

TAB NEW ZEALAND

STATEMENT OF INTENT & BUSINESS PLAN

FOR THE RACING YEARS 2024 - 2026



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INTRODUCTION

WELCOME TO TAB NEW ZEALAND'S STATEMENT OF INTENT AND BUSINESS PLAN FOR THE NEXT THREE RACING YEARS.

As of 1 June 2023, TAB NZ commenced a 25-year strategic partnering arrangement with Entain in accordance with the Racing Industry Act 2020. The arrangement has resulted in Entain New Zealand Limited (a subsidiary of Entain Group Pty Ltd) being delegated TAB NZ's functions of betting and broadcasting.

This deal marks a significant shift in operations for the TAB NZ business. However, its overarching objectives remain the same – with its focus being to ensure that the strategic partnering arrangement is a success for TAB NZ and its stakeholders.

This document in respect to TAB New Zealand has been prepared in accordance with the requirements of the Racing Industry Act 2020.



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ABOUT THE STATEMENT OF INTENT & BUSINESS PLAN

TAB NZ'S STATEMENT OF INTENT AND BUSINESS PLAN ARE PRESCRIBED BY THE RACING INDUSTRY ACT

This document will cover the:

1. Objectives of TAB NZ
2. Nature and scope of the activities to be undertaken
3. Performance targets and other measures by which performance may be judged in relation to TAB NZ's objectives
4. Statement of accounting policies

for the 2023/24 racing year (1 August to 31 July) and the subsequent two racing years (2024/25 and 2025/26).



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MARK STEWART MNZM
TAB NZ Chairman

MESSAGE FROM TAB NZ CHAIRMAN

I am incredibly proud of what management and the TAB NZ Board has achieved for New Zealand by securing a 25-year strategic partnering arrangement with Entain.

The significant operational disruption caused by the Covid-19 pandemic was followed by gusty economic headwinds and unprecedented competition from unregulated overseas operators. The strategic partnership reverses an ominous outlook for TAB NZ and delivers a key recommendation from the Messara Report (2018).

Entain is a world class operator who have the expertise and financial strength to transform our business and, in turn, boost the long-term fortunes of racing and sport as well as the communities that rely upon their success.

Put simply, the partnership signals a new era for TAB NZ – shoring up funding and changing the face of wagering in New Zealand for a generation. Distributions and payments to racing and sport will immediately grow to record levels, while Kiwi punters will be safer following the rollout of Entain's world-class harm minimisation tools.

The retained TAB NZ remains vital to the success of the Entain partnership. We will ensure Entain's accountability to this Statement of Intent and the expectations of our community. TAB NZ will also continue to perform its retained functions, including the operation of class 4 gaming which continues to provide important funding to racing and grassroots sport.

Finally, TAB NZ continues to work with the Government on the enactment of a legislative net which would stop up to \$200m annually being lost by Kiwis to offshore wagering operators. This is a key priority for management and the TAB NZ Board. A legislative net would stop offshore operators conducting betting in New Zealand and, at the same time, would materially boost funding for our stakeholders and produce better harm minimisation outcomes for our customers.



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DEAN SHANNON

Entain Australia & New Zealand
CEO

MESSAGE FROM ENTAIN AUSTRALIA & NEW ZEALAND CEO

On 1 June 2023, TAB NZ and Entain commenced their strategic partnering arrangement. We at Entain Australia are proud to have added New Zealand to our name in the creation of Entain Australia and New Zealand.

We believe this 25-year strategic partnering arrangement will be a gamechanger for racing and sports betting in New Zealand and we are pleased that it will help provide significant financial benefits to the three New Zealand racing codes and the vast array of national sporting organisations.

Entain is a business built on innovation and being customer focused and we look forward to connecting further with the great team at TAB NZ to introduce a range of new world class products, services and player safety tools to the loyal New Zealand customer base.

This Statement of Intent and Business Plan that outlines the key strategic pillars of our partnering arrangement with TAB NZ. The plan outlines our commitment to deliver a best in class wagering experience to New Zealand customers which will underpin increased support to the sports and racing industries in New Zealand.



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OVERVIEW OF BUSINESS AND CORE FUNCTIONS

TAB New Zealand is a statutory body established under the Racing Industry Act 2020 (the Act).

The commencement of the Act in August 2020 gave TAB NZ clear statutory objectives, providing the organisation with a mandate to focus purely on the commercial drivers of the business (subject to the risks being minimised).

TAB NZ is the sole entity legally able to operate wagering services from within New Zealand.

As outlined in section 57 of the Act, the objectives of TAB NZ are:

- to facilitate and promote betting; and,
- subject to ensuring that risks of problem gambling and underage gambling are minimised, to maximise:
 - its profits for the long-term benefit of New Zealand racing;
 - and returns to New Zealand sports.

Strategic Partnering Arrangement

To drive better outcomes against its statutory objectives, TAB NZ sought the Minister for Racing's approval of a 25-year strategic partnering arrangement with Entain.

Following the Minister's approval under section 54(4) of the Act, the partnering arrangement commenced on 1 June 2023.

Under the arrangement, TAB NZ has delegated its betting and broadcasting functions to Entain New Zealand Limited on agreed terms and conditions.

As a result, Entain New Zealand Limited employs approximately 430 staff for the delivery of digital betting products, the largest outside broadcasting operation in New Zealand (which provides vision for TAB Trackside 1 and 2, and for the export of New Zealand racing vision), and betting at around 400 venues nationwide.

Gaming

TAB NZ is also regulated by the Gambling Act 2003, particularly with regard to its Class 4 gaming operation.

TAB NZ continues to conduct gaming, with Entain providing services at the relevant, licensed TAB venues.

The three underlying principles of gambling regulation in New Zealand are at the heart of the TAB NZ's gaming business: being a trusted and transparent operator; having adequate protections for its customers; and ensuring a return to the community from the proceeds of gambling.

At least 80% of gaming profits are applied to the Racing Authorised Purpose, with up to 20% applied to the Sports Authorised Purpose.



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ABOUT OUR PARTNERSHIP WITH ENTAIN

In September 2022, following the release of its new growth strategy, TAB New Zealand issued an initial sounding document to a series of potential strategic partners. In order to achieve TAB NZ's objectives and growth ambitions, Board and management considered that it was in the best interest of TAB NZ and its stakeholders to explore a strategic partnering arrangement with a world-class international wagering operator to deliver TAB NZ's wagering and broadcast functions.

Over a period of six months, commencing in November 2022, TAB NZ engaged with a range of operators in relation to a strategic partnering arrangement. The process was supported out of Australia by Barrenjoey Capital Partners as sole financial adviser and Allens as principal legal advisers. Chapman Tripp provided legal advice in New Zealand.

Following a detailed assessment of a number of proposals which were received, TAB NZ selected Entain as its preferred partner for a 25-year strategic partnering arrangement.

Entain was selected as the preferred partner based on a wide range of criteria, including operational expertise, cultural alignment with TAB NZ and the commitment of the partner to uplifting TAB NZ's harm minimisation and responsible gambling efforts.

The partnership delivers a key recommendation from the Messara Report (2018) that was provided to the New Zealand Government as a critical pathway to ensure the long-term viability of the racing industry.

PARTNERSHIP AT A GLANCE

PARTNERING ENTITIES

TAB NZ, Entain Group Pty Ltd

OPERATING ENTITY

Entain New Zealand Limited

PARTNERSHIP TERM

25 Years

MEDIUM TERM STRATEGY

Win – more people actively enjoying TAB NZ products
Engage – give customers more to keep them entertained
Retain – encourage customers to come back for more entertainment through product, content and promotions

Achieve the above while ensuring customer safety is paramount through the safer gambling strategy

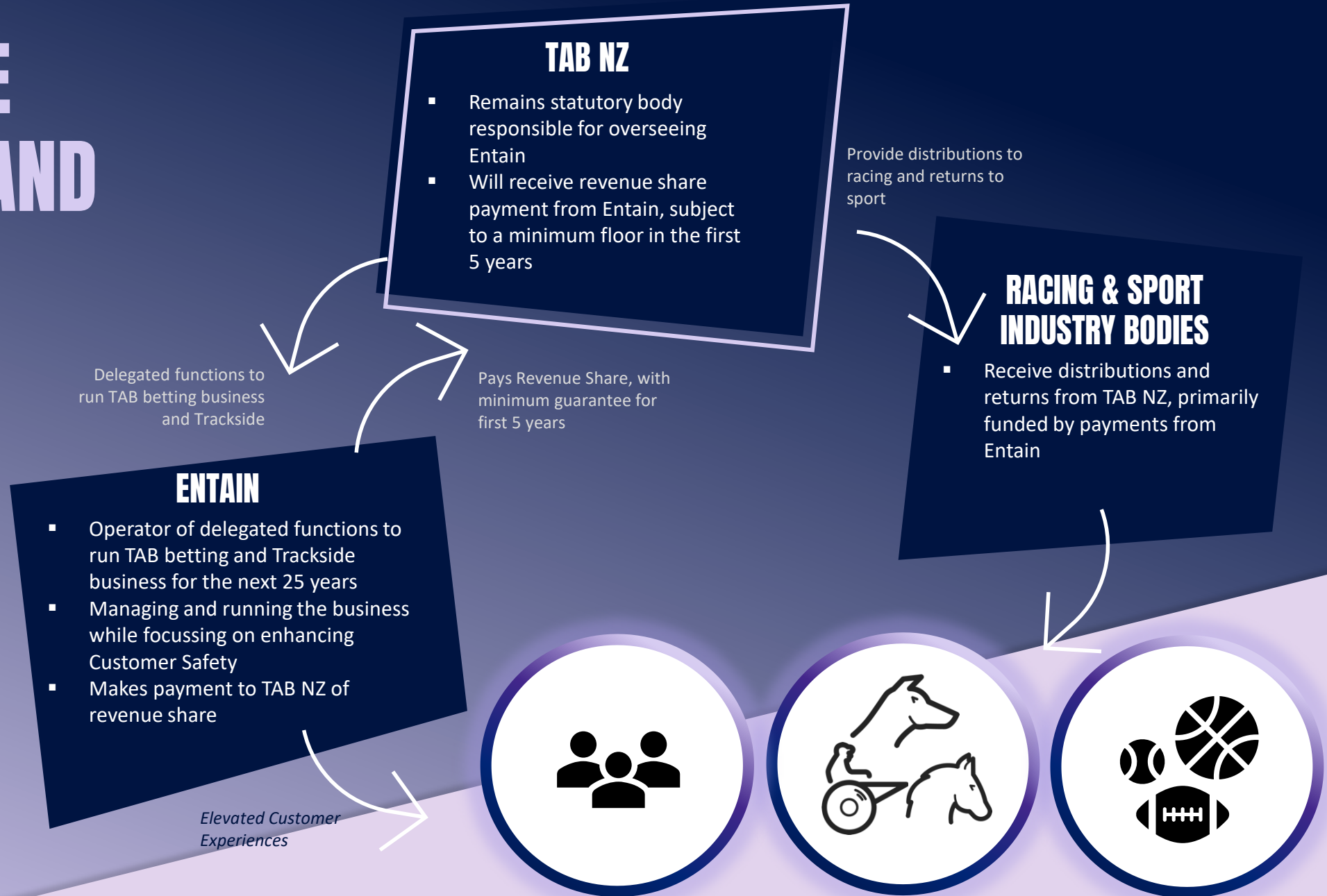
Building for the future. **Our People** are critical and we invest to attract, onboard and retain the best people. We aim to build a **Scalable & Compliant Business** that provides the foundation for growth. We want to be **Resilient & Sustainable**, with a more diverse customer and revenue base, increased scale and new channels

APPROACH TO MARKETING AND BRAND

Rejuvenated, refocussed TAB NZ brand
Launch of new digital only brand in 2024

GOVERNANCE STRUCTURE AND FUNDS FLOW

The governance structure reflects the core objectives of TAB NZ:
(a) facilitating and promoting betting; and
(b) subject to ensuring that risks of problem gambling and underage gambling are minimised:
(i) maximising profits for the long-term benefit of New Zealand racing; and
(ii) maximising returns to National Sporting Organisations under their sports betting agreements.



KEY OBJECTIVES TO CREATE A VIRTUOUS CIRCLE FOR THE NZ INDUSTRY AND CUSTOMERS

IMPROVEMENTS TO PRODUCT

BETTER RACING & SPORTS

Investments to drive improvements, resulting in better quality racing and sports

TECHNOLOGY

Continued improvements in product and experience

MORE INVESTMENT IN INDUSTRY

DISTRIBUTIONS & RETURNS

Significantly increase distributions to racing and returns to sports

MEDIA & INTERNATIONAL

Increased profile of NZ racing in Australia and globally

BETTER EXPERIENCE FOR NZ PUNTERS

TWO KIWI CENTRIC BRANDS

Creating choice for punters while maximizing value for NZ

PRODUCT

Rapid adoption of world class products, including market leading safer gambling tools

GROWTH IN THE NZ MARKET

MARKET GROWTH

Grow overall market by delivering more choice and a better experience

RECLAIM OFFSHORE SPEND

Win back customers lost to offshore operators and reclaim funding for NZ industry

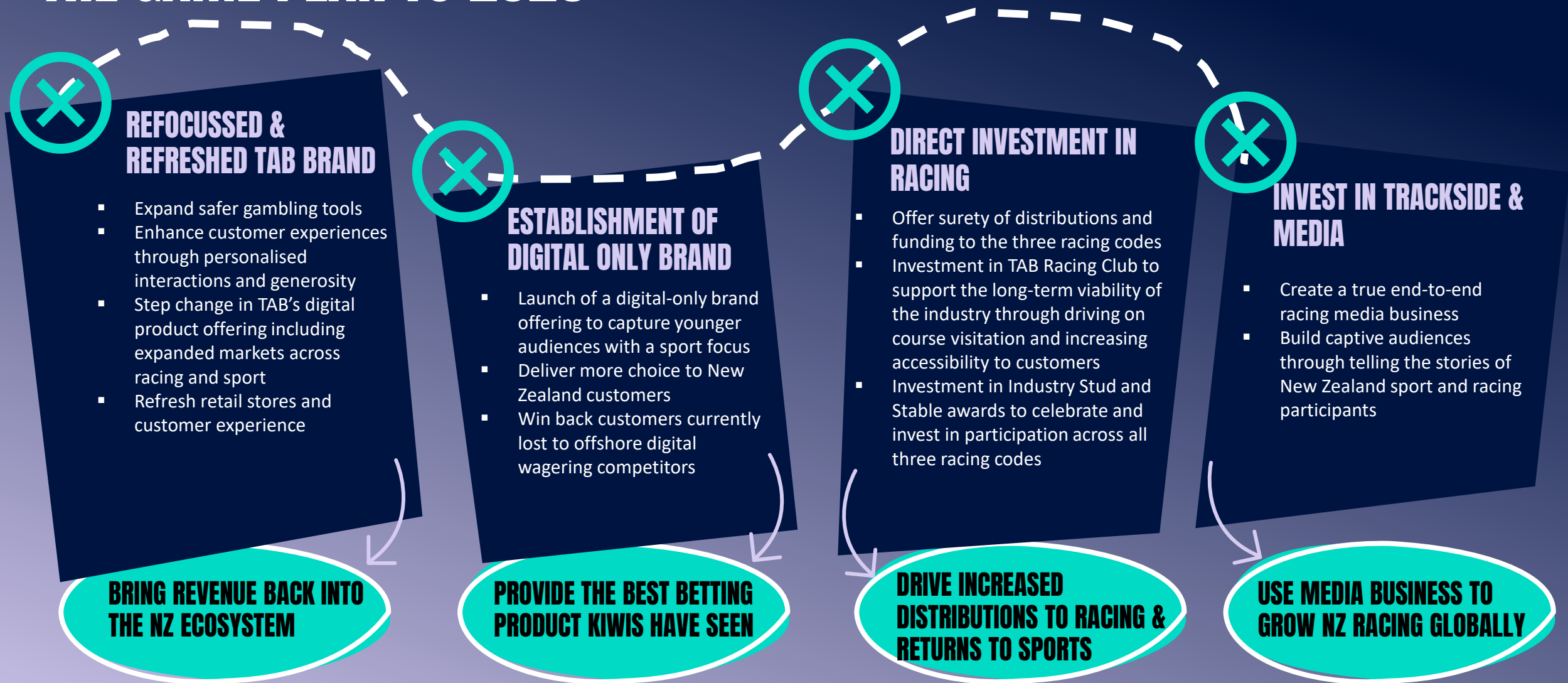


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THE GAME PLAN TO 2026

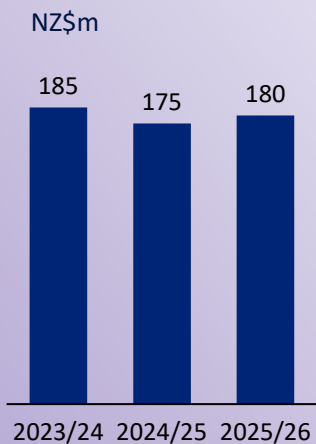


PERFORMANCE TARGETS

ENABLEMENT OF PAYMENTS TO RACING

Deliver on uplifted, guaranteed minimum distributions to Racing NZ

Note: based on no "Legislative Net"*



ENABLEMENT OF PAYMENTS TO NSOs

Deliver on NSO funding commitment over the next three racing years of \$70.1 million

This reflects a \$26.5 million uplift to the funding commitment prior to the Strategic Partnering Agreement with Entain. The uplift comprises of a guaranteed \$10 million injection from TAB NZ and additional projected commissions as a result of the partnership with Entain of \$16.5 million**

HARM MINIMISATION

Deliver the full suite of Entain's Punter Assist tools, Training and Active Intervention measures detailed under our Safer Gambling strategy (see slide 15)

These initiatives will ensure customer safety is paramount and will deliver tools and controls that comply with global industry best practice

* Legislative Net – This is the proposed legislative change which would see the extension of the TAB's monopoly on racing and sports betting to the online environment

** Based on commissions as a result of Entain partnering arrangement and on NSO Agreements extending on current terms



MORE INVESTMENT IN INDUSTRY

SUPPORT FOR THE NEW ZEALAND RACING INDUSTRY WILL INCLUDE A DIRECT FUNDING COMMITMENT OVER AND ABOVE THE MINIMUM GUARANTEE PAYMENT OF AT LEAST \$12M OVER 2 YEARS FOR KEY INITIATIVES TO GROW RACING



FUNDING COMMITMENT TO THE THOROUGHBRED INDUSTRY OF \$6.75M OVER TWO YEARS*



FUNDING COMMITMENT TO THE HARNESS INDUSTRY OF \$2M OVER TWO YEARS*



FUNDING COMMITMENT TO THE GREYHOUND INDUSTRY OF \$1.25M OVER TWO YEARS*



ESTABLISHMENT OF TAB RACING CLUB +\$2M**



PARTICIPANT FOCUSED INDUSTRY AWARDS \$250K**

We aim to implement several initiatives, in consultation with industry bodies and Entain to drive improved racing product and improve the profile on NZ racing globally. These initiatives include but are not limited to increased prize money, investment in sustainability programs and ownership incentives

* Represents the \$10m 2-year direct industry investment put forward by Entain as part of its proposal

** Ongoing funding commitment from Entain over and above the \$10m direct investment



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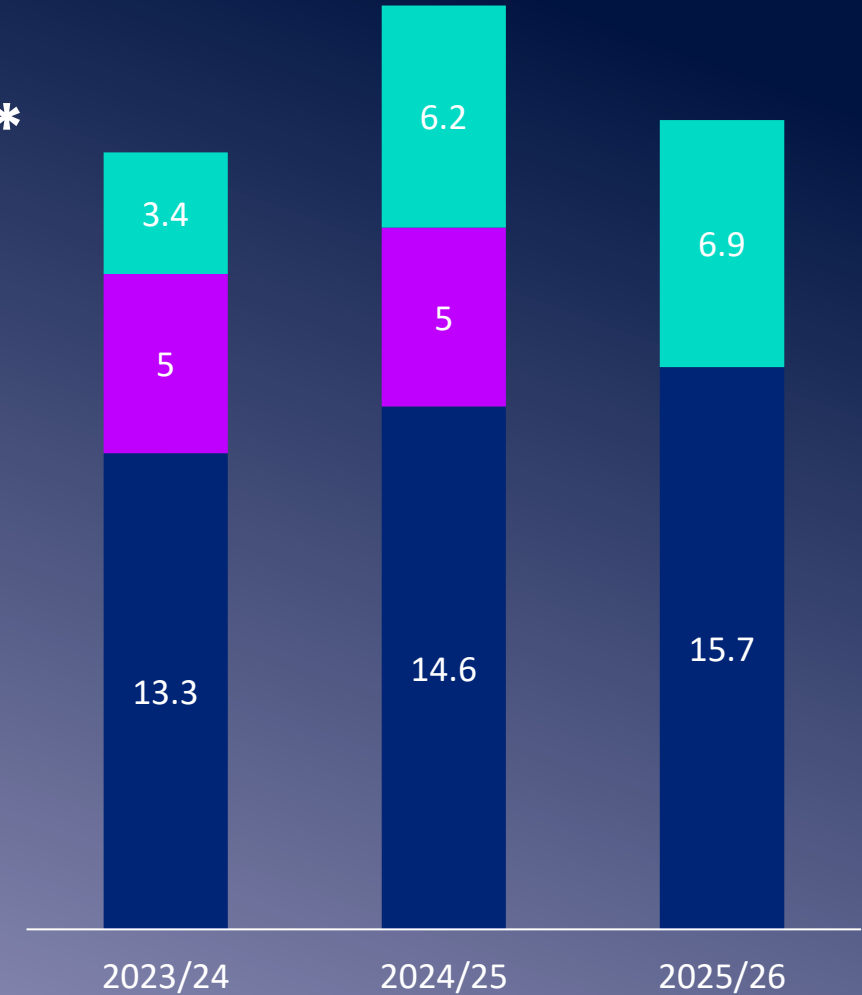
MORE INVESTMENT IN INDUSTRY

NSOs WILL BE THE
BENEFICIARY OF A
FUNDING UPLIFT VIA
ADDITIONAL CASH
INJECTIONS AND
COMMISSIONS

TOTAL FUNDING OF \$70.1 MILLION OVER THE NEXT THREE YEARS*



PARTNERSHIP
SEES ADDITIONAL
RETURNS OF
\$26.5 MILLION TO
NSOs OVER THE
PERIOD



- Existing NSO Funding
- Guaranteed Cash Injection
- Projected Additional Commissions**

* Based on no Legislative Net

** Based on commissions as a result of Entain partnering arrangement and on NSO Agreements extending on current terms



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SAFER GAMBLING UNDERPINS OUR STRATEGY

WE ARE COMMITTED TO IMPROVING SAFER GAMBLING TOOLS AND INTERACTIONS FOR TAB CUSTOMERS

ENTAIN'S COMMITMENT

Gambling should be an enjoyable leisure activity for all wagering customers. We also acknowledge and understand that gambling can cause harm within the community.

We recognise our social responsibility to ensure TAB customers are protected, and to ensure that the business contributes to the better understanding and prevention of gambling harm. Our commitment in this area is to go above and beyond our legal obligations.

As part of that, we of course recognise our obligation to comply with harm minimisation obligations and deliver global industry best practice when it comes to customer safety.

PUNTER ASSIST

Punter Assist is a world leading suite of account management tools developed by Entain in Australia to help customers manage their betting account. It is designed to make “being in control” part of the every-day gambling experience, and is under a program of ongoing review and improvement to ensure it remains effective for customers.

Entain have committed to expand the account management tool options available to TAB customers, to empower customers to understand and manage their gambling activity.

TRAINING

We are updating and improving our staff training in relation to harm minimisation for venues, including mandatory sessions to assist our staff on how to most effectively interact with our customers, identify signs of harm and provide customers with information on how they can seek help.

Venue layout and other processes are also being improved in accordance with the regulations to help identify and prevent gambling harm.

ACTIVE INTERVENTION

The TAB business monitors a range of possible red-flag behaviours within its customer base to identify and interact with customers before harm occurs.

Entain has committed to build on these processes, including through the development and deployment of near real time data and analytics, and automated customer interactions, suitably tailored for New Zealand customers.



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TAB NZ BUDGET

Accounting policies

In preparing its annual consolidated financial statements, TAB NZ has adopted accounting policies in accordance with generally accepted accounting practice in New Zealand, as required under the Racing Industry Act 2020 and the Financial Reporting Act 2013 which comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for Tier 1 for-profit entities.

Please refer to the following slides for further details of the accounting policies.

STATEMENT OF PROFIT AND LOSS

\$000's	FY24B	FY25E	FY26E
Gaming turnover	475,000	475,000	475,000
Net betting revenue	150,369	160,378	165,387
Other revenue	20,619	6,261	30,261
Net gaming revenue	26,911	27,449	27,998
Total revenue	197,898	194,087	223,645
Turnover related expenses	(380)	(389)	(398)
Profit contribution	197,519	193,698	223,247
Comms and technology expenses	(448)	(460)	(470)
Premises and equipment expenses	(5,864)	(6,017)	(6,155)
Staff expenses	(3,149)	(2,193)	(2,244)
Depreciation and amortisation	(1,218)	(1,249)	(1,278)
Other operating expenses	(23,055)	(7,877)	(27,943)
Total operating expenses	(33,735)	(17,796)	(38,090)
Net profit before distributions	163,784	175,902	185,156



ACCOUNTING POLICIES (PAGE 1 OF 2)

Basis of preparation

Reporting entity and statutory base

TAB New Zealand (TAB NZ) is a statutory body established by the Racing Industry Act 2020. The consolidated financial statements are for TAB NZ and its subsidiary the Betting Accounts and Betting Vouchers Trust, (together the Group).

Statement of compliance

TAB NZ is required to comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for Tier 1 for-profit entities, and with International Financial Reporting Standards.

Key accounting policies

Distributions

Distributions are made in accordance with the Racing Industry Act 2020 (for betting net profit) and the Gambling (Class 4 Net Proceeds) Regulations 2004 (for gaming net profit).

Betting net profit distributions are made to the racing industry directly through Racing New Zealand or the racing Codes; Gaming net profit distributions are made to amateur sports organisations and applied to TAB NZ costs to cover specific industry expenditures which are for racing authorised purposes; all distributions from Gaming net profit are approved by TAB NZ's Net Proceeds Committee under a grants policy that ensures that the authorised purpose is consistent with the purpose specified in TAB NZ's Class 4 Gaming licence.

The Gambling (Class 4 Net Proceeds) Regulations 2004 requires Gaming surplus to be distributed for authorised purposes and cannot be retained by the business. Consequently, any undistributed surplus at year end is recorded as a provision in the Statements of Financial Position.

Revenue recognition

TAB NZ's main source of betting revenue is received from Entain New Zealand Limited in accordance with a 50% revenue share model. Until the financial year ending 31 July 2028, a minimum revenue share payment is guaranteed for each financial year (subject to the terms and conditions of the Strategic Partnering Agreement).

Betting revenue is recognised under the Agreement monthly up to the minimum guaranteed level of income. Should the revenue share exceed the minimum guaranteed level of income, additional betting revenue is only recognised when there is certainty that the minimum level has been exceeded. The determination of additional betting income over and above the minimum guaranteed level is only able to be assessed and recognised at the end of the financial year.

In general, revenue is measured at the fair value of the consideration given and is recognised when TAB NZ has satisfied its performance obligation under the contract which entitles it to the consideration from the customer.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank and call deposits with an original maturity of three months or less. They are measured at amortised cost, using the effective interest method.

Other financial assets

Other financial assets comprise trade receivables, terms deposits and funds held in trust; these are initially recognised at their fair value when TAB NZ becomes a party to the contractual provisions of a financial instrument. Initial fair value is considered to be the transaction price of the instrument plus or minus directly attributable transaction costs, except for industry loans. Subsequent to initial measurement, all debt instrument financial assets are measured at amortised cost, using the effective interest method. Financial assets are assessed for impairment and a corresponding impairment loss is reported in profit or loss if the carrying value exceeds their recoverable amount.

Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis so as to allocate the cost of each asset over its expected useful life (reviewed annually) to its estimated residual value. Refer to the last published Annual Report for the estimated useful life of each asset class.



ACCOUNTING POLICIES (PAGE 2 OF 2)

The carrying amounts of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to determine the extent, if any, of the impairment loss recognised in profit or loss.

Intangible assets

Broadcasting licences, software and other intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over the estimated useful lives of the asset and is recognised within 'Depreciation and amortisation' in the profit or loss. The estimated useful life and amortisation method are reviewed annually. Refer to the last published Annual Report for the estimated useful life of each asset class.

The carrying amounts of intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to determine the extent, if any, of the impairment loss recognised in profit or loss.

Financial liabilities

Financial liabilities include borrowings and leases (see below). TAB NZ classifies all of its non-derivative financial liabilities as 'financial liability measured at amortised cost' category. At initial recognition, these are measured at fair value less transaction costs that are directly attributable to the issue of the instrument. Subsequently, these are carried at amortised cost using the effective interest method. Any gains or losses arising on derecognition as well as any interest expense incurred from these financial liabilities are reported in profit or loss (unless capitalised as part of the cost of borrowing to fund a qualifying asset).

Leases

TAB NZ accounts for its lease arrangements in accordance with NZ IFRS 16, Leases which requires the recognition of the right of use assets and lease liability in the statement of financial position at the inception of the lease; a corresponding depreciation of the right of use asset and amortisation of the finance lease liability are made over the term of lease and are recognised in the statement of profit or loss by way of depreciation and interest expense. Low value and short term leases are excluded from these balances and are accounted for as rental expense when incurred.

