



Advisors & Accountants

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Planning Panels Victoria

Amendment C252

Local Gaming Policy

Wyndham City Council

Expert's Report

17 March 2021

Prepared for: Leakes CUT Nominees Pty Ltd

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1. Introduction

- 1.1. I have been engaged by Leakes CUT Nominees Pty Ltd, to provide evidence regarding the viability of new hotel and club ('Greenfield') venues in growth area locations, without gaming machines, in relation to Amendment C252 to the Wyndham Planning Scheme.
- 1.2. I understand that Amendment C252 seeks to include a new gaming policy into the Wyndham Planning Scheme.

2. Non-Gaming Greenfield Scenario Summary

- 2.1. The below contains a contemplation of underlying assumptions for a non-gaming (i.e. food & beverage only, no gaming, no bottleshop) greenfield licensed club premises, along with other broader commentary in this context.
- 2.2. The core underlying capital costs for a greenfield venue (inclusive of land, buildings, fit out and amenities including car parking) is estimated at approximately \$15 million.
- 2.3. A landlord would seek to obtain circa 7% yield on the property, as such approximate rent would be \$1 million per annum.
- 2.4. The venue composition is assumed to consist of:
 - Large scale bistro
 - Café/Lounge area
 - Function room
 - Centralised bar area (to accommodate above departments)
 - Sports Bar/Lounge area
 - Office/Administration & Reception
- 2.5. The standard direct cost assumptions for a venue of this nature (assuming the venue is a club) are as follows:
 - Cost of Goods Sold at 35% of revenues.
 - Direct Labour Costs (including wages, superannuation, payroll tax and WorkCover) at 35% of revenues. Direct Labour Costs consist of those relating specifically to the kitchen and service staff.
 - Overheads (excluding rent) at approximately \$1.5 million per annum comprising of:
 - Accounting, bookkeeping and payroll management
 - Advertising & Promotions

- Cleaning
- Computer, Internet & Telecommunications
- Entertainment
- Insurance
- Management & Administrative Labour (inc. on costs)
- Rates (Council & Water) & Taxes
- Repairs & Maintenance
- Security
- Staff Amenities & Training
- Sundry expenses
- Utilities (Electricity & Gas)
- Waste Disposal

2.6. Based on the above, and allowing for an element of sundry income revenue streams (e.g. cash withdrawal commissions, rebates, TAB commissions), gross revenues would need to be approximately \$8 million per annum (approximately \$155,000 per week) in order to **break even**. This does not allow for any ongoing capital expenditure and/or financing costs.

2.7. Based on my experience, revenues (excluding gaming) at this level (and above) for non-gaming (food & beverage only) venues, are generally only sighted in above average/well performing CBD and inner suburban licensed hotel premises (excluding any bottleshop revenues) or above average/well performing CBD and inner suburban restaurants. For outer suburban licensed premises, in our experience these revenues (excluding gaming & bottleshop) are only seen in licensed hotel gaming premises and in this context only very rarely.

3. Greenfield Gaming Scenario Summary

3.1. In the case of a greenfield gaming club, with characteristics similar to what has been proposed for Club Tarneit, based on my experience, reasonable expectations for revenues (excluding gaming) would be approximately \$5 million per annum.

3.2. If one was to adopt the assumptions as outlined in Section 2 of this report, revenues at these levels would generate a net loss on operations (excluding gaming) of approximately \$1 million per annum.

3.3. If however, one was to assume that the relevant greenfield gaming club was approved for and operated gaming machines, the venue would most likely generate a net profit on operations. In this context, the approximate net profit margin on gaming operations for a club is generally between 35% and 40%. As such, based on empirical evidence of greenfield operations, in particular clubs, there would be more than sufficient gaming revenue generated in order to ensure a net profit on operations would be generated on a consolidated basis (i.e. the gaming revenue generated, and the net profit thereon, would ensure that the loss from non-gaming operations would be absorbed).

4. Gaming & Hospitality Industry Observations

4.1. Since June 2010, the below greenfield venues have commenced operations (noting only one of those listed is a club, being Club Officer, and this particular club owns its own premises, as such does not incur a rental expense to a third party landlord):

- West Waters Hotel (2011FY)
- Highlands Hotel (2013FY)
- Hotel 520 on Sayers (2013FY)
- Sanctuary Lakes Hotel (2013FY)
- The Phoenix Hotel (2013FY)
- Bridge Inn Hotel (2014FY)
- Club Officer (2016FY)

I note that all of the above venues operate gaming machines.

4.2. To illustrate the problematic and ostensibly unviable nature of establishing a large scale, greenfield hospitality operation without gaming machines, I have identified suburbs in which there has been significant population growth over recent years where there is presently no established hospitality venue with a general hotel or full club liquor licence, and which have a material population base (i.e. in excess of 5,000 residents):

- Brookfield
- Clyde North
- Clyde
- Cranbourne East
- Doreen
- Fraser Rise
- Manor Lakes
- Truganina
- Williams Landing
- Wyndham Vale

5. Conclusion

- 5.1. Based on my experience, and with reference to the assumptions contained within this document, the operation of a greenfield club venue (which is of a significant scale) without gaming machines would not be viable. As such, for parties who are seeking to undertake developments of this nature which have material construction and development costs, and consequently material rent commitments, the expectation would generally be that gaming machines are contemplated as being operated as part of the underlying business of the completed venue.

6. Qualifications & Expertise

- 6.1. ShineWing Australia is part of the ShineWing network that has offices in more than 57 locations across 14 countries. ShineWing Australia is also a member of Praxity International, a global alliance of independent accountancy, tax and business consulting firms that have a presence in over 100 countries.
- 6.2. ShineWing Australia has extensive experience in the gaming industry. Aside from being retained as accountants and advisors to a number of private gaming and hospitality participants over the years, ShineWing Australia was the lead audit & tax advisor for the Tattersall's group up until the time of its listing on the ASX, whilst still acting as lead advisor on the listing process.
- 6.3. More recently, ShineWing Australia has consulted to in excess of 100 Clubs and Hotels in respect to their gaming operations. Services included:
 - Financial Modelling and Discounted Cash Flow Analysis;
 - Competitive Analysis of LGAs and competing venues state-wide incorporating Net Machine Revenue appraisal and comparison;
 - Gaming Auction and Gaming Entitlement allocation consultation & bidding Strategies;
 - Due Diligence & Feasibility analysis on current & prospective sites; and
 - Assistance with finance proposals.
- 6.4. ShineWing Australia was appointed as lead gaming consultant to the AFL and Tabcorp in addition to its individual client appointments throughout the timeframe leading up to the 2010 Gaming Auction.
- 6.5. Over the past eleven years, ShineWing Australia have been appointed as advisors and expert witness for the Moe Racing Club (regarding Bairnsdale Sporting and Convention Centre), Royal Hotel (Benalla), Hogan's Hotel, Cobram Hotel, Craigieburn Sporting Club, Bridge Inn Hotel, Bendigo Stadium, Hoppers Crossing Club, Terminus Hotel, Tower Hotel, Sandown Greyhounds Entertainment, Baxter Tavern Hotel Motel, Rubicon Hotel, Malvernvale Hotel, Kilmore Racing Club, Swan Hill Club, Box Hill RSL, Mornington on Tanti Hotel, Dromana Hotel, Wantirna Club, Yarraville Club, Sporting Legends Club, Sale & District Greyhound Racing Club, Club

Ringwood, Club Kilsyth, Valley Inn Hotel, Myrtleford Savoy Sporting Club, Warragul Country Club, Commercial Hotel, Bentleigh Club, the Meeting Place, Highlands Hotel, Portarlington Golf Club, Pakenham Racing Club (regarding Club Officer), Werribee Football Club (regarding The Tigers Clubhouse and Club Tarneit), Lynbrook Hotel, Leopold Sportsman's Club, Ballarat Golf Club and the Waurin Ponds Hotel in relation to their applications for additional gaming machines at their respective venues and incorporated attendance at the VCGLR/VCAT hearing as an expert witness for all venues, where applicable.

- 6.6. I, Timothy James Stillwell, of Level 10 530 Collins Street, Melbourne in the State of Victoria, have had 24 years' experience in the accounting industry, 21 of which have been at ShineWing Australia. My experience encompasses accounting and taxation advisory across a broad cross section of industries inclusive of gaming & hospitality. I am the lead partner of ShineWing Australia Hospitality & Gaming which has recently focused significantly on the services and clients referred to above. I have developed an intricate knowledge of not only gaming industry participation and performance but also the regulatory requirements which face incumbent and greenfield operators.
- 6.7. I am also a director of On Tap Hospitality, a designated service offering to pubs and clubs which provides sophisticated financial and management reporting to stakeholders, day to day accounting and bookkeeping, payroll, supplier payments and reconciliations, along with systems and controls improvement and compliance with statutory obligations.

7. Independence

- 7.1. We have established policies and procedures designed to ensure my independence, including policies on holding financial interests in the company and other related parties, business relationships, employment relationships, and the provision of non-audit services in accordance with professional statement APES 110 "Code of Ethics for Professional Accountants".
- 7.2. The remuneration for this report is not based on a success or contingency fee, or on a basis that is related to the outcome of the matter.

8. Declaration

- 8.1. I have made all the inquiries that I believe are desirable and appropriate and no matters of significance which I regard as relevant have to my knowledge been withheld from the Panel.



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