membership numbers of NCA, attendee numbers at racedays, circulation data of the Recorder and any other information of interest to the Board.



Utilisation of current facilities needs to be improved to generate additional revenue streams for the NCA

Problem
Lack of facility utilisation at the Gardens

Initiative
Incentivise GM to increase membership base, attract additional sponsorship, improve tenancy and host more functions

Timing	Impact (\$)
Membership: from July 2013	Membership: \$9k in FY14 and \$6.4k recurring
Rent: from July 2013	Rent: \$6k
Sponsorship: from July 2013	Sponsorship: \$44k
Functions: from July 2013	Functions: \$8k
Responsibility:	Total: \$67k in FY14

Management

- Greater use needs to be made of the facilities already available at the Gardens to increase revenue.
- Increase membership numbers:
 - Address blocking behaviour of current members
 - Introduce free wifi at the Gardens for the benefit of members with a budgeted cost of \$1k p.a.
 - Introduce membership drives targeting new members. For example, greater focus on University of Newcastle students by attending orientation week membership days and offering a reduced student membership fee
 - Achieving a 15% uplift in membership numbers is forecast to contribute \$9k to FY14 EBITDA.
- Increase rental income:
 - There is currently no reasonable effort to attract new tenants to increase rental income. New GM to be mandated and incentivised to seek new tenants with a 20% uplift on the \$30k FY13 revenue amount targeted.
- Increase sponsorship revenue:
 - There are currently no active efforts to attract new sponsors. New GM to be mandated and incentivised to seek new sponsorship deals with a 20% uplift on the \$220k FY13 revenue amount targeted. NCA management believe this is achievable, as they have previously been reliant on rolling over their Tier 1 sponsors (e.g. UniBet) and have not actively pursued smaller sponsors from the local business community
- Increase number of functions:
 - There is significant under utilisation of available facilities at the Gardens and no marketing function seeking to attract functions such as birthdays, company events, seminars, exam halls, club meetings and so on
 - New GM to be mandated and incentivised to increase use of available facilities through functions with a yearly revenue target of \$40k targeted, implying an EBIDTA uplift of circa \$8k in FY14.

Expenses such as additional prizemoney, travel and motor vehicle costs are to be reviewed and cost savings identified to reduce unnecessary spending



Timing	Impact (\$)
Prizemoney: from July 2013	Prizemoney: \$24k p.a.
Motor vehicle : from July 2013	Motor vehicle : \$15k p.a.
Travel: from July 2013	Travel: \$10k p.a.
Food & bar: from July 2013	Food & bar: \$17k p.a.
Responsibility:	Total: \$66k p.a.

Management

- We have identified various discretionary expenses which can be reduced without disrupting the business.
- Reduce prizemoney expenses:
 - NCA has historically paid out more in prizemoney than it received from GRNSW. Our forecast included circa \$24k of discretionary prizemoney during FY14
 - Our understanding from Management is that this buffer existed due to the potential consequences of distributing less in prizemoney than the prescribed amount. As such, NCA should ensure that the entirety of this additional prizemoney paid is removed in FY14.
- Reduce motor vehicle related costs:
 - Motor vehicle costs of the NCA Group were circa \$21k in the 8 months of YTD13 which equates to yearly costs of circa \$32k on an annualised basis
 - Applying conservative assumptions, we believe that a budget of \$17k is sufficient for business related costs and a system should be introduced to review variances to this budget prior to approving further costs.
- Review and reduce travel costs:
 - Historically, travel costs relating to industry conferences have been circa \$20k per year
 - This form of discretionary spending should be reviewed and a 50% reduction targeted
- Reduce NCA’s food and bar costs:
 - Negotiate with key suppliers and set up reciprocal sponsorship agreements whereby goods are provided at discounted rates in exchange for free advertising at the Gardens or in the Recorder. A 10% reduction in costs should be targeted.

Management have identified a number of EBITDA improvement areas. These have not been audited by the Administrator but have been assessed for reasonableness and adjusted where appropriate

Performance improvement initiatives identified by NCA (\$000's)	NCA estimated saving	Adjusted amount
1. Gary Clarke's resignation from Publications effective June 2013	45.0	35.0
2. Moving Thursday trials to Wednesday	8.0	8.0
3. Insurance costs related to prizemoney cash held on site not required in FY14	4.5	4.5
4. Accounting package with Blackburns rather than Forsythes in FY14	20.0	-
5. Prizemoney cash transport no longer required in FY14	19.0	-
6. Reduced onsite security requirements with no prizemoney onsite in FY14	12.0	-
7. Fewer raceday employees required with no prizemoney onsite in FY14	20.0	10.0
8. Installation of solar panels to save in electricity in FY14	5.0	3.0
Total of performance improvements	133.5	60.5

Source: Management information and Deloitte analysis

- The resignation of Gary Clarke from Publications in June 2013, with his responsibilities being assumed by Adam Dobbin, will mean savings in wages expenses. Management have estimated savings of \$45k/year in this regard, however we understand Gary's yearly package to have been circa \$35k/year.
- NCA Management expect that the rescheduling of Thursday trial days to be adjacent to Wednesday racedays will create savings in employee wages as those employees will no longer be required to come in on Thursdays.
- With prizemoney no longer onsite in FY14, associated insurance costs will no longer be required.
- NCA received a verbal indication of a reduced tender from Blackburns for the provision of accounting and auditing services which NCA has been unable to confirm due to Blackburns' hesitation at the discovery of the Administration and NCA's recent financial difficulties. We have therefore not considered this to be a likely saving.
- With GRNSW assuming direct control of prizemoney in FY14, expenses associated with secure cash transport will no longer be required. Given this saving was already factored in to our forecast model, it has not been included here to avoid double counting.
- With prizemoney no longer onsite in FY14, management believe associated security costs will no longer be required. We understand that no other Club of comparable size are expecting similar savings, and NCA have previously tried unsuccessfully to reduce on course security.
- With prizemoney no longer onsite in FY14, NCA have reconsidered the employee resources required at racedays and have determined that two employee roles may be removed and, where necessary, assumed by other employees present. We have sensitised the NCA estimated saving from this initiative.
- NCA claim to have received a government funded offer to install solar panels which NCA Management expect will equate to \$5k in yearly electricity cost savings.

We hereby take responsibility for this report, which is prepared on the basis of the limitations set out below.

Deloitte Touche Tohmatsu
Chartered Accountants
225 George Street
Sydney, NSW 2000
Date: 24 June 2013

Contacts	Telephone	Email
David Lombe, Partner	(02) 9322 7400	dlombe@deloitte.com.au
Dom Leary, Director	(02) 9322 7844	domleary@deloitte.com.au

Basis of Our Work and Confidentiality

This report and any related advice we give has been prepared for the sole purpose of assisting and advising GRNSW [REDACTED]

The Management of NCA Group has provided the information we have used to prepare our report. Our procedures did not include verification work or constitute an audit in accordance with auditing standards

Limitation of information and our work

The scope of our work to date has been limited by the information made available to us and the time available for us to complete our work. In the circumstances, our report may not be comprehensive as we may not have become aware of all facts or information that you may regard as relevant.

The assumptions behind the NCA Group's forecasts are the sole responsibility of the Management of the NCA Group. We comment on the assumptions but can accept no responsibility for them, or the ultimate realisation of the forecasts. You should also note that there will usually be differences between forecast and actual results because circumstances frequently do not occur as expected, and these differences may be material. You should also note that there will usually be differences between forecast and actual results because circumstances frequently do not occur as expected, and these differences may be material.

This report is private and confidential to GRNSW as set out in the letter of engagement. The report may not be relied upon, referred to, reproduced or quoted from, in whole or in part, for any other purpose than that set out in the letter of engagement, or by any other person, for any purpose whatsoever, except as specified in the letter of engagement.

We shall not under any circumstances whatsoever be under any liability to any party other than GRNSW, for whatever GRNSW may or may not do in reliance on the report or any other information, opinions or advice given to GRNSW by us. Any further work done or advice given in relation to the engagement will be on this basis.

This report is issued on the understanding that Management have drawn our attention to all matters of which they are aware concerning the financial position of the NCA Group which may have an impact on our report up to 24 June 2013. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Appendices	No.
NCA Board composition	2
Member loan correspondence	3
Detailed Monte Carlo assumptions	5



Appendices	No.
[Redacted]	
NCA Board composition	2
Member loan correspondence	3
[Redacted]	
Detailed Monte Carlo assumptions	5

The NCA Group has amended the composition of its Board of Directors to what it believes is the appropriate balance to lead the NCA Group going forward

The information contained in this Appendix was obtained directly from Kevin Gordon (NCA Group Board member) and summarises the backgrounds of each member of the NCA Group Board of Directors.

President – Mike Hilder

- Mr Michael Hilder has been a committee member of the NSW NCA since July 3 2008, serving as Treasurer until being elevated to President following the departure of Murray Nicol in 2011. Mike is a retired corporate banking executive that has been involved in greyhound racing for some 39 years. Mike has served in an honorary capacity in many different roles, including that of Executive Officer of the NSW Metropolitan & Provincial Tab Clubs Association.

Vice-President – John Brown

- Mr John Brown has been involved in the greyhound industry for going on 50 years. Mr Brown became a member of the NCA in 1999 and was appointed a Director in 2004. In 2006, Mr Brown was appointed as Vice-President and was very influential through the construction of The Gardens. John has very close ties through the greyhound industry and is as passionate a participant as you'll find.

Treasurer – Steve Bonello

- Mr Stephen Bonello has been involved in the greyhound industry for 28 years. He has been a valued member of the NCA since 1999 and was appointed to the Committee in the same year. Mr Bonello serves the Association in a number of capacities, most recently as Treasurer. Steve shows a keen interest in the wider greyhound community, ensuring the NCA is at the forefront with strategy and implementation.

Committee – Kevin Gordon

- Mr Kevin Gordon has been in the greyhound industry for over 18 years and is considered one of the more influential owner/breeders, not only in NSW, but in Australia. Mr Gordon became a member of the NCA in 2006 and was appointed onto the committee in November 2008. Mr Gordon brings to the board key marketing and promotional skills and is also one of the NCA's most valued major sponsors. Kevin's direction with marketing and promotional activities has led the commencement of a number of key relationships throughout the hunter region.

Committee – Dale Millard

- Dale Millard assumed his role as a director of the NSW NCA in early 2013, bringing plenty of experience to the board, having served as operations manager of One Steel Australia for the last 25 years. Dale serves as honorary treasurer of The Gardens Social Club also, a club that works tirelessly to generate funds that get funnelled back into prizemoney. Dale is a passionate owner also, bringing the thoughts and feeling of the participant base to the committee.

Committee – Martin Sinclair

- Martin took up a position on the NCA board in early 2013 after being a hard working valuable member for over a decade. Martin has been involved in greyhound racing for the best part of 40 years, serving in a number of capacities. Proprietor of his own business, Martin has been extremely active in his brief term as director, guiding a number of initiatives that have been of benefit to The Gardens complex.

Appendices	No.
NCA Board composition	2
Member loan correspondence	3
Detailed Monte Carlo assumptions	5



17th June 2013

Mr David Lombe
Partner
Deloitte Touche Tohmatsu
Grosvenor Place
255 George Street,
Sydney NSW 2000

Dear David,

**Re: NSW National Coursing Association Ltd (NCA)
(Administrator Appointed)**

Further to our letters dated 12th and 13th June 2013 and our conversation on Friday afternoon, 14th June 2013, I wish to advise that there are three members who have issued Letters of Comfort in support of the NCA. These documents are dated 15th December 2012 and copies are attached.

Whilst previously the level of support was unspecified, these individuals have now committed support to an aggregate total of \$150,000.

Those members are; Michael Hilder, current director and President, Kevin Gordon, current director, and Peter Healion, a former director and Life Member.

The writer and Kevin Gordon are acutely aware of the risk profile that the NCA's current situation presents and have confirmed their commitment. The writer has also briefed Peter Healion on the current position of the NCA during the last two weeks and he also has confirmed his commitment.

Please advise if there is anything further you require relative to this matter.

Yours sincerely,

Mike Hilder
President

15 December 2012

The Board of Directors
NSW National Coursing Association Limited
PO Box 192
WALLSEND NSW 2287

Dear Sirs,

This letter serves to provide comfort to the company that I will provide financial assistance to NSW National Coursing Association Limited upon written request to ensure the company is able to meet its debts as and when they fall due and payable.

The above financial covenant, is operative from the date of this letter, is irrevocable and shall remain in force for twelve months from the date of signing.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Mike Hilder", with a horizontal line drawn underneath it.

Mr Mike Hilder

15 December 2012

The Board of Directors

NSW National Coursing Association Limited

PO Box 192

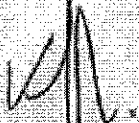
WALLSEND NSW 2287

Dear Sirs,

This letter serves to provide comfort to the company that I will provide financial assistance to NSW National Coursing Association Limited upon written request to ensure the company is able to meet its debts as and when they fall due and payable.

The above financial covenant, is operative from the date of this letter, is irrevocable and shall remain in force for twelve months from the date of signing.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Kevin Gordon', with a vertical line extending downwards from the end of the signature.

Mr Kevin Gordon

15 December 2012

The Board of Directors
NSW National Coursing Association Limited
PO Box 192
WALLSEND NSW 2287

Dear Sirs,

This letter serves to provide comfort to the company that I will provide financial assistance to NSW National Coursing Association Limited upon written request to ensure the company is able to meet its debts as and when they fall due and payable.

The above financial covenant, is operative from the date of this letter, is irrevocable and shall remain in force for twelve months from the date of signing.

Yours sincerely,



Mr Peter Healion

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Appendices	No.
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Monte Carlo simulation assumptions

Notes

Deriving Assumptions

The assumptions that have formed the basis of the Monte Carlo simulation have been derived using a combination of different techniques:

- Directly from historical data provided
- Prior experience of similar events
- In consultation with Management

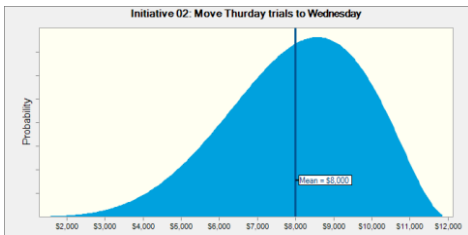
When deriving the assumption directly from the historical data provided the most appropriate probability distribution was calculated using the best 'goodness of fit' based on the Anderson-Darling tests for different distribution. The results were analysed to ensure they were reflective of the current understanding of the situation. When there were differences from the current understanding minor alterations were made to the distribution parameters to bring the assumption inline with expectations.

When deriving the assumptions from prior experiences and/or in consultation with management a beta distribution or discrete probabilities has been used. This allows for a maximum and minimum value to be provided capping the input into the model. The alpha and beta of the distribution were manipulated to skew the shape of the simulation input into the appropriate.

Monte Carlo simulation assumptions

Initiatives (1 of 3)

Chart



Initiative 2:
Moving Thursday
trials to
Wednesday

Assumptions/rationale

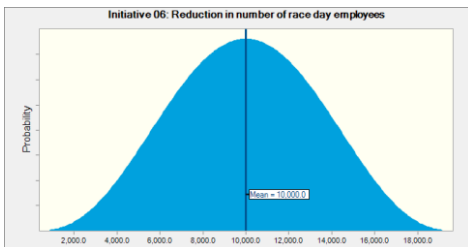
- Assumption based on prior experience and consultation with management.
- The improvement initiative is likely to produce an annual benefit of \$8,000.
- The underlying distribution was skewed toward the upper bounds.
- The distribution ensures that the likelihood that the value is between \$6.5k and \$9k is 50%.

Definition

- **Distribution**
Beta Distribution
- **Parameters**
Minimum: \$0
Maximum: \$12,000
Alpha: 4
Beta: 6

Key Metrics

- **Summary Stats:**
Mean: \$8,000
Standard Deviation: \$1,800
- **Specific Probabilities:**
\$0 - \$6,450 = 25%
\$6,450 - \$7,900 = 25%
\$7,900 - \$9,000 = 25%
\$9,000 - \$12,000 = 25%



Initiative 6:
Reduction in
number of race
day employees

- Assumption based on prior experience and consultation with management.
- The expected outcome is a \$10k saving.
- The applied distribution allows for 80% of cases to fall within \$4.5k of this expected outcome.
- The symmetrical distribution gives no addition weighting to values higher or lower than the expected outcome.

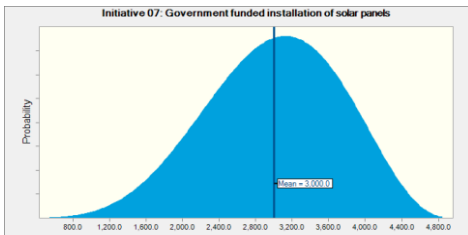
- **Distribution**
Beta Distribution
- **Parameters**
Minimum: \$0
Maximum: \$20,000
Alpha: 4
Beta: 4

- **Summary Stats:**
Mean: \$10,000
Standard Deviation: \$3,333
- **Specific Probabilities:**
\$0 - \$5,500 = 10%
\$5,500 - 14,500 = 80%
\$14,500 - \$20,000 = 10%

Monte Carlo simulation assumptions

Initiatives (2 of 3)

Chart



Initiative 7:
Government funded installation of solar panels

Assumptions/rationale

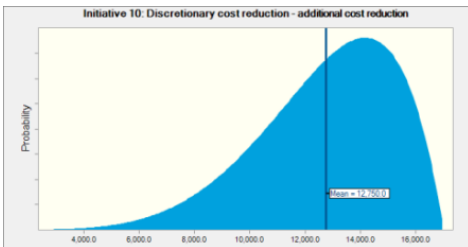
- Assumption based on prior experience and consultation with management.
- The expected range of possible outcomes are between \$0 and \$5k.
- The annual benefit is more likely to be around the \$3k mark.

Definition

- **Distribution**
Beta Distribution
- **Parameters**
Minimum: \$0
Maximum: \$5,000
Alpha: 6
Beta: 4

Key Metrics

- **Summary Stats:**
Mean: \$3,000
Standard Deviation: \$740
- **Specific Probabilities:**
\$0 - \$3,000 = 50%
\$3,000 - \$5,000 = 50%
\$2,500 - \$3,500 = 50%



Initiative 10:
Additional cost reductions

- Assumption based on prior experience and consultation with management.
- The cost saving for prize money, motor vehicle expenses and travel.
- The additional \$17k has some variability, however as management have a high level of control for this variable the estimate is that higher likelihood will be towards the \$17k.
- Expected outcomes are between \$0 and \$17k.

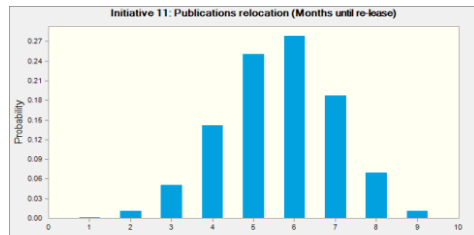
- **Distribution**
Beta Distribution
- **Parameters**
Minimum: \$0
Maximum: \$17,000
Alpha: 6
Beta: 2

- **Summary Stats:**
Mean: \$12,750
Standard Deviation: \$2,450
- **Specific Probabilities:**
<\$10,000 = 15%
\$11,650 - \$15,000 = 50%

Monte Carlo simulation assumptions

Initiatives (3 of 3)

Chart



Initiative 11: Publications relocation

Assumptions/rationale

- Assumption based on prior experience and consultation with management.
- The current lease is set to expire at the end of March 2014.
- The high level of vacancies in the current complex suggest that if the office can be re-leased it will more likely take place towards the latter end of the current lease.
- The probabilities are loosely based on a hypergeometric distribution with success 9, trials 50 and population 80.

Definition

- **Distribution**
Discrete probabilities
- **Parameters**
 0 = 0%
 1 = 0.5%
 2 = 1%
 3 = 5%
 4 = 14%
 5 = 25%
 6 = 28%
 7 = 18%
 8 = 7%
 9 = 1.5%

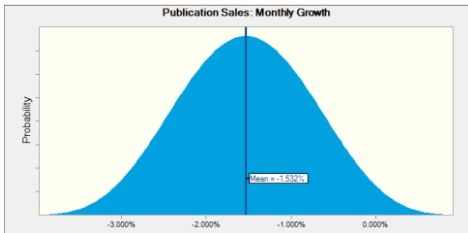
Key Metrics

- **Summary Stats:**
 Mode: 6
 Standard Deviation: 1.38
- **Specific Probabilities:**
 > 4 months to find replacement: 80%
 > 5 months to find replacement: 50%
 > 6 months to find replacement: 26%

Monte Carlo simulation assumptions

Publications (1 of 2)

Chart



Publications Sales:
Monthly growth

Assumptions/rationale

- Assumption based on prior experience and historical data.
- The distribution expands on the previous model's estimated decline in monthly sales of 1.532%.
- It is assumed that all possibilities lie within 2 standard deviations of the calculated CAGR based on the known 12 month moving averages.
- It is equally likely that the value will be higher or lower than this.

Definition

- **Distribution**
Beta Distribution
- **Parameters**
Minimum: -4.3%
Maximum: 1.237%
Alpha: 6
Beta: 6

Key Metrics

- **Summary Stats:**
Mean: -1.532%
Standard Deviation: \$1,800
- **Specific Probabilities:**
-2.8% to -0.3% = 90%
-2% to -1% = 50%
> 0% = 9%



Advertising Sales:
Monthly growth

- Assumption based on prior experience and consultation with management
- The previous assumption was for no change in the growth.
- The distribution applied for the simulation centered around this 0% growth but allowed for a variation of $\pm 2\%$.
- Both growth and decline are equally likely.
- The majority of estimates are in close proximity to 0%.

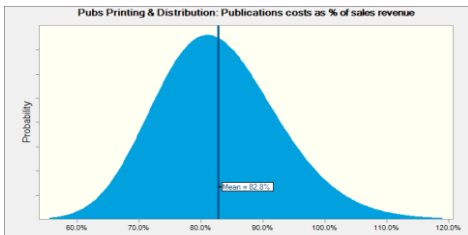
- **Distribution**
Beta Distribution
- **Parameters**
Minimum: -2%
Maximum: 2%
Alpha: 10
Beta: 10

- **Summary Stats:**
Mean: 0%
- **Specific Probabilities:**
-0.7% to 0.7% = 90%
-0.3% to 0.3% = 50%

Monte Carlo simulation assumptions

Publications (2 of 2)

Chart



Printing & Distribution:
Publications costs as % of sales revenue

Assumptions/rationale

- The distribution was derived from the previous 18 months of data with the Lognormal distribution having the lowest Anderson-Darling score.
- The standard deviation was halved to reduce the variability in values slightly as excessive or low costs are generally attributable due to accounting practices as opposed to true variations.
- Each month in the forecast was modelled separately with no independence between months.

Definition

- **Distribution**
Lognormal Distribution
- **Parameters**
Location: 0%
Mean: 82.8%
Standard Deviation: 9.9%

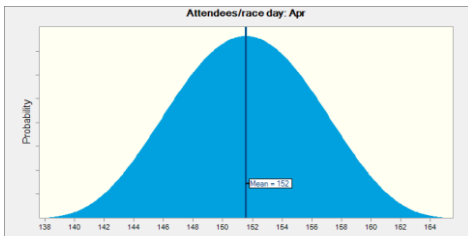
Key Metrics

- **Summary Stats:**
Median: 82.2%
- **Specific Probabilities:**
70% to 95% = 80%
75% to 90% = 50%

Monte Carlo simulation assumptions

NCA (1 of 8)

Chart



Race day:
Average attendees per race day

Assumptions/rationale

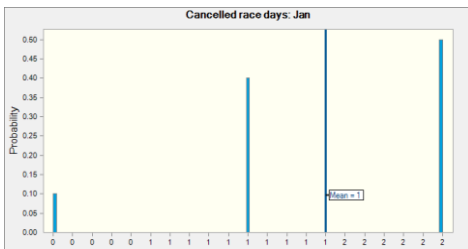
- Assumption based on prior experience and historical data.
- Each month was modelled separately using the previous years average as the midpoint.
- Each month set the minimum and maximum values as 10% of the midpoint.
- No weighting was given to values above or below the average.

Definition

- **Distribution**
Beta Distribution
- **Parameters**
Minimum: midpoint - 10%
Maximum: midpoint + 10%
Alpha: 5
Beta: 5

Key Metrics

- **Summary Stats:**
Mean: average from previous year
Standard Deviation: various



Race day:
Cancelled race days (Jan & Mar)

- Assumption based on prior experience and historical data.
- The historical data shows only variance in scheduled to actual race days held in January, February and March.
- January and March both had 2 race days cancelled.
- The likelihood of at least one cancellation is expected to be high with slightly more weighting to 2 cancellation as opposed to just the 1.

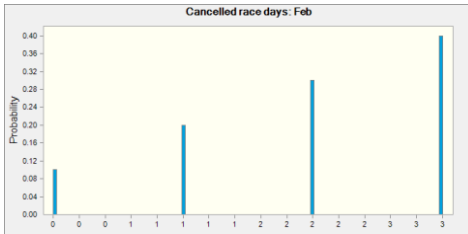
- **Distribution**
Discrete probabilities
- **Parameters**
0 = 10%
1 = 40%
2 = 50%

- **Summary Stats:**
Mean: 1.4

Monte Carlo simulation assumptions

NCA (2 of 8)

Chart



Race day:
Cancelled race days (Feb)

Assumptions/rationale

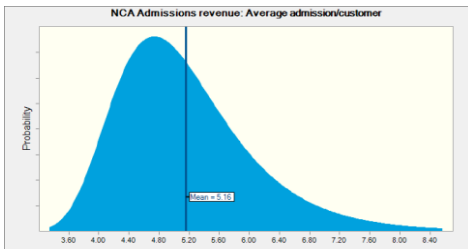
- Assumption based on prior experience and historical data.
- The historical data shows only variance in scheduled to actual race days held in January, February and March.
- February had 3 cancellations.
- The likelihood of at least one cancellation is expected to be high with slightly more weighting to 3 cancellations as opposed to just the 1 or 2.

Definition

- **Distribution**
Discrete probabilities
- **Parameters**
0 = 10%
1 = 20%
2 = 30%
3 = 40%

Key Metrics

- **Summary Stats:**
Mean: 2
- **Specific Probabilities:**
>= 2 cancellations = 70%



Admissions revenue:
Average admission per customer

- The distribution was derived from the previous 18 months of data with the Maximum extreme distribution having the lowest Anderson-Darling score.
- Each month in the forecast was modelled separately with no independence between months.

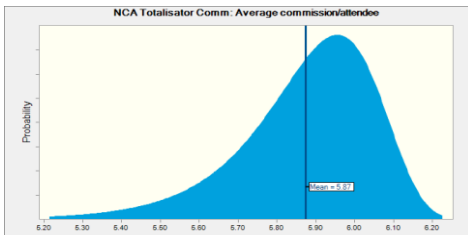
- **Distribution**
Maximum extreme distribution
- **Parameters**
Likeliest: 4.74
Scale: 0.72

- **Summary Stats:**
Mean: \$5.16
Standard Deviation: \$0.93
- **Specific Probabilities:**
<\$4.50 = 25%
\$4.50 to \$5.50 = 50%
\$5.50 to \$6.90 = 20%

Monte Carlo simulation assumptions

NCA (3 of 8)

Chart



Totaliser Commission:
Average commission per attendee

Assumptions/rationale

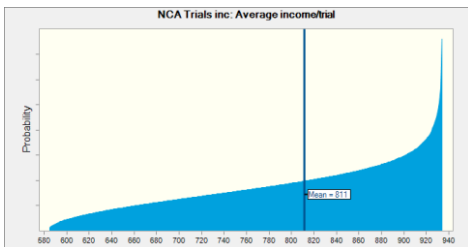
- The distribution was derived from the previous 18 months of data with the Minimum extreme distribution having the lowest Anderson-Darling score.
- Each month in the forecast was modelled separately with no independence between months.

Definition

- Distribution**
Minimum extreme distribution
- Parameters**
Likeliest: 5.96
Scale: 0.14

Key Metrics

- Summary Stats:**
Mean: \$5.87
Standard Deviation: \$0.18
- Specific Probabilities:**
\$5.55 to \$6.10 = 90%
\$5.80 to \$6.00 = 50%



Trials income:
Average income/trial day

- The distribution was derived from the previous 18 months of data with the Beta distribution having the lowest Anderson-Darling score.
- Each month in the forecast was modelled separately with no independence between months.

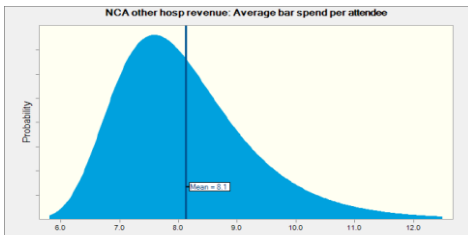
- Distribution**
Beta Distribution
- Parameters**
Minimum: 1,743
Maximum: 2,859
Alpha: 0.611
Beta: 1.412

- Summary Stats:**
Mean: \$811
Standard Deviation: \$92
- Specific Probabilities:**
< \$700 15%
\$700 - \$850 = 50%
> \$850 = 35%

Monte Carlo simulation assumptions

NCA (4 of 8)

Chart



Other hospitality revenue:
Average bar spend per attendee

Assumptions/rationale

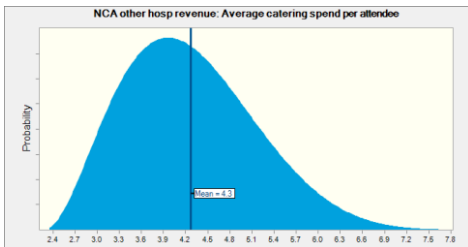
- The distribution was derived from the previous 18 months of data with the Maximum extreme distribution having the lowest Anderson-Darling score.
- Each month in the forecast was modelled separately with no independence between months.

Definition

- Distribution**
Maximum extreme distribution
- Parameters**
Likeliest: \$7.60
Scale: 0.9

Key Metrics

- Summary Stats:**
Mean: \$8.10
Standard Deviation: \$1.20
- Specific Probabilities:**
\$6.6 to \$10.3 = 90%
\$7.50 to \$8.50 = 40%



Other hospitality revenue:
Average catering spend per attendee

- The distribution was derived from the previous 18 months of data with the Beta distribution having the lowest Anderson-Darling score.
- Each month in the forecast was modelled separately with no independence between months.

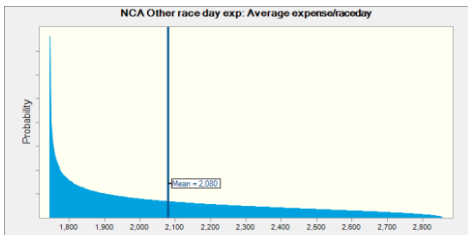
- Distribution**
Beta Distribution
- Parameters**
Minimum: \$2.30
Maximum: \$8.80
Alpha: 3.15
Beta: 7.11

- Summary Stats:**
Mean: \$4.30
Standard Deviation: \$0.90
- Specific Probabilities:**
\$3.50 - \$5.00 = 60%
\$4.10 - \$4.70 = 25%

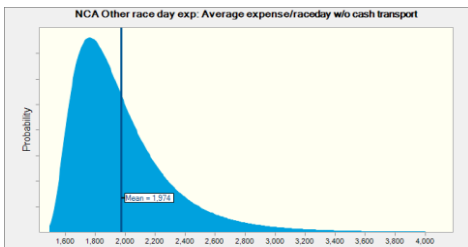
Monte Carlo simulation assumptions

NCA (5 of 8)

Chart



Other race day expenses:
Average expense per race day



Other race day expenses:
Average expense per race day without cash

Assumptions/rationale

- The distribution was derived from the previous 18 months of data with the Beta distribution having the lowest Anderson-Darling score.
- March to May FY13 was modelled separately with no independence between months.
- After May it was expected that the expense without cash transportation charges would apply.

- The distribution was derived from the previous 18 months of data with the Lognormal distribution having the lowest Anderson-Darling score.
- June FY14 onwards was modelled separately with no independence between months.

Definition

- Distribution**
Beta Distribution
- Parameters**
Minimum: \$1,743
Maximum: \$2,859
Alpha: 0.611
Beta: 1.412

- Distribution**
Lognormal distribution
- Parameters**
Location: \$1,419
Mean: \$1,974
Std. Dev: \$339

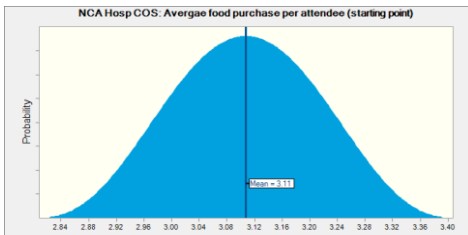
Key Metrics

- Summary Stats:**
Mean: \$2,080
Standard Deviation: \$294
- Specific Probabilities:**
\$1,920 to \$2,290 = 40%
- Specific Probabilities:**
<\$1,800 = 35%
> \$2,180 = 20%

Monte Carlo simulation assumptions

NCA (6 of 8)

Chart



Hospitality COS:
Average food purchases per attendee (starting point)

Assumptions/rationale

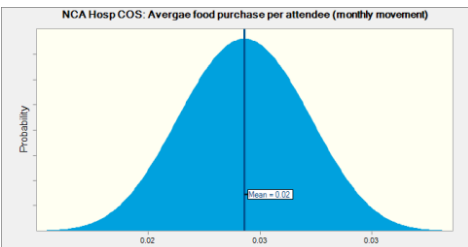
- Assumption based on prior experience and historical data.
- The previous model's average was used $\pm 10\%$.
- Equal weighting was applied to both values above and below the mean.

Definition

- **Distribution**
Beta Distribution
- **Parameters**
Minimum: \$2.80
Maximum: \$3.42
Alpha: 4
Beta: 4

Key Metrics

- **Summary Stats:**
Mean: \$3.11
Standard Deviation: \$0.10
- **Specific Probabilities:**
\$2.94 to \$3.28 = 90%
\$3.03 to \$3.18 = 50%



Hospitality COS:
Average food purchases per attendee (monthly growth)

- Assumption based on prior experience and historical data.
- The previous model's average monthly growth was used $\pm 10\%$.
- As the historical trend showed a tight grouping of values a low spread was used.
- Equal weighting was applied to both values above and below the mean.

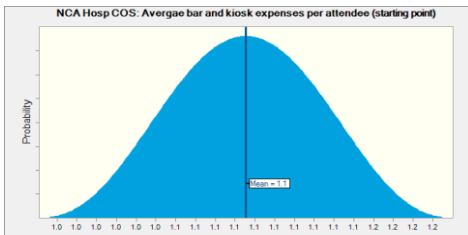
- **Distribution**
Beta Distribution
- **Parameters**
Minimum: \$0.02
Maximum: \$0.03
Alpha: 10
Beta: 10

- **Summary Stats:**
Mean: \$0.025
- **Specific Probabilities:**
\$0.023 - \$0.027 = 90%
\$0.034 - \$0.026 = 50%

Monte Carlo simulation assumptions

NCA (7 of 8)

Chart



Hospitality COS:
Average bar and kiosk purchases per attendee

Assumptions/rationale

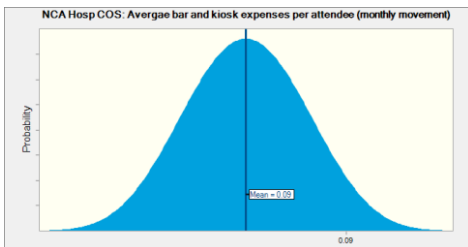
- Assumption based on prior experience and historical data.
- The previous model's average was used $\pm 10\%$.
- Equal weighting was applied to both values above and below the mean.

Definition

- **Distribution**
Beta Distribution
- **Parameters**
Minimum: \$1.00
Maximum: \$1.20
Alpha: 4
Beta: 4

Key Metrics

- **Summary Stats:**
Mean: \$1.10
Standard Deviation: \$0.03
- **Specific Probabilities:**
\$1.03 - \$1.13 = 90%
\$1.06 - \$1.11 = 50%



Hospitality COS:
Average bar and kiosk purchases per attendee (Monthly growth)

- Assumption based on prior experience and historical data.
- The previous model's average monthly growth was used $\pm 10\%$.
- As the historical trend showed a tight grouping of values a low spread was used.
- Equal weighting was applied to both values above and below the mean.

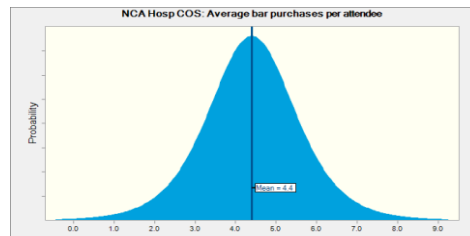
- **Distribution**
Beta Distribution
- **Parameters**
Minimum: \$0.08
Maximum: \$0.10
Alpha: 10
Beta: 10

- **Summary Stats:**
Mean: \$0.09
- **Specific Probabilities:**
\$0.083 - \$0.089 = 90%
\$0.085 - \$0.088 = 50%

Monte Carlo simulation assumptions

NCA (8 of 8)

Chart



Hospitality COS:
Average bar purchases per attendee

Assumptions/rationale

- The distribution was derived from the previous 18 months of data with the Lognormal distribution having the lowest Anderson-Darling score.
- Each month in the forecast was modelled separately with no independence between months.

Definition

- **Distribution**
Logistic distribution
- **Parameters**
Mean: 4.4
Scale: 0.7

Key Metrics

- **Summary Stats:**
Standard Deviation: \$1.30
- **Specific Probabilities:**
\$2.30 to \$6.50 = 90%
\$3.60 to \$5.20 = 50%
\$4.00 to \$4.70 = 30%



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