IRISH GREYHOUND BOARD

[redacted]

May 29th 2015

[redacted]

Updated Financial Projections supporting the IGB strategic plan.

The original Strategic Plan of the IGB submitted in November 2012 was forecasting an accumulated profit improvement of €3.64m over the lifetime of the plan with borrowings to reduce to circa €17.0m. (Appendix 1 and 2). The updated financial projections are significantly different to those developed under the Strategic Plan in that bank loans will be reduce to circa €6.7m as detailed in Appendix 4.

While the core fundamentals of the plan remain and the actual net bank position at the end of 2014 is broadly in line with what was projected (Appendix 2 Page 24), realisation of financial targets have been strengthened to reflect the Indecon report[1] and IGB replies to the recommendations.:[2] The revised projections now include

i) An asset disposal strategy.
ii) Specific adoption of proposals towards the calibration of racing.
iii) Reduced reliance on new tote income streams from 2015 to 2017.

With the implementation of these proposals and other measures the revised projections are forecasting debt of the IGB to be reduced to €6.7m by 2017 (Appendix 4). The revised plans also offers specific measures to address the deficit on the defined benefit pension scheme.

The attached projections differ to what has been submitted under the Indecon reply as they reflect the additional funding granted to the IGB as part of the 2015 budgetary allocation from the Horse and Greyhound Racing Fund. IGB welcomed the additional allocation from the H&G fund which has assisted with the implementation of the 27 recommendations within the Indecon report and also assists the IGB to:

a) Formulate and introduce an incentive scheme and other measures towards growth in ownership and support of the breeders and trainers.
b) Promote the commercial side of the IGB business.
c) Advance the regulation and racing governance infrastructure.
d) Allow IGB time to advance rationalisation measures as outlined within the Indecon report.
e) Allow IGB to continue investment in technology platforms & conclude development required to reach the international wagering audience which offers real growth opportunities to Irish Greyhound Racing.
f) Provides IGB with resources to address the deficit on the IGB defined benefit pension scheme.

[1] Review of Certain Matters Relating to Board na gCon issued by Indecon International Consultants on July 7th 2014
[2] Irish Greyhound Board response to Indecon report of Certain Matters relating to Bord na gCon on October 10th 2014

The updated financial projections of Bord na gCon (the IGB) have been attached to this correspondence (Appendix 4). These projections include the board approved budget for 2015, previously submitted, along with projections for financial years 2016 & 2017 which have been based on the assumptions included within the IGB's reply to the Indecon recommendations of October 10th 2014 and the increased allocation from the Horse & Greyhound Racing Fund.

The realisation of the asset disposal strategy will be a key component towards the permanent retirement of bank borrowings from the IGB balance sheet. Permanent retirement of bank debt will allow the IGB to further develop their regulatory function, advance investment in marketing strategies towards development of the greyhound industry and ultimately provide an improved return to the greyhound owners, breeders and trainers with an increase in prize money and other support. It will ensure all stakeholders can operate their trade within a stable greyhound industry.

Projections also differ from the original strategic plan in that they place a reduced reliance on what has been termed "New Tote Income Streams" again a further recommendation from Indecon. IGB still believe expansion into these markets represents growth opportunities for the Irish Greyhound Industry and will assist in addressing the long term liabilities of IGB whilst allowing progression of the greyhound industry. Expansion into these new markets will also reduce IGB's reliance on the domestic market. The revised plan offers a summary analysis of new tote income streams into four different opportunities that exist in this market place to include:

1) Co- mingling.
2) Sales of fixed odds products.
3) Wagering through internet and app platforms.
4) Sales of television picture rights.

Additionally the Indecon process allowed the IGB executive to explore alternative sources of income that will benefit track operations and outlines plans to recover the 70,898 customers lost to the IGB from all 17 stadia since 2012 (Appendix 3). These proposals include:

1) Advancement of marketing strategies with particular emphases on new digital platforms.
2) Execution of sponsorship strategy to increase awareness of the IGB product.
3) Advance of cultural licenses for selected IGB stadia to broaden the IGB offering within these stadia in line with Government Policy.
4) Implementation of customer relations and loyalty management systems to encourage repeat business from the current customer base of the IGB.
5) Development of an ownership and breeding programme.
6) Tailoring the food & beverage offering to assist in increasing in audience growth.

All of the above are geared at increasing attendance and ultimately increase support for Irish Greyhound Racing. Details of the initiatives envisaged by the IGB to increase support and attendance have been appended to this document. (Appendix 5 – Plans to grow attendance.)

The financial projections represent the IGB's Earnings before Interest Tax, Depreciation and Amortisation (EBITDA) which is the projected surplus of the IGB before accounting for interest on IGB's loans, tax on surpluses, depreciation, amortisation and changes to assets and liabilities associated with the defined benefit pension scheme. Projections are concentrated toward the projected <u>cash position</u> of the IGB at the end of the 2017. The cash position of the IGB includes all bank facilities of the IGB to include overdrafts and loans.

As noted projections indicate substantial reduction in borrowings from the balance sheet of the IGB due primarily to asset disposals with the Board then operating within bank facilities that would be commensurate to the business levels of the IGB by 31 December 2017.

However like any business similar to the structure and size of the IGB there are uncertainties in the environment within which IGB operate. The principal operational uncertainties currently affecting the IGB within the time frame of the projections include:

i. Legal challenges surrounding an integrity case which dates back to the holding of the 2010 Irish Greyhound Derby.
ii. Proposals on addressing the deficit on the pension scheme will be addressed under separate correspondence.
iii. How improved disposal income will affect the trade of the IGB both for track performance and ownership initiatives.
iv. Reliance on continued funding from the Horse & Greyhound Racing Fund.

Review of Balance Sheet

As outlined the focus of these projections is the affect future performance of the IGB will have on the cash position of the IGB. The net debt position of the IGB at the end of 2014 was €22.4m the attached projected cash flow (Page 28) is projecting loans to reduce to €6.7m.

Fixed Assets: Projected investment in capital expenditure additions has been summarised in the attached cash flow projections. However IGB envisages to invest the following in asset additions FYE 2015 - €0.7m; FYE 2016 - €1.15m; FYE 2015 €1.25m. Details of specific asset additions will be influenced by the needs of the business, the planned relocation of the trade from Harold's Cross (HRX) to Shelbourne Park will also be an influencing factor in 2016/17. IGB have no capital programmes or outstanding capital commitments.

Current Assets/Current Liabilities: It is not foreseen that any significant change in trade debtors, creditors or accruals. IGB is a large volume cash business and the level of creditors being carried within the group balance sheet is proportionate to the business levels conducted by the IGB and its 10 trading subsidiary companies. The following extracts from the published balance sheets of the IGB support this point with current liabilities being reduced to circa 66% of the 2007 liability in 2012. The principal movement within the balance sheet being a new development loan of €12.5m, due to the Limerick development and increase in the defined benefit pension liabilities.

The increase in defined benefit liabilities is due to a combination of:

i. Rate of return on pension assets being reduced from 7.1% in 2007 to 2.43% in 2012
ii. This scheme is closed to new members so the increased age of members is a factor in the increase in liabilities. Other factors increasing liabilities include the economic uncertainties created by recent financial market fluctuations and related factors
iii. Current pension returns are being affected by the European Central Bank policy surrounding quantitative easing.

As included with the financial projections and addressed in the remainder of the document the most significant adjustment to the balance sheet will be the reduction in bank loans.

Extracts from Bord na gCon Balance Sheets

		Year ended 2012 €000	Year ended 2011 €000	Year ended 2007 €000
Fixed Assets	*"A"*	**66,232**	**67,388**	**56,424**
Current Assets		2,978	4,119	4,039
Current Liabilities - amounts falling due within one year		(5,552)	(5,894)	(8,909)
Net Current Laibilities	*"B"*	(2,574)	(1,775)	(4,870)
Total Assets less current liabilities	***A - B = C***	**63,658**	**65,613**	**51,554**
Creditors due greater than one year	*"D"*	(22,850)	(22,712)	(7,990)
Net pension liability	*"E"*	(7,222)	(3,788)	(10)
Net Assets of Bord na gCon	***C - D - E***	**33,586**	**39,113**	**43,554**
Net Bank Debt		*(22,204)*	*(22,190)*	*(8,235)*

Asset Disposal Strategy

To achieve a meaningful and immediate debt reduction an asset disposal strategy is being implemented by the IGB which is more immediate and specific than hat was included in the financial projections supporting the November 2012 submission. Maximum value of any assets owned by the IGB being considered for sale will depend on quality of title held and zoning associated with each chosen site.

As recommended within the Indecon report Harold's Cross (HRX) is being included in the asset disposal programme. While the IGB acknowledge some of the greyhound public may resist this proposed sale there are significant advantages to the greyhound industry under this proposal:

1) It will allow the IGB to concentrate capital expenditure on one Dublin venue which will ensure this facility can match other world class quality sporting venues in the capital. It will ensure greyhound racing has an establishment which can be used to promote greyhound racing both on a national and international platform so to maintain its presence in Irish sporting culture.
2) Shelbourne Park operates 3 nights a week which is limited use for a property in this location and with facilities on offer. There is sufficient capacity in Shelbourne and significant synergistic benefits to accommodate the Harold's Cross racing schedule.
3) One cannot lose sight of the fact that Shelbourne Park is located only 2.2 miles from the Harold's Cross site.
4) Harold Cross benefits from 6.42 acres but only operates commercially circa 10 hours a week. Additionally Shelbourne Park has to close to accommodate the HRX racing schedule. It is incumbent on the IGB to achieve a greater return from the HRX asset and have agreed with the Indecon recommendation that sale of this asset offers such a return.

5) With IGB concentrating expenditure & promotions on one Dublin venue, plans can be developed to accommodate the requirement of all groups that currently avail of Harold Cross to include charity and sporting groups that use the HRX facilities.
6) Availability of capital expenditure for the IGB will be increased by reducing bank loans and saving in interest service costs through the sale of the Harold's Cross site.
7) IGB anticipates that the majority of business will transfer from HRX to SPK and would not foresee any loss of jobs with this transfer.

IGB are also committed to the sale of non-core assets to include:

a) Sale of former IGB Headquarters, Henry Street, Limerick. This property sale has been approved by the Board of the IGB.
b) Certain lands adjacent to Cork Stadium.
c) Sale of dwelling house adjacent to the HRX stadia.
d) IGB will be working with their auctioneers to commence a tendering process on the sale of the Meelick lands which is planned for conclusion in F.Y. 2015.
e) IGB will also explore the opportunity of leasing or possible sale of unused office accommodation located within the IGB stadia network.

The projected cash flow from these sales is detailed in the following table[3]:

[redacted]

[redacted]

Sensitivity analysis on asset disposal strategy - Any changes in the projected sales values will have a direct impact on the loan reduction planned by the IGB. Depending on the value of any reduction in projected sales prices IGB may need to consider alternative assets for disposal or consider alternative means of finance.

The most prominent planned sale involves the sale of Harold's Cross. From an industry perspective the many advantages associated with this recommended sale have been outlined. The main risk to achieve the projected value is correct zoning of this asset. IGB have appointed a firm of chartered planning

[3] IGB would request that information included within the financial tables be treated with the required sensitivity from commercial and financial perspective.

consultants to advise on this process and to date have addressed all queries arising from Dublin City Council who are reviewing the zoning application as part of the overall Dublin City Development plan. IGB understands this plan is due for release at the end of quarter 3 2015.

Commercial Performance of the IGB from Racing Activities

The attached projections are indicating an EBITDA of €2.314m, excluding the sale of any assets as outlined previously, for the year ended 31 December 2015.

The projections are indicating EBITDA will increase to €3.118m and €3.506m in 2016 & 2017 respectively. These improvements are expected to materialise from calibration of racing, review of operational expenditure and improvement in track and tote performance (racing activities) as summarised in the following table:

Results from racing activities encapsulate the following commercial activities:

i. Profit and loss from track activities (Gate income, F&B concession fees, rental income from stadia and related costs)
ii. Traditional on track tote income
iii. Bookmaker levy charges and costs
iv. Income from alternative tote income streams.

Results from racing activities do not include any reductions to prize money associated with a race meeting which were an important factor in reviewing proposals on calibration adjustments.

The principal improvements projected for 2015 has been summarised in the following table:

Table Number 2 – Comparison of projected results for FY 2015 against actual FY 2014 results[4]

Tote turnover	FY 2015 €000	FY 2014 €000
Track tote	16,744	16,428
Other tote including international tote	9,951	3,472
	26,695	19,900
Track turnover	5,175	5,121
Net surplus from racing activities	**FY 2015 €000**	**FY 2014 €000**
Tote operating surplus	2,583	2,229
Track operating deficit	(988)	(1,543)
	1,595	686
Summary of IGB activities	**FY 2015 €000**	**FY 2014 €000**
Turnover of IGB/Head office activities	13,663	11,173
IGB/Head office operating costs	8,418	6,169
Prize money paid by IGB	4,525	5,356
Group Earning before interest, tax, depreciation and amortisation	2,314	335

[4] Turnover from IGB activities includes the allocation from the Horse & Greyhound Racing Fund for 2015 €13.6m (2014 €10.844m)

Tote Improvement

Projected improvement from tote is outlined in the following table:

Table Number 3 – Projected Improvement from Tote Operations

[redacted]

Traditional tote turnover for 2015 from IGB stadia has been forecast to increase by circa 2% on 2014, in line with the predicted increase in attendance. Projections have taken account of the reduced number of race meetings planned for 2015. Income from this traditional source is expected to increase in 2016 & 17 again in accordance with increased attendance. Based on performance to date in 2015 IGB is encouraged by the level of support being offered to this traditional IGB product.

[redacted]

One of the more significant challenges in achieving the operational savings will be the availability of a 7 year tote license. Due to the decline in tote income and volumes wagered on Tote over the past number of years Tote providers are seeking an increased contribution to recover initial investment into any contract with the IGB for the supply of Tote services. The availability of a 7 year Tote license would enable the extension of the proposed IGB which should be a significant factor in negotiating a reduction in any proposed increase in annual fixed costs for the Tote service as it would offer to a tote provider. The next tote contract is due to commence at the end of 2015.

New Tote Income Streams Projected profits from additional tote income/retention at a total of €1,050,000 for the 3 years is a significant part of the planned increase in IGB profits[5].

There are 4 separate sources of income to include:

i. Co-mingling arrangements with contracted World Wide third party partners.
ii. Sale of the IGB's new fixed odds product (Directly and indirectly) supported by a proposed Pay per Click (PPC) archived videos product along with sale of historic greyhound videos to third party gaming development companies.
iii. Sale of TV pictures.
iv. Web based Internet and App Sales supported by a new IGB Totalisator product offering (Horse Racing and other opportunities that will present themselves).

[5] The projected increased projected profit from these income streams within the original plan totaled €2.7m

The following paragraphs detail the projected income forecast from each of these income sources for financial years (FY) 2015 through to 2017 and offers a comparison of the turnover projected over what has been achieved in 2014.

I: Co-mingling – The IGB have established co-mingling arrangements with Drumbo Park, based in Belfast and Horse Racing Ireland (HRI) located in the Dundalk racing venue. Additional co-mingling contracts have been secured with a number of different parties many based internationally. The principal parties contracted with the IGB to date include[6]:

[redacted]

3. Ten North America partners including:- [redacted] have agreed co-mingling contracts with the IGB. [redacted] commenced trading at the end of quarter 1 2015. The others remain on target to start wagering at the end of Q 2 2015. All parties to this arrangement have had to make significant investment into the development of their own systems to enable them process this co-mingling product. IGB has also invested significantly to ensure its systems can communicate seamlessly with these third party companies and their hub providers [redacted] The IGB has also invested in video over internet protocol (VOIP) to get pictures to these partners and also co-mingle into other third parties pools [redacted]

[redacted]

[6] IGB are releasing these names on the firm understanding that these names will not be released under any claim for FOI as this information is considered commercially sensitive

Detailed testing has been completed on the supply of the related data and IGB project that income will materialise from this contract within the next 3 months. [redacted]

b) IGB also plan to advance the sale of racing content through their updated website which will be made available on a "pay per view" type offering.
IGB plant to continue with the sale of historic Greyhound Videos to third party gaming development companies. Since 2014 the IGB have secured €72,750 from the sale of archived videos. Updated videos will be regularly required by these customers and the IGB have sufficient product to meet this demand.

[redacted]

[redacted]

[redacted]

iii Income from TV has the potential to generate additional income for the IGB. Indirect benefits would include on-course advertising, sponsorship of racing and increasing the awareness of the IGB racing product to a much broader audience. Such income will assist in the achievement of planned improvement from the tracks controlled by the IGB.

Many factors internal and external to the IGB affect the execution of this product. IGB continue to address key factors under their control which include racing protocols (quality of racing and a standard product) plus on track bookmakers setting of starting prices to what are acceptable competitive margins. Third party concerns over the integrity of racing along with the outlined internal factors were not sufficiently addressed by the IGB therefore hindering the sale of this product previously. IGB has recruited a new Head of Racing Governance with the aim of increasing awareness of IGB procedures and policies to improve to public confidence on the IGB racing product.

IGB has spent the last 3 months involved in detailed testing of this product [redacted]

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7 [redacted]

[redacted]

While the delivery date has been delayed until September the recognition of the TV product has been welcomed and should offer reassurance the projected income should be generated over the 3 year term. [redacted]

IGB should be able to meet any additional demand without incurring material extra costs as the product required is already being delivered from the majority of stadia under the direct control of the IGB in a suitable format within the current cost base. Additionally with the product achieving market acceptance, on-track bookmakers and other parties will see the improvement and opportunities that the TV product can have for Irish Greyhound Racing.

[redacted]

iv Internet and App Sales IGB completed the development of their APP "Barking Buzz" and in mid-April 2014, achieving sales of €187,004 in the 7 ½ months of trading. Since its launch this APP has developed 3,019 followers.

Amounts wagered on the APP has achieved expectations during quarter 1 2015. To support the additional turnover planned from the internet and APP IGB plan to expand the offering on their APP to include

a. Horse racing content in a reciprocal agreement with HRI
b. Introduce online games to the APP so to broaden the use of the APP outside wagering on IGB tote.

[redacted]

Sensitivity Analysis of Tote Product:

The following sensitivity analysis takes account of the most recent developments relating to progression on these alternative income streams, specifically TV. IGB have been advised that the supply of TV product under the official 12 week trail will commence on September 1st 2015. This delay is to allow customer to develop their EPOS system to accommodate what is a new product for them. The acceptance of the IGB racing product by end customer will by the ultimate litmus test on this product. While this date will affect projected outturns for 2015 IGB are taking encouragement from the fixed commencement date. In light of the delay IGB will be reviewing their budget for 2015 to ensure the costs are restructured to match variations in income, proposals have been agreed with the Board of the IGB.

As noted projected profits from alternative tote income is one of the primary contributiors for the planned increase in IGB profits. Achievement of these targets is subject to a number of risks many of which remain outside the control of the IGB.

While it would present a challenge to match any reduction in projected turnover with a comparable reduction in operating costs there are however steps IGB can undertake to reduce costs without compromising the delivery of tote products. Such measures would involve reduction in the quality of data feed which is currently being broadcast over a dedicated leased broadband fibre line from 10 IGB stadia at an additional average cost of €14,035 per stadia. Since the 2015 budget was finalised IGB have negotiated savings of circa €140,000 on costs associated with delivery of Tote product, these savings are subject to delivery of contract. The following table estimates the cost of reducing planned turnover by 50% in year one, 30% for years 2 and 3. The table accounts for savings achieved and what could be achieved by a reduction in the number of stadia benefiting from high quality broadband lines.

Table Number 8 – Projected effect on application of discounts rates to projected tote income

Sensitivity analysis of new tote income products	*Discount Rate applied* *FY 15*	*FY 16 & 17*	FY 2015 €000	FY 2016 €000	FY 2017 €000
Projected co mingling retention	50%	25%	(225)	(130)	(132)
Projected retention from internet and APP	0%	0%	0	0	0
Fixed odds	75%	30%	(79)	(69)	(70)
Archived videos	0%	0%	0	0	0
TV Income net of costs	80%	30%	(320)	(188)	(191)
			(623)	(387)	(393)
Plus savings achieved on provision of tote			140	140	140
Projected savings on reduction in supply of high quality data feed (3 venues)				42	42
Net effect of Tote sensitivity projections			**(483)**	**(205)**	**(211)**

No reduction is projected for internet, app or archived video sales due to the actual performance to date
IGB are contracted until end of FY 15 relating to rental of high quality broadband lines

IGB believe that a reduction in on track tote[8] will not be required. However in the event that this income should reduce it would increase concerns over the viability of the 17 track network as it currently exists within the IGB.

Improvement from IGB Stadia

Budgeted track performance for 2015 is forecast to improve by €0.6m over 2014 results. Exceptions losses were incurred in 2014 due to:

i. Write off bad debts which were being carried in the balance sheets of subsidiary companies. (€70k)
ii. Exceptional repair items relating to correction of water leak in Cork.
iii. Uncertainty over the supply of food & beverage business due to the transfer to Abargrove Limited that affected the Xmas trade.

Additionally 2014 track results were challenged by:

i. Inclement weather conditions in February 2014 and a prolonged summer which is not conducive to the offering of the IGB.
ii. In 2014 IGB were competing with the Soccer World Cup which did have an effect on attendance.

IGB expect to improve results in 2015 through a number of measures assisted by the

a. Increased attendance with an improved & comprehensive offering through the food & beverage model.
b. Additionally in 2015 IGB expect to conclude an exclusive supplier agreement with a drinks supplier that is planned to be introduced to their stadium network.
c. IGB have secured savings on commercial rates associated with their buildings. The annual rates bills for all IGB stadia in 2013 was €443,070, this has been reduced to €345,460 for the year ended 31 December 2015 and will be further reduce to €326,568 in 2016.

Of the projected reduction in track losses in 2015, circa 20% of this reduction is forecast to arise from income growth with the remainder to arise from rationalisation of costs.

Improved attendance is a key objective to the proposed reduction of track losses. The performance of stadia located in higher density populated areas is being specifically targeted for improvement. In 2015 the performance of Shelbourne Park continues to exceed budgeted expectations. IGB also plan to remove losses in their Cork stadium and significantly reduce losses in Galway and Limerick. The planned improvement in track performance has been summarised in the following table:

[8] Performance of traditional on track tote in 2015 is indicating an increased performance over FY 2014 taking account of the lower number of race meeting in FY 2015. However end of year budgets is dependent on improved performance in Q3 & Q4 of 2015.

[redacted]

[redacted]

The projected growth in income is underpinned by increased alternative income planned for the IGB stadia along with growth in attendances supported by IGB now benefiting from a combined food & beverage offering with admission. Strategies planned for track income growth [redacted]

- Use of dedicated sales resource for development of corporate and tour incentive markets particularly in the Dublin market.
- Relationships with other sporting organisations will continue to be developed to further evaluate the possibility of developing mutually beneficial options in IGB stadia.
- As outlined previously streaming and the sale of TV content from IGB stadia will present opportunities for advertising and signage as the options become more attractive to potential customers due to the anticipated growth in the audience for the racing product.
- Sponsorship - The IGB has learned some key messages following research undertaken with leading companies across a range of industries and sectors. There is a lack of understanding about what the IGB can offer to the corporate customer not directly related to greyhound racing. This understanding will be supported by digital and social media activation.
- License Status - IGB are seeking to achieve cultural licenses for a number of stadia which will enable the development of a range of non-racing activities and opportunities on non-race days.
- The plan to address the financial challenges of the IGB and of local Stadia is heavily dependent on growing attendances at all IGB and private stadia A range of factors influencing attendance include;
  - Level of greyhound ownership;
  - Marketing investment in going to the dogs and in the sport itself
  - Disposable income & general economic conditions
- Investment in marketing expenditure decreased significantly since 2009 which has contributed to the decline in attendances. This reduction in investment has dampened awareness for the sport particularly among younger customers.
- In particular, the marketing strategy of promoting individual stadium brands within their local market, defined as 45-60 minute drive time from the venue, will continue to be developed. Based on market research the brand strength from a consumer perspective is at local stadium level and not an IGB corporate brand.

- The interaction between a CRM/Loyalty, restaurant booking, and digital marketing will be further tool to develop attendance.
- Sales Structure & Resource - A fit for purpose sales structure and resource is being advanced. An outbound sales model has been tested and follow up actions are being implemented.
- Racing Development - The business and racing model is based on nightly entertainment operating weekly. To reinvigorate the sport and to help market the sport to a new and wider customer base consideration is being given to develop new racing formats from one off events to racing festivals.
- Greyhound Ownership - The level of ownership has declined significantly since 2007. Initiatives are being explored which will involve all stakeholders, including trainers, breeders and owners to promote the value and enjoyment involved in the participation of greyhound's ownership.

Improved attendance is impacted by a number of factors including, disposable income, marketing investment, investment in facilities to deliver top class experience for stadium visitors, critical digital and IT infrastructure, fit for purpose sales resource and food and beverage model, stimulation of the sport of greyhound racing through increased ownership and development of racing through new and innovative racing formats. The development of these activities will assist in the achievement of the financial improvements planned from track improvements.

Sensitivity Analysis Track Operations:

The key driver towards track improvement as outlined are improved attendances with the recovery of the 60,282 spectators lost since 2012 at IGB controlled stadia. Such growth can be supported by improved participation from the grass roots through ownership, breeding and trainers. Increased presence on media platforms, additional sponsors along with maintaining the support of current sponsors will assist in meeting the required growth targets. Implementation of a CRM system, improved staff morale and meeting if not improving the customer racing experience to ensure repeat attendance at IGB are all fundamentals to achieve the set goals.

[redacted]

Any reduction from the planned growth in attendance would result in additional losses equivalent to the value of the above average spend by spectator lost *(For every 10,000 spectators lost the effect on the tracks would be €81,180 of increased losses)*. Additionally the knock on effect to include tote, total loss would be increased by €124,100 for every 10,000 spectators lost. Further loss of income in tracks would create uncertainty as to the viability of some venues within the IGB network.

Expenditure for stadia has already been adjusted in line with reduced turnover with further cost reductions difficult to realise. IGB are exploring the possibility of management by cluster along with synergistic benefits which may result under this structure.

Results to date for 2015 are indicating a two tier recovery. Performance in Shelbourne Park is consistently exceeding expectation and 2014. This consistent improvement is not being experienced in regional stadia. While track performance in Harold's Cross is improving the initial results for 2015 were hindered due the uncertainty over the future of this venue.

[9] Average spend per head to include tote retention increases to €12.41 in 2014 (€12.43 in 2013)

Levy collection

Included within the results from racing activities are the net cost of collecting the levy after allowance is taken for actual levies collected from on-track bookmakers.

Levy Income (Bookmaker Turnover) has decreased by 66% since 2009. Collections of these levies are a cost to the IGB. IGB will review bookmaker fees and payments as part of their strategic plans.

Calibration of Racing and Prize money

The IGB has implemented a programme to calibrate levels of racing activity. The majority of stadia licensed by the IGB will reduce their racing schedule by an average 5 race meetings for 2015, Newbridge will race one night per week and Galway will only race two night per week and will not revert to a 3 night schedule April to September as in previous years. In total there will be a loss of 86 race meetings of which 44 has been achieved by the end of quarter 1 2015. These calibration proposals will accumulate to a projected total of €0.360m.

IGB will consider additional calibration measures along with the financial support offered to tracks based on review of key performance indicators. In light of commitments to the Industry IGB must prioritise funding to those tracks who are contributing the most to the long term sustainability of the sport and the industry. However it is a very delicate balance as further reduction in track activities, specifically for smaller regional track would increase the risk of these ventures being an unsustainable venture.

In addition to proposed calibration of racing in 2015, IGB will be requesting reduced reliance stadia have placed on the IGB to sponsor higher profile events. While the IGB has not withdrawn such support it is expected that stadia will secure sponsorship to support such events.

Additionally the Board of the IGB reversed prize money grants to 2012 levels, reversing the increase of 20% granted on January 1 2013.

These proposals will assist in IGB achieving the budget targets on prize money spend for 2015:

Table Number 10 – Projected spend on prize money.

	Budget 2015 €000	Actual 2014 €000
Prize money paid by the IGB	4,525	5,356

Effectiveness review of operating structure – IGB (Head office)

More noteworthy changes to 2014 expenditure levels have been made possible due to the availability of additional funding from the Horse & Greyhound Racing Fund which has summarised as follows

i.	Assist with deficit on the defined benefit pension scheme including restructure costs [redacted]	€1,050,000
ii.	Assist with promotion of ownership and breeding	€300,000
iii.	Contingency relating to implementation of Indecon proposals	€100,000
iv.	Assist with development of regulation and racing governance	€160,000
v.	Additional contribution to activities of Retired Greyhound Trust	€50,000
vi.	Provision for obligations on transfer of food operations	€58,000
vii.	Additional legal provision for on-going regulation case (Irish Derby 2010)	€150,000
viii.	Promotion and marketing of the Irish Greyhound Industry and Board	€220,000

IGB do not anticipate challenges being addressed in 2015 will repeat themselves in 2016 or later years and more noteworthy there is no evidence of these challenges being replaced by other issues.

The increased allocation from the Horse & Greyhound Racing fund in 2015, €2,756m, has been a significant boost for the IGB and greyhound industry. It allows the IGB the resource to implement the recommendations arising from the Indecon review and resources to deal with pension and other challenges that have affected the IGB since 2009/10 as outlined above. As outlined some of the items being addressed in 2015 will not materialise in 2016 and the following summarises where such items may continue into 2016/17.

Table Number 11 – Review of head office expenditure choice points

	2015 €000	2016 €000	2017 €000	
Deficit on pension scheme	1,050	850	875	
Promotion of ownership & breeding	300	400	400	
Contingency relating to Indecon	100	-	-	
Regulation and racing governance	160	125	125	
Funding to Retired Greyhound Fund	50	50	50	
Provision for food operations	58	-	-	
Legal provision for regulation case	150	-	-	
Promotion and marketing of the Irish Greyhound Industry and Board	220	230	240	**
	2,088	1,655	1,690	
Saving on 2015		433	398	

** Increased alocation will be dependent on the effectiveness review of spending incurred

Any changes in projected income from racing activities planned for 2015 will also be influencing factors on grants of allocation to expense items as summarised above.

It would be the wish of the IGB that the majority of the adjustment to planned expenditure, €831,000 would be used to increase prize money. Any prize money allocation would be to stadia whose performance matched expectations as detailed within the KPI tables relating to stadia performance. Additionally any extra increase in prize money will also be dependent on achievement of projected results from racing activities which have been detailed previously.

IGB project that any inflationary increases whether they being payroll related or otherwise will be financed by expenditure adjustments within the current cost base. To date IGB has been able to operate within their own resources, bank borrowings have not increased due to operational requirements and it is this flexible cost base that IGB will continue to manage to meet any unforeseen costs not envisaged within the attached projections.

Horse & Greyhound Racing Fund Allocation

Financial projections are prepared on the presumption that the allocation from the H & G Racing Fund allocated in 2015 will remain unchanged for 2016 and 2017. The projections broaden on the fact that IGB and the industry it represents are reliant on this continued allocation. [redacted]

[redacted]

Expenditure planned for 2015 is being viewed as initial investments in the projects concerned. It will be the ultimate return from these projects that will dictate future support.

The Comptroller and Auditor General have raised concern over the reliance IGB are placing on the continued allocation from the Horse and Greyhound Racing Fund. In the event funding is reduced IGB would be required to explore a number of unpalatable options to include future of regional tracks. Additionally reduction in funding could have an impact on the funding proposal surrounding the defined benefit scheme among other matters.

Structure of bank debt and repayment arrangements

IGB currently has total bank facilities with AIB Bank Plc. of €25 million, €12.5 million overdraft and since the completion of the Limerick Stadium an additional interest only loan of €12.5 million. The loan contains an option of either repayment or refinance of the facility on December 9th 2016.

The balance on the bank overdraft has remained broadly unchanged over the last number of years however this has meant that IGB has been carrying a balance within this overdraft that requires to be repaid.

With the support of AIB, €6.0m will be transferred from the overdraft to a structured loan and the overdraft will reduce by a similar value. The overdraft limit will be subject to seasonal adjustment however financial projections indicate there will be sufficient funds within IGB can commercially operate. This proposal is based on the established structure of drawdown from the Horse & Greyhound Fund remaining in place for future years. Any changes to the drawdown structure would require a renegotiation of the bank agreement.

Repayment Targets 2015, 2016 & 2017 from operational cash flows

The financial projections which have been agreed with AIB support repayments of €750k per annum from operating cash flows in 2015 with similar levels of fixed repayment planned for 2016 and 2017. [redacted] This structure, including the realisation of asset disposals, will ensure IGB will achieve their Indecon target of reducing bank loans to circa €6.7m. [redacted]

[redacted]

[redacted]

Financial Covenants

As it now normal under bank conditions AIB are requesting IGB's commercial performance will be required to meet certain financial covenants (targets) relating to performance of Net Debt[10] to EBITDA; Inter Cover Ratio & Debt service[11] to EBITDA. These covenants are measurable on an annual basis

[10] Net Debt is defined as total loans and overdraft due to the bank less any funds held on deposit
[11] Debt Service is also known as debt repayment capacity

Sensitivity Analysis

Sensitivity analysis has been referred to previously. Track performance since 2012 has been challenging and at variance with the original strategic plan. Overall track performance has been further challenged by the introduction of the Newbridge venue at the end of Quarter 1 2013. Preliminary indications on track performance for Quarter 1 2015 are on target, albeit IGB has yet to enter the main part of their financial year. There are however encouraging signs which can be traced to the introduction of the food & beverage part of the business and increased advertising presence on national radio and other media platforms. As noted previously lack of investment in marketing since 2009 has been a factor in reduced attendances along with a declining greyhound pool and participation in the grassroots of the industry.

Prize money has been reduced significantly in 2015. Further reductions in the allocation of prize money to regional tracks could have a fundamental effect to their future.

IGB believe there are sufficient contingencies in place to meet any immaterial shortfall on the planned improvement from racing activities. However further deterioration in individual track performance would raise a significant question as to the viability of the specific tracks. The following table summarises the possible outcome should all of the contingencies as referred to previously arise:

Effect of sensitivity assumptions	FY 2015 €000	FY 2016 €000	FY 2017 €000	Total €000
Group surplus before interest, tax, deprecation and amortisation	2,315	3,238	3,688	9,241
Tote sensitivity analysis	(483)	(205)	(211)	(899)
Track sensitivity analysis - loss of 10,000 spectators @ average spend of €8.18	(82)	(82)	(82)	(245)
Tote sensitivity analysis - loss of 10,000 spectators @ average spend of €4.23 (Tote retention net of payout)	(42)	(42)	(42)	(127)
Revised EBITDA projections	1,750	2,951	3,396	8,097
Plus other income and cost saving measures				
Projected additional income from track activities - supplier exclusivity agreement & projected return from Abargrove Ltd	165	65	65	295
Review of planed expenditure allocation granted by Bord na gCon (Head office)	350	433	398	1,181
Revised EBITDA	2,265	3,449	3,859	9,573

In effect with the proposed new income available through stadium activities including food & beverage along with cost rationalisation measures being introduced in 2015 and the options over cost allocations for 2016/17 referred to in page 18 the IGB should be in a position to accommodate lost income as outlined from racing activities. This table is prepared before any consideration is offered to increasing prize money in 2016 and 2017.

The most significant part of the IGB plan to repay bank debt is the sale of Harold's Cross. Should this process fail to generate the required results IGB will be forced to request AIB to alter repayment plans with IGB facing into the position of repayment of bank loans over an agreed term of 15 years (a normal repayment term for commercial loans) with capital repayments, excluding interest, of circa €1.7m per annum [redacted] IGB welcomed the Ministers support towards the implementation of the Indecon recommendations of which the sale of HRX a was fundamental part. Indecon identified the direct benefit to the IGB surrounding this sale. In a wider context the availability of a site with 6.42 acres would be of significant advantage to the shortfall of development land being experienced in the Dublin area. To date IGB have being encouraged with the support of Dublin City Council toward the proposed zoning of this property and IGB are proactive in dealing with any impediments associated with this site, however the ultimate decision on zoning is matter for members of the council and electoral areas they represent.

As noted within the Indecon reply IGB are committed to submit a progression report of all recommendations included within the Indecon reply to Department of Agriculture, Food and the Marine by year end 2015 which will include a progress report on the attached projections.

The Irish economy has improved quite significantly since the original strategic plan 2012 to 2017 was submitted; however this recovery is still a two tiered recovery as noted. IGB continue to probe the international wagering markets however this work remains under on-going review by the Board who have set some milestone dates in respect of such.

With the continued support from the Horse & Greyhound Racing Fund and the introduction of the flexibility offered by the food and beverage offering IGB believe they have the required resources to deliver on the revised plan.

This document and its appendices have been prepared on behalf of the IGB executive and was subject to Board consideration and approval on May 21st 2015.

Yours sincerely

Michael Murnane |
Chief Financial Officer |
Bord na gCon |
Greenpark, Dock Road Limerick.

Appendix 1 – Financial Implication of strategic initiatives per original strategic plan

Financial Implications of strategic initiatives

	2013	2014	2015	2016	2017
Savings					
Savings in admin & operational costs identified through strategic initiatives	€500,000	€625,000	€575,000	€575,000	€575,000
Tote retention increases	€175,000	€350,000	€509,000	€709,000	€1,000,000
Improved track performance	€430,000	€400,000	€425,000	€450,000	€525,000
Advertising hoardings/Branding	€100,000	€250,000	€416,000	€566,000	€675,000
Additional sponsorship	€100,000	€201,000	€241,000	€289,000	€347,000
New wagering products	€100,000	€300,000	€1,000,000	€1,250,000	€1,500,000
Subtotal	**€1,405,000**	**€2,126,000**	**€3,166,000**	**€3,839,000**	**€4,622,000**
INCREASED EXPENDITURE					
New costs associated with strategic initiatives	€565,000	€565,000	€565,000	€565,000	€565,000
TV Coverage (4 meetings in 2013, 8 meeting in 2014 and 10 meetings thereafter)	€192,000	€384,000	€480,000	€480,000	€480,000
Part time sales persons x 5 for major tracks (Salary & commission)	€125,000	€125,000	€125,000	€125,000	€125,000
Increased prize money -	€900,000	€1,001,000	€1,041,000	€1,089,000	€1,147,000
Development of streaming & i Pad Applications	€50,000	€50,000	€50,000	€50,000	€50,000
Marketing betting products	€50,000	€150,000	€150,000	€125,000	€125,000
Subtotal	**€1,882,000**	**€2,275,000**	**€2,411,000**	**€2,434,000**	**€2,492,000**
(Investment)/Return on strategy investment	(€477,000)	(€149,000)	€755,000	€1,405,000	€2,130,000

(*) - The plan forecasts a cumulative improvement of €3,664,000 over the lifetime of the plan

Appendix 2 – Summary Cash flow statement supporting original strategic plan

Bord na gCon - FORECASTED CASH FLOW STATEMENT 2013 - 2017

	Bgt 2013 €000	Bgt 2014 €000	Bgt 2015 €000	Bgt 2016 €000	Bgt 2017 €000	Total €000
Operating Surplus - Ref P & L	**1,113**	**1,492**	**2,342**	**2,910**	**3,477**	***11,334***
Creditors payments	1,299	816	332	(37)	(291)	
Payment - Old Creditors	(182)	(182)	(182)	(182)	0	*(726)*
Provision for payment of unclaimed prize money	(115)	(115)	(115)	0	0	*(345)*
Creditors Contingency	(73)	(73)	(73)	(73)	(63)	*(354)*
Limerick devel contributions	(114)	(114)	0	0	0	*(228)*
Movement in creditors	(483)	(483)	(369)	(254)	(63)	*(1,653)*
	630	**1,008**	**1,972**	**2,656**	**3,414**	***9,681***
IGB Track development - Clonmel	(350)					*(350)*
Development grant to private tracks - Thurles & Kilkenny	(100)				(1,250)	*(1,350)*
Capital asset additions	(286)	(400)	(400)	(400)	(400)	*(1,886)*
Sale of assets	400				1,250	*1,650*
Surplus available for interest + loan repayments	**294**	**608**	**1,572**	**2,256**	**3,014**	***7,745***
Loan repayments				(1,187)	(1,187)	*(2,374)*
Interest Payments	(506)	(509)	(508)	(57)	(44)	*(1,624)*
Annual Cash (deficit)/surplus	**(212)**	**99**	**1,065**	**1,012**	**1,784**	*3,747*
Overdraft & Loan balance	(22,205)	(22,417)	(22,318)	(4,253)	(3,241)	*(22,205)*
Cash (deficit)/surplus	(212)	99	1,065	1,012	1,784	*3,747*
Transfer to moratorium loan			17,000			*17,000*
Closing overdraft/loan balance	**(22,417)**	**(22,318)**	**(4,253)**	**(3,241)**	**(1,458)**	*(1,458)*
Loan Balance		0	(17,000)	(17,000)	(16,323)	*(17,000)*
Loan interest				(510)	(490)	*(1,000)*
Loan repayment	0	0		1,187	1,187	*2,374*
Closing Balance	0	0	(17,000)	(16,323)	(15,626)	*(15,626)*
Net Bank Position	**(22,417)**	**(22,318)**	**(21,253)**	**(19,565)**	**(17,084)**	*(17,084)*

Appendix 3 – Stadium Attendance 2014 vs. 2012 with documented growth planned for 2015

		TRACK ATTENDANCES				
		YEAR ENDED 2015	YEAR ENDED 2014		YEAR ENDED 2012	
		Spectators IGB Stadia	Spectators IGB Stadia	No of meetings	Spectators IGB Stadia	No of meetings
Curraheen Park	IGB STADIA	89,808	82,374	145	89,788	147
Galway		40,461	39,545	120	43,556	124
Harolds Cross		54,432	53,813	106	69,900	149
Limerick		50,263	47,407	103	55,820	124
Mullingar		24,111	24,398	95	26,731	96
Newbridge		17,510	28,106	90	26,573	95
Shelbourne Park		139,912	132,078	146	146,265	150
Tralee		53,858	52,050	135	57,319	139
Waterford		24,568	27,379	97	30,538	98
Youghal		12,364	13,778	84	14,720	80
		507,287	**500,928**	**1,121**	**561,210**	**1,202**
Clonmel	PRIVATE STADIA	23,047	22,329	101	22,144	103
Dundalk		39,994	42,997	103	47,829	104
Enniscorthy		18,140	21,817	90	21,528	92
Kilkenny		16,819	15,405	91	16,675	92
Lifford		16,748	15,955	53	18,603	53
Longford		9,705	9,935	89	10,609	100
Thurles Park		18,974	20,206	88	21,872	90
		143,427	**148,644**	**615**	**159,260**	**634**
	TOTAL	**650,714**	**649,572**	**1,736**	**720,470**	**1,836**

Appendix 4 – Updated financial projection supporting 2015 to 2015

[redacted]

Appendix 4 continued – Projected Income & Expenditure Account 2015 to 2017

Bord na gCon Group Consolidated Forecasted Income & Expenditure Account for 2015 to 2017	Year total Dec-15 €000	Year total Dec-16 €000	Year total Dec-17 €000
Turnover			
Tote Turnover	26,455	27,610	28,462
Bookmaker Income	173	173	173
Track income	5,002	5,241	5,471
Total turnover from racing activities	**31,630**	**33,023**	**34,107**
Winnings paid on tote wagering	21,552	22,485	23,225
Operating costs	8,723	8,625	8,580
Direct costs	30,275	31,110	31,805
Surplus from Racing Activities	**1,355**	**1,913**	**2,301**
Other Income			
Allocation from the Horse & greyhound Racing Fund	13,600	13,600	13,600
Prizemoney contributions from Owners and Sponsors	2,092	2,092	2,092
Media Income	280	525	525
Other income	23	23	23
Net Income	**15,995**	**16,240**	**16,240**
Expenditure			
Contribution to prize money by Bord na gCon	4,525	4,525	4,525
Prizemoney contributions from Owners and Sponsors	2,092	2,092	2,092
Incentive schemes	457	457	457
Racing integrity and governance	1,918	1,918	1,918
Operating grants	292	292	292
Contribution to welfare & Retired Greyhound Trust	271	271	271
Information technology	857	857	857
Legal & related fees	355	355	355
Administration & pension funding	2,965	2,845	2,783
Marketing & commercial activities	1,302	1,302	1,302
	15,035	**14,915**	**14,853**
			3,688
Group surplus before interest, depreciation and taxation	**2,315**	**3,238**	**3,688**
Depreciation	(524)	(524)	(524)
Interest on loans	(608)	(567)	(507)
Taxation	-	-	-
Group (deficit)/surplus for the year	**1,183**	**2,147**	**2,658**

Appendix 4 continued - Projected Cash flow Statement 2015 to 2017

Bord na gCon Group Forecasted Consolidated Cash Flow Statement 2015 to 2017	Year total Dec-15	Year total Dec-16	Year total Dec-17
	€000	€000	€000
Earnings before interest, tax, depreciation & amortisation			
Group surplus before interest, depreciation and taxation	2,315	3,238	3,688
Movement in working capital	(234)	(180)	(90)
Cash (Outflow)/Inflow from operating activities	**2,081**	**3,058**	**3,598**
Bank interest	(608)	(567)	(507)
Repayment of "overdraft loan" (i)	(750)	(1,080)	(1,080)
Surplus available after capital expenditure	**723**	**1,411**	**2,011**
Capital asset additions	(700)	(1,150)	(1,250)
Net cash (outlfow)/inflow before financing activities	23	261	761
Net proceeds from asset disposal	785	280	11,250
Caoital loan repayment from disposal of assets	(785)	(280)	(11,250)
Cash (deficit)/surplus	23	261	761
Application of Funds			
Opening net bank balances	(23,000)	(21,442)	(19,821)
Cash (deficit)/surplus	23	261	761
Capital loan repayments from operating cash flows	750	1,080	1,080
Capital loan repayments from disposal of fixed assets	785	280	11,250
Closing bank loans/overdraft net of capital repayments	**(21,442)**	**(19,821)**	**(6,730)**