

**Supplementary  
Submission  
No 1e**

## **INQUIRY INTO GREYHOUND RACING IN NSW**

**Organisation:** Greyhound Action Group NSW Inc

**Date received:** 14/01/2014

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**Supplementary Submission – Action Group.**

**27 November 2013**

## Supplementary Information - NCA – The Gardens Project Funding & Trading

Year	Value	Transaction	NCA Balance sheet		Industry
			Capital	Bank debt	
Pre Sep Y2003	\$ 3,200,000	Funds spent on purchase of land + club & preliminary works. Development fund \$1.5M <sup>7</sup>	\$564,209	\$5,599,556	\$1,500,000 loan
Y03-Y06	\$4,463,765	Remainder of project cost			CBA Loan guarantees
As at 30/6/06	Balance sheet cost value \$7,663,765	<b>At completion of construction</b>	\$564,209	\$5,599,556	\$1,500,000 + Loan G's
2008	Bank bill reduction. Raised through directors loans \$350,000 & cash reserves and 'other loans' Y2007 \$420,000			(\$940,000)	-
2009-10	Bank bills reduced – <u>fully</u> funded by the industry development loans and GBOTA payment of \$1.8M for metropolitan race dates			(\$3,149,556)	\$750,000 loan + \$599,021 loan + \$1,800,000 GBOTA
2011	Bank bills reduced – <u>fully</u> funded by the industry loan			(\$750,000)	\$750,000 loan
2012	GRNSW acquires 70% ownership in exchange for \$1.2M cash & debt forgiveness \$2.1M			(\$760,000)	\$1,200,093 sale
				NIL	\$6,599,114

The earnings history of NCA extracted from NCA Annual Reports:-

Year	Operating Result	EBITDA
2005	(\$178,944)	(\$29,022)
2006	(\$27,098)	\$357,040
2007	(\$478,156)	(\$72,446)
2008	(\$302,788)	\$529,396
2009	Unknown	Unknown
2010	(\$707,579)	(\$134,803)
2011	(\$616,186)	(\$153,822)
2012	(\$136,443)	\$179,930

<sup>7</sup> GRNSW letter to GRICG dated 5 July 2010 calculated by deducting the \$4.5M estimated shortfall (p1) from the then estimated project cost of \$7.35M (also p1)

## Key Point summary :-

1. The project cost approximately \$7.7M, to be funded by NCA, through existing capital, and the drawdown of a bank loan, which was to be serviced from future cash flows. Due diligence was conducted upon the business model by professional accounting firms. The project was chosen over other alternatives with industry support to be limited.
2. In the first year of its scheduled debt reduction program, it failed to generate repayment from operating cash flows but relied on other sources. This was followed by three separate industry loan /funds injections in years 2009-2010, a further payment in year 2011 before sale of 70% of the facility to GRNSW in Year 2012. Effectively the full bank loan intended to be serviced by the business was effectively eventually full paid by the industry. Counting them up, there are what appears to be six (6) 'rescue' packages. Each time funds were injected, a further injection became necessary until finally it failed. Yet as a participant, there was a total lack of accountability on NCA management (until its death knell) nor GRNSW for the continued failings.
3. Industry executive time has been tied up in The Gardens process. The Executive has promised the industry a consultative process for an updated strategic plan, but this has been delayed, with The Gardens issue publicly stated as being the cause of the delay
4. The payment of \$1.8M by GBOTA in the Y2009 period was a questionable transaction. GBOTA effectively paid for the exclusive metropolitan races dates. GRNSW could have simply chosen to reward those dates to GBOTA if NCA was no longer viable. .
5. Over time, the club poker machine licenses were sold and club closed. Again little communication with the industry, not good enough; this revenue was part of the original model/ due diligence, to generate repayment of the bank loans. As a result, the industry repaid the bank loans instead of NCA, for a track that was to a large part not wanted by the bulk of the industry over other alternatives.
6. The payment by GRNSW of \$1.2M in cash and forgiveness of industry loans of \$2.1M in exchange for 70% ownership of the complex effectively provided industry funds to retire bank loans of \$760,000, but also, at the same period, directors unsecured loans of \$507,978 were repaid. The directors loans which had been paid a high rate of interest where no interest was paid on industry funds<sup>8</sup>. That is, GRNSW effectively paid industry funds to an entity that was soon to be defunct, and allowed those funds to extinguish unsecured loans. The asset sits on GRNSW's books at 70% ownership at \$1,050,000.
7. In April 2013, Deloitte were appointed by GRNSW to operate the NCA affairs and determine future viability. Finally NCA were deregistered. The cost of Deloitte has not been made transparent nor has the report been made available to participants.

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<sup>8</sup> NCA Annual Report Y2012

8. A misappropriation by a NCA senior employee staff occurred over the years 2011-12 totaling \$180,000. The misappropriation occurred in the accounts of its industry newspaper publication. That operation lost \$179,903 in Y2011 and break even in Y2012. It is difficult to comprehend how such a sizeable (relative to its finances) misappropriation could have gone undetected for so long not only at NCA but by GRNSW, given GRNSW's supervisory role and that industry funds were being poured into this operation. In our view, the industry feels it has received little transparency nor accountability. The NCA refused to terminate the employment of the employee despite industry condemnation. GRNSW noted its dissatisfaction on the matter but allowed the club to maintain his employment, despite integrity being at the forefront of the sports codes of conduct etc.
  
9. Over time, we believe the following tracks were effectively swallowed up for this venue, :- Wyong (Aug-05), Singleton (2006), Cessnock and group races were moved to The Gardens. There was no consultation/agreements with participants on any of these decisions. In particular for Wyong, the then CEO (now a GRNSW board member) issued a letter saying the closure followed widespread consultation; this was not the case, and there has been no avenue for participants to redress this.

**Other Matters:-**

In the context of our outline during the hearing of the Intercode negotiation process, please find attached:-

1. Document showing prior revenue arrangements set at 15% of growth
2. GRNSW Annual report extract 1997 showing impasse over Inter Code negotiations as well as other information
3. Minister approval of Trade Practices exemptions to a hierarchy of documents including Intercode
4. Document showing 1998 board that signed the Intercode was newly appointed government board
5. Intercode Growth Provision Clause