



RACING
QUEENSLAND



RACING QUEENSLAND LIMITED

ANNUAL REPORT

2011

Chairman's Report	2
CEO's Report	4
Financial Statements	14
Director's Report	14
Declaration of Independence	16
Statement of Comprehensive Income	17
Statement of Financial Position	18
Statement of Changes in Equity	19
Statement of Cash Flows	20
Notes to and Forming Part of the Financial Statements	21

CONTENTS

CHAIRMAN'S REPORT



BOB BENTLEY

The 2010/11 financial year was a landmark one in Queensland's racing history, seeing the industry embark on a new era with thoroughbred, harness and greyhound racing coming together under one administration.

I am pleased to report that under this new streamlined operational model, a great deal of progress has been achieved in making the combined three code racing industry more efficient and profitable. As you will see in this report, combined expenses are down significantly at a time where revenues are under increasing pressure with wagering margins declining.

As a result of this new focus on all three codes of racing and for the benefit of all participants, Racing Queensland Limited (RQL) developed an industry infrastructure plan (Plan), which was announced in December 2010. This Plan delivers the single biggest capital injection ever into the Queensland racing industry with a view to using existing industry venues more strategically, creating new multi-use facilities and modernising racing operations in a blueprint for the revitalisation of all three codes of racing.

Unfortunately, much self-interest has derailed an incredibly significant turning point for racing in Queensland. Despite this, and as a further confirmation that our Plan was right to take us forward into the future, I announced on July 20, 2011, that the Bligh Government had agreed to bring forward funding for various infrastructure projects across Queensland. This announcement will see \$110 million being made available to fund infrastructure upgrades at Queensland race clubs, particularly in regional and country areas. This figure comprises \$20 million, on top of the original \$80 million, in redirected wagering tax, as well as a provision of \$10 million in compensation for the loss of greyhounds at Parklands. Needless to say this funding is incredibly welcomed.

The allocation of prizemoney is as contentious now as ever and RQL recognises the need to lift particularly thoroughbred midweek and provincial prizemoney. However, substantial increases are not affordable at the level of current revenue receipts and the board of RQL maintains its position that prizemoney should be funded through recurring revenue streams

to ensure its regularity and sustainability. The amalgamation of the three codes has allowed more flexibility in the allocation of prizemoney and the tailoring of breeding incentive schemes, which RQL is constantly reviewing and enhancing.

In November 2010, Queensland's greyhound industry received a massive financial boost after the board of RQL decided to inject a further \$1.5 million into the sport, which recognised its contribution to the Product and Program Agreement revenue. In June 2011, a totally revised prizemoney strategy for harness racing was unveiled, as was a new greyhound and harness breeding incentive scheme in the Racing Queensland Investment Scheme (RQIS). Finally, a review of the thoroughbred's QTIS was initiated from discussions with the Queensland Racehorse Owners' Association, with proposed changes to benefit both owners and breeders from August 1, 2012.

Harness racing continues to be challenging in the face of dwindling market share, and tired and rundown facilities. However, RQL is committed to a prosperous harness racing industry and is looking at new initiatives to stimulate participation and wagering, but key to its revival must be a revitalisation of harness racing facilities, which the Plan will deliver.

As a result of the pressure on wagering revenue and the trend towards lower margin fixed odds wagering and the rise and rise of the corporate bookmakers, RQL has had to fight hard to secure the State's revenue streams and in November 2010 we welcomed a Federal Court decision that secured a fair fee for the use of its information by wagering operators. Under this amended approach, an across the board fee of 10 per cent of gross profit for wagering operators using Queensland product is payable with a premium of 15 per cent payable during the months of May and June. This brings further clarity to an ongoing issue where some wagering operators were not paying for product, which was significantly impacting cash flows. The benefit of race information fees is partly offset by the costs incurred for the use of interstate racing information by TattsBet.

With the merging of the three codes of racing, we have also placed a renewed focus on integrity and drug testing, which was badly

needed in some of the racing codes.

This is a critical area which underpins our activities and revenues and must continue to be front and centre in our racing operations, and will serve to make our racing product strong and robust now and in the future.

In January this year, we saw our great state devastated by floods which heavily impacted racing operations and participants throughout Queensland. Very sadly RQL lost one of its own in Toowoomba; father, husband and senior steward, James Perry.

It came as no surprise to me to see Queenslanders banding together to help each other in the spirit that we as a state are famous for. RQL's staff worked tirelessly during this crisis to assist participants with emergency assistance, supply of feed and dog food, and temporary stabling and kennelling, while the board approved a \$1.55 million relief package.

But perhaps the most telling example of this great spirit saw RQL and club staff and many volunteers completely rebuild the greyhound track at Albion Park and restore all racing infrastructure there to full functionality over the space of a single weekend. That effort was truly inspiring and a tribute to all involved.

With all these achievements firmly in mind, I am pleased to present the RQL annual report for 2011.

On behalf of the board I extend my thanks to the CEO, Malcolm Tuttle, and his executive team, and all our hardworking staff at RQL for a much appreciated and highly valued effort in a challenging year. Thanks also to my fellow directors for their ever professional stewardship of the industry and their hardworking dedication.

Together we are well placed to tackle the challenges ahead.

R. G. BENTLEY
CHAIRMAN



In November 2010, Queensland's greyhound industry received a massive financial boost after the board of RQL decided to inject a further \$1.5 million into the sport, which recognised its contribution to the Product and Program Agreement revenue.



MALCOLM TUTTLE

RACING QUEENSLAND LIMITED (RQL) YEAR ONE EFFICIENCIES

The start of the 2010/11 financial year saw the beginning of RQL, the single control body responsible for the three codes of racing.

The amalgamation of the three codes has provided an opportunity for both the harness and greyhound codes of racing to leverage the substantive nature of the thoroughbred racing industry and in time to come this will stand all three codes of racing in good stead.

In terms of its first year of operation, RQL has delivered savings of \$1.38 million compared to the operational costs incurred by each of the three codes in the 2009/10 financial

year. Figure 1 highlights the key areas in which savings were delivered. The first year of operation has set the framework for further operational savings in the years to come.

WAGERING

Throughout the financial year much has been reported in relation to the wagering environment in Australia. Discussion on wagering is logical given that the revenue that flows as a result of wagering on racing events forms the lifeblood of the racing industry right throughout Australia.

As the wagering market becomes increasingly competitive and boundaries are broken down through the use of technology, revenues that

flow through to the Queensland racing industry, as a result of wagering with TattsBet, are under extreme pressure at a level that has never been experienced previously.

Figure 2 highlights the amount of wagering on Queensland races through TattsBet. It is noteworthy that a number of scheduled races were lost due to severe weather incidents experienced during the 2010/11 financial year.

Figure 3 highlights the total amount of wagering that occurred with TattsBet. Slight growth overall was experienced to \$2.23 billion during the 2010/11 financial year, which means that imported content from other states delivered the growth on the back of a decline on Queensland race meetings, bearing in mind fewer races were run.

PRODUCT FEES

Product Fees from TattsBet remain our primary source of income for the racing industry and are derived from overall wagering through TattsBet. In Figure 4, it can be observed that whilst overall wagering increased to \$2.23 billion during the 2010/11 financial year, Product Fees to the racing industry declined to \$128.42 million from \$129.75 million the previous year.

RACE INFORMATION FEES

From January 1, 2011, RQL changed its formula for charging for the use of Queensland race information for the purpose of race

FIGURE 4.

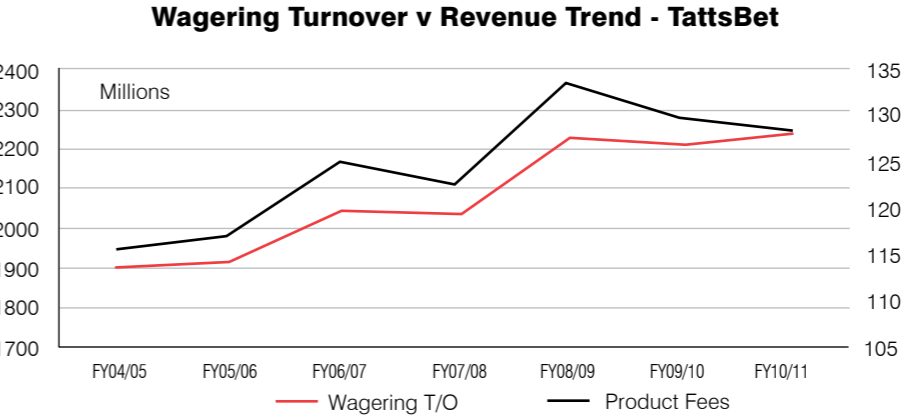
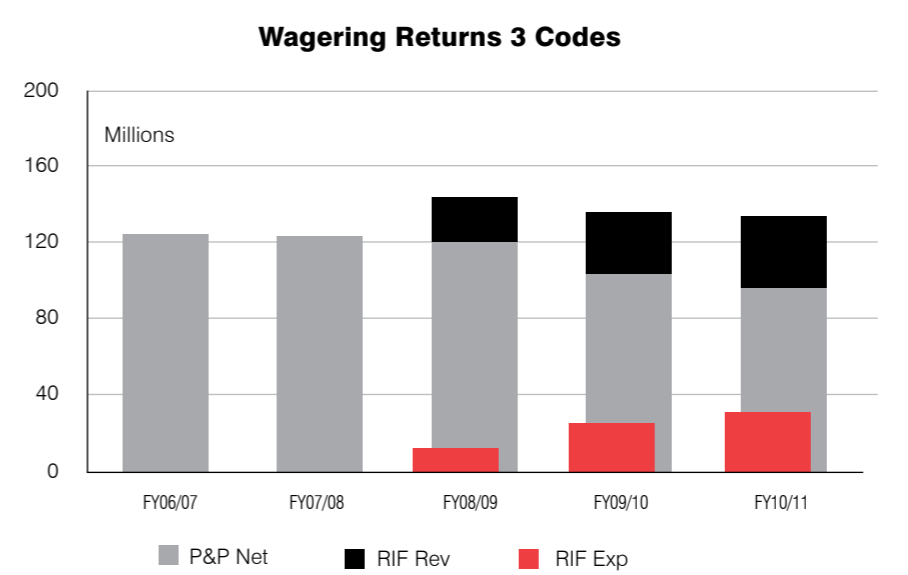


FIGURE 5.



wagering from a turnover based model to a gross revenue based model. Prior to January 1, wagering operators were charged 1.5 per cent of their turnover in excess of a \$5 million threshold. Since January 1, authorised wagering operators have been charged 10 per cent of their gross revenue, with a 15 per cent premium charge to apply to the use of Queensland race information in the months of May and June each year.

Increasingly, all wagering operators will be required to pay their fair share for the use of Queensland race information for the purpose of race wagering. Figure 5 highlights the increasing importance of race information revenue. In 2010/11, net race information income increased to \$4.91 million, while the traditional Product Fee from TattsBet decreased. Of the increase to \$4.91 million, \$1.6 million accounted for retrospective fees collected during the year. The red bars in Figure 5 for 2008/09, 2009/10 and 2010/11 highlight the race information expense incurred by RQL for the costs associated with TattsBet's

use of interstate racing information.

INDUSTRY INFRASTRUCTURE PLAN

During the financial year, RQL continued to develop an industry infrastructure plan (Plan) for the consideration of the Queensland Government. The Plan was widely advertised during the latter part of 2010 with feedback on the Plan collated by RQL.

RQL continued to work with the Queensland Government in relation to the Plan and associated funding. Whilst the Queensland Government's announcement of \$110 million for the funding of the revised Plan was made during July 2011, the overview below has been included in this year's annual report as much of the work was undertaken during the 2010/11 financial year.

REVISED PLAN

DEAGON \$39.9 MILLION

Deagon will be converted to a modern dual purpose facility for greyhound and harness

racing. This is a major project for the ongoing development of both codes. There will be the provision of a 1400 metre harness track, and a one and two turn greyhound tracks. The provision of these tracks will be crucial to the survival of both codes and will also provide the greyhound code with a stand-alone on-track venue.

The greyhound and harness public amenity would consist of a back-to-back structure so that the greyhound racing tracks are not located inside of the harness racing track, as is the case at Albion Park. While the public facilities for greyhound and harness racing would be a back-to-back facility and co-located, the tracks would retain their own identity with first-class viewing of the racing available for both codes.

RQL will continue work with the thoroughbred trainers currently using Deagon to find a suitable alternative and has included a track for slow work in its planning application.

Plans to extend RQL headquarters and develop a new science centre are suspended until such times as the Albion Park court case is finalised.

GOLD COAST \$35.4 MILLION

The Plan provides for a complete revamp of the course proper, flood mitigation and the installation of a synthetic training and racing track with tunnel access to the inside of the tracks.

This major upgrade to the Gold Coast facility will deal with major occupational health and safety concerns, significantly improving rider and horse safety.

BEAUDESERT \$7.27 MILLION

The Beaudesert facility will receive a new jockey and officials area, the existing drainage of the racetrack will be substantially improved and new fencing erected around the track. The tie-up area will receive a basic upgrade and there will be new public facilities. A new sand track will be provided.

CAIRNS \$1.96 MILLION

The amounts allocated will be directed towards the upgrade of the track, the existing drainage system will be repaired and the current stables are to be renovated to an acceptable standard.

TOWNSVILLE \$6.34 MILLION

RQL will consult with the Townsville Turf Club and Townsville Greyhounds on the priorities to be funded first.

MACKAY \$7.44 MILLION

Allowance has been made for the upgrade and realignment of the racing and training tracks. Additional allowance has been made to repair the roads and car parks. The onsite

FIGURE 2. TATTSBET WAGERING ON QUEENSLAND RACE MEETINGS

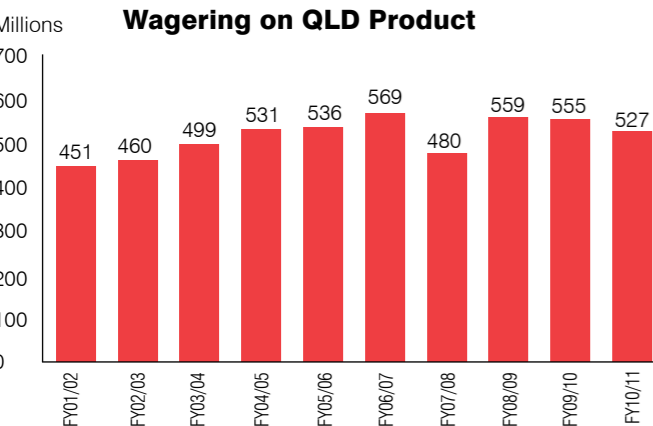
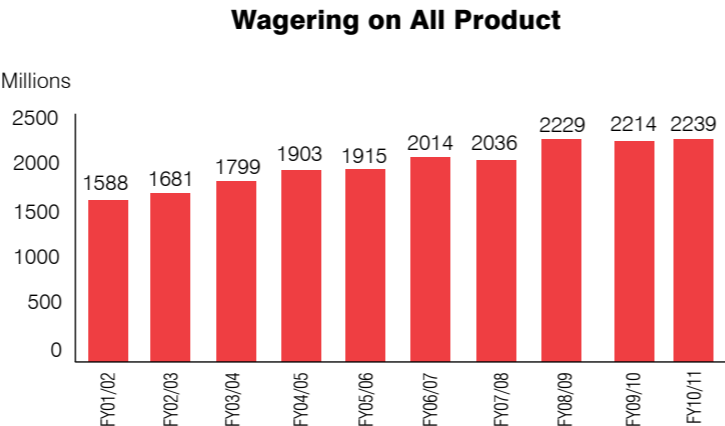


FIGURE 3. TATTSBET TOTAL WAGERING ON ALL MEETINGS



infrastructure that is not workplace health and safety compliant will be demolished and onsite asbestos will be safely removed from the site.

Public facilities and members areas will be upgraded to allow for the continuation of the facility as a TAB venue.

ROCKHAMPTON \$1.6 MILLION

New kennels and track infrastructure has been allowed for to enable the Rockhampton Greyhounds to be a TAB venue.

COUNTRY RACING \$2.35 MILLION

A large amount of this funding has already been spent to make urgent repairs resulting from the recent floods and to help country clubs with workplace health and safety issues.

IPSWICH

The \$30 million redevelopment of Ipswich is on hold pending the outcome of the Albion Park case.

PARTNERSHIPS WITH CLUBS

Following a members vote in favour of the Rockhampton Jockey Club (RJC) forming a partnership with RQL in relation to the future administration of Callaghan Park in Rockhampton, RQL and the RJC commenced a new arrangement during the financial year. The partnership has enabled RQL to focus on the key racing facilities, while the club has been able to continue with the business of a race club, with a keen financial focus. The RJC continues to focus on hospitality events such as weddings, birthday celebrations and corporate functions to increase revenue to the club outside of racing. The strength of the relationship was showcased through the hard work of both entities to get racing back up and running as soon as possible following the floods at Callaghan Park during early 2011. RQL also committed to funding assistance to licensees in the Rockhampton district during this period.

BROADCAST NEGOTIATIONS

During the year, all thoroughbred TAB race clubs in Queensland signed a new broadcast agreement. RQL facilitated a project that enabled the broadcast to be bundled and offered as a package to interested broadcasters. Following a tender process, it was agreed by the race clubs involved to enter into a long-term broadcast agreement with Sky Racing. The new broadcast agreement on both domestic and international rights provides significant increased revenue for race clubs and a greater level of consistency in relation to the coverage of Queensland thoroughbred race meetings. This increased revenue, which included an upfront fee, should be reflected in improved financial outcomes for race clubs.



GOVERNMENT SUPPORT

PLAN FUNDING

The Queensland Government confirmed funding of \$80 million that had been promised as part of the Plan, and as part of the racing industry capital development scheme. Subsequently the Queensland Government committed to a further \$20 million for the racing industry and approved access to the \$10 million previously committed as compensation for the loss of Parklands as a greyhound racing complex. The total of \$110 million has enabled delivery of the plan to commence during the 2011/12 financial year.

FLOOD AND CYCLONE FUNDING

During March 2011, the Queensland Government announced funding of \$2.35 million to repair flood and cyclone damaged racecourses and to assist country race clubs undertake work to meet minimum venue and equipment standards. This announcement followed devastating weather events that wreaked havoc at a number of racecourses throughout Queensland. An amount of \$1.45 million was allocated to undertake flood and cyclone remediation work at TAB and strategic non-TAB venues, such as Rockhampton, Emerald, Warwick, Townsville and Ipswich. An amount of \$900,000 was specifically allocated to assist country thoroughbred race clubs with \$200,000 of this amount earmarked to address workplace, health and safety related damage at non-strategic non-TAB venues. Another \$700,000 was allocated to assist non-TAB clubs in meeting minimum venue and equipment standards to ensure the safety of

racing animals and participants.

COUNTRY RACING CONTRIBUTION

Section 68M of the *Racing Act 2002* requires RQL to pay 5.32 per cent of its net TattsBet Product and Program Fee for a year as prizemoney for non-TAB races conducted by non-TAB clubs in the year. For the 2010/11 year this amounted to \$5.19 million of net TattsBet Product and Program Fees after race information charges from principal racing authorities to TattsBet had been taken into account. RQL, in the 2010/11 year, paid prizemoney of \$8.03 million, which included QTIS payments. This figure excludes additional prizemoney added by clubs. RQL therefore, paid \$2.84 million more than its 5.32 per cent net TattsBet Product and Program Fee obligation.

In addition, funding of \$3.54 million was provided by RQL for the purpose of supporting non-TAB racing in accordance with the Racing Act 2002. RQL continued its tradition of supporting country racing through the following funding streams.

COMMUNITY RACING SCHEME

As a result of a Queensland Government initiative, RQL funded six race meetings conducted under the Queensland Community Racing Scheme, during the 2010/11 season. The scheme allows race clubs to access up to \$5000 per raceday for the conduct of race meetings and provides that up to \$2000 per race be distributed as prizemoney.

Two-day race meetings were conducted by three clubs; Oakley Amateur Picnic Race Club, Tower Hill Picnic Race Club and Western

Product and Program fee	\$128,425,328
Race Information fee deducted by TattsBet excluding accruals	-\$30,784,982
Net Product & Program fee paid to RQL for FY1011	\$97,640,346
5.32% of Net UNiTAB Product Fee as Prizemoney Obligation under the Act	\$5,194,466
Prizemoney paid excluding value add prizemoney by the clubs	\$7,404,400
QTIS Paid	\$497,200
QTIS 600 Paid	\$131,400
Total Prizemoney paid Incl QTIS & Excluding Value Add prizemoney	\$8,033,000
Additional prizemoney paid by RQL over and above the 5.32% under the Act	\$2,838,534

RQL continued its tradition of supporting country racing through the following unrecognised funding streams.

TAB prizemoney at Non-TAB clubs	\$250,000
Club Administration Payments	\$594,000
Jockeys Riding Fees	\$1,829,430
Jockey 1% prizemoney - Australian Jockey Association	\$80,330
Subsidisation of Insurance	\$200,000
Sky Channel Costs	\$80,000
Wages	\$323,375
QCRC	\$16,000
Travel and Communications	\$100,000
RISA Service Centre Costs	\$70,000
Total RQL paid out in unrecognised funding streams	\$3,543,135
Prizemoney paid Including QTIS & excluding value add prizemoney by the clubs	\$8,033,000
Total contribution to country racing	\$11,576,135
Less 5.32% of net TattsBet product fee as prizemoney obligation under the Act	\$5,194,466
RQL paid out in excess of obligation	\$6,381,669

Combination of TAB and Non TAB prizemoney paid for country racing	\$8,283,000
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Picnic Race Club. All six race meetings were conducted for trophy only prizes, with 191 starters contesting 40 races.

TRAINING TRACK SUBSIDY SCHEME

In 2010/11, the Queensland Government provided funding of \$2 million under the Thoroughbred Code Training Track Subsidy Scheme, which is distributed to race clubs that provide much needed training facilities for the racing industry. The funding is separated into two components.

The first component, of \$1.2 million, is paid directly by the Queensland Government to race clubs in accordance with the quality and extent of the training facilities provided by

the individual club. The second component, consisting of \$800,000, is distributed by RQL to race clubs in accordance with a formula that recognises the number of starters produced annually from the race club for the Queensland industry.

INDUSTRY AWARDS

The racing industry awards presented during the 2010/11 financial year related to performances during the previous year. Some of the key awards that were presented are highlighted below.

The 2009/10 thoroughbred racing season was capped off with the announcement of Shoot Out as the Queensland Horse of the Year.

Other key award recipients were:

- Jim Atkins Trainer of the Year – John Wallace
- George Moore Jockey of the Year – Stathi Katsidis

For the 2009/10 harness racing season, Blacks A Fake was named as the Queensland Horse of the Year and the Australian Horse of the Year. Other key award recipients were:

- Australian and Queensland Trainer of the Year – Bill Dixon
- Queensland Driver of the Year – Grant Dixon

One of the key awards in the greyhound industry is that of Greyhound of the Year. The

2010 Greyhound of the Year award went to Dashing Corsair.

RACING

Racing in Queensland during the financial year was punctuated by the appearance and performance of some outstanding animals. From a thoroughbred point of view, Black Caviar captivated Brisbane racegoers with her scintillating Group 1 BTC Cup win taking her unbeaten run to 13 wins, with her past six at Group 1 level.

Of the standardbreds, Mr Feelgood's performance in taking out the Group 1 Queensland Pacing Championship from Washakie was an outstanding performance, with the Queensland legend Black's A Fake taking a courageous fourth in that event. There is little doubt that both Black Caviar and Black's A Fake will be long held as superstars of Australian racing.

In terms of greyhound racing, the performances of Dashing Corsair in the Group 3 Superstayers and He Knows Uno in the Group 1 Brisbane Cup were remarkable. Another top performance was Iso Octane taking out the Group 1 Winter Cup and Late Show Lee the Group 3 Gold Coast Cup.

Queensland continues to conduct a substantial number of race meetings throughout the year, as highlighted in Figures 6 and 7 to the right. It is easily discerned that in total across the three codes at both a TAB and a non-TAB level, 1497 race meetings delivered 11,450 races.

Of the 255 thoroughbred non-TAB meetings, 250 were conducted at non-TAB venues. This equated to 1284 races run at non-TAB venues. The balance was held at TAB venues.

INTEGRITY

GENERAL

- A major role of RQL this year has been the harmonisation of standards in integrity amongst the three codes. In particular, the approach of stewards amongst the three codes needed to be made consistent.
- The number of appeals to QCAT has significantly increased and the work involved in preparing for matters and presenting case in respect of each matter has increased. Integrity is devoting more resources to this area than it has previously to address the increase in workload.
- The role of RQL veterinary surgeons has expanded during the year to move beyond raceday duties and those veterinaries have spent significant time in developing and implementing biosecurity arrangements and attending to the welfare of racing animals in the industry.
- A significant review of bookmakers'

FIGURE 6. QUEENSLAND RACE MEETINGS IN 2010/11

Code	TAB Meetings	Non-TAB Meetings	Total Meetings
Greyhound	350	139	489
Harness	306	18	324
Thoroughbred	429	255	684
	1,085	412	1,497

FIGURE 7. QUEENSLAND RACES IN 2010/11

Code	TAB Races	Non-TAB Races	Total Races
Greyhound	3,499	1,041	4,540
Harness	2,432	91	2,523
Thoroughbred	3,078	1,309	4,387
	9,009	2,441	11,450

operations was undertaken during the year to determine the level of compliance by bookmakers with the bookmaking rules.

- The integrity department has continued its human drug testing program with a view to testing all riders and drivers during the course of the year.

THOROUGHBREDS

- The integrity department was successful in a number of very important cases at QCAT during the year which better identified the jurisdiction of stewards and showed the application of rules in certain cases. Those cases included:
 - Cyril Vains – clarified the application of rules to race club officials;
 - Andrew Eggleston – also clarified the application of rules to race club officials;
 - Neville Clement – clarified the application of the rules to punters; and
 - Bobby El-Issa – the standard of proof required in a merits matter was clarified and the Tribunal confirmed the stewards finding of guilt (but varied the penalty). A subsequent appeal to the QCATA was dismissed.

HARNESS

- The integrity department implemented new security arrangements so as to ensure that

only appropriately licensed or authorised persons had access to tie-up stalls. This not only improved security, but also addressed a significant occupational health and safety risk.

- A team driving review was undertaken to address allegations that there was significant team driving going on within the industry which was adversely affecting racing. A number of outcomes from that review including a requirement for trainers with multiple runners to now disclose tactics prior to the race and the greater reliance on form analyst by stewards have now been implemented and are working effectively.
 - To improve the standard of medical care for drivers on raceday, two fulltime ambulance officers were appointed and the qualifications of all ambulance staff were upgraded. A new ambulance was obtained and fitted out, and further training was provided to all stewards.
- GREYHOUNDS**
- Early in the year a very significant review of the operation of the finish on lure was undertaken and this resulted in the return to racing of catching in the pen. This change was welcomed by the industry.
 - There was a significant increase in the amount of swabs taken in the greyhound industry in an attempt to address the higher rate of positives in that industry compared

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CEO'S **REPORT**

- to the equine codes.
- New trialling rules were introduced requiring returning greyhounds to trial against a field of at least four greyhounds and this has proved quite successful.
 - An accreditation program was implemented in the greyhound industry to ensure that those fulfilling key official roles (judge, starter and lure driver) are now properly accredited and therefore there is a consistency of standard across greyhound racing in Queensland.
 - The number of kennel inspections has been increased with a view to safeguarding the welfare of greyhounds and ensuring compliance by trainers with requirements under the rules.

HENDRA VIRUS

During the year, there were nine outbreaks of Hendra Virus in Queensland leading to the death of 11 horses. While Biosecurity Queensland took primary responsibility for the management of the outbreaks (and did so very effectively), RQL played an important role in liaising with that agency and ensuring that the racing industry was kept fully informed of the latest outbreaks, the risks associated with the virus and steps that could be taken to reduce the possibility of further outbreaks. In this respect, RQL:

- published on its website updates of current cases;
- published advice to industry participants as to how to address the risks. Such advice has been published on the RQL website with text messages to trainers in the harness, thoroughbred and greyhound codes;
- provided a risk assessment tool to all the clubs to enable those clubs to determine their risk of exposure to the virus;
- developed and published a RQL biosecurity contingency plan to operate in the event of an outbreak of Hendra Virus in the racing industry;
- obtained the Queensland Government Biosecurity Plan template for horse events for distribution to all clubs;
- published a notice to all horse trainers requiring horses to be inspected prior to attending trackwork and providing for isolation periods for horses returning from spelling facilities;
- conducted information sessions in conjunction with Biosecurity Queensland at Deagon, Eagle Farm and the Gold Coast; and
- published the Biosecurity Queensland information package for horse owners.

LICENSING

The standardising of licensing processes was commenced during the year, with a

view to streamlining the approach across all codes. Licensing and registration staff have achieved good progress in cross-code skills and knowledge through a team approach. With the amalgamation of the three codes, RQL has moved to a common file scanning system, which has delivered significant internal efficiencies in relation to the processing of licensing applications.

An analysis of obsolete and incompatible systems was also commenced and this is a national initiative to ensure optimum outcomes for the recording and exchange of critical information for licenses throughout Australia.

TRAINING

School-based traineeships throughout the year continue to provide healthy numbers of trained young people wanting to join the racing industry. All apprentice jockey aspirants are now completing a trackrider traineeship before applying for the level of trainee apprentice. During the year, apprentices at the Gold and Sunshine Coasts were offered regular simulator and race review training onsite at their respective tracks.

Junior apprentices also undertook training in the newly developed sports science and nutrition program, which was delivered by sports nutritionists and exercise psychologists. The same experts were engaged at Deagon in the rider rehabilitation program, which makes full use of the available race riding simulators.

Additionally, a review of training for apprentice riders was commenced during the financial year and will be completed during the 2011/12 financial year.

INFORMATION TECHNOLOGY

This financial year information technology underpinned much of the merger activities that were completed to deliver a three code control body. While the challenges associated with merging the networks and IT services of three separate entities were significant, RQL also expects significant cost savings through efficiencies to be delivered from this area.

During the first year of the merged entity immediate savings on items such as telecommunications, IT support, maintenance agreements and business machines were realised and these savings are expected to nearly triple in the next financial year as contracts for redundant services are retired.

One of the efficiencies gained in IT through the merger was the virtualisation of server infrastructure. The former Greyhounds Queensland Limited (GQL) had completed a small scale virtualisation project in early 2010 completely refreshing its server backend while Queensland Racing Limited and Queensland Harness Racing Limited's infrastructure were

overdue for an upgrade. This presented an opportunity to leverage GQL's investment and deploy it across the merged RQL entity.

This was completed in early 2011 with minimal additional hardware being required to augment the existing equipment to do so. RQL now operates virtual servers for all its IT systems, yielding benefits such as hardware and software redundancy, high availability, scalability and a significant reduction in power and cooling requirements.

A challenge for IT is to enable the organisation to facilitate better access to and use of its data, and to use this for better analysis and decision making, and to drive revenue in areas such as wagering. After the consolidation work of the merging of the three codes of racing this will be the focus of IT in the coming years.

SINGLE NATIONAL SYSTEM – THOROUGHBREDS

RQL provided its commitment to participate in the development and implementation of a single national business system for the thoroughbred racing industry. The development and implementation of the single national system is headed up Racing Information Services Australia and its implementation will lead to greater uniformity across the thoroughbred racing industry in Australia. It is also anticipated that the implementation of the single national system will deliver further efficiencies for RQL.

JAMES PERRY

RQL was saddened by the loss of James Perry, the steward in charge of the Toowoomba office, during the year. Mr Perry was swept up in the flood waters that devastated Toowoomba and the adjacent districts. Mr Perry had only recently joined RQL after a stewarding career across thoroughbred, harness and greyhound racing in Australia and Korea. He had very quickly earned the respect of those with whom he worked with in Queensland and his loss touched many people within the racing industry.

ACKNOWLEDGEMENT

I take this opportunity to pass on my gratitude to the hardworking staff of RQL. During a testing year, any fair-minded observer could only be impressed with the level of commitment and dedication displayed by the staff at RQL.

MALCOLM TUTTLE
CHIEF EXECUTIVE OFFICER



RQL provided its commitment to participate in the development and implementation of a single national business system for the thoroughbred racing industry.



DIRECTORS' REPORT

Your directors present this report on the company and the controlled entities for the period 25 March 2010 to 30 June 2011, representing the operating period 1 July 2010 to 30 June 2011.

DIRECTORS

The names of each person who has been a director during the period and to the date of this report are:

NAME	EXPERIENCE
Mr Robert Bentley	Chairman – Racing Queensland Limited Appointed 25 March 2010
Mr Anthony Hanmer	Deputy chairman – Racing Queensland Limited Appointed 25 March 2010
Mr William Ludwig	Board member – Racing Queensland Limited Appointed 25 March 2010
Mr Bradley Ryan	Board member – Racing Queensland Limited Appointed 25 March 2010
Mr Wayne Milner	Board member – Racing Queensland Limited Appointed 25 March 2010
Mr Bob Lette	Board member – Racing Queensland Limited Appointed 25 March 2010
Ms Kerry Watson	Board member – Racing Queensland Limited Appointed 25 March 2010 and removed in December 2011

Directors have been in office since the start of the period to the date of this report, unless otherwise stated.

COMPANY SECRETARY

The following person held the position of the entity at the end of the period:

Ms Shara Murray

Company Secretary and Senior Corporate Counsel appointed on 25 March 2010.

PRINCIPAL ACTIVITIES AND OBJECTIVES

The principal activity of the consolidated group is to encourage, control, supervise and regulate administration of thoroughbred, harness and greyhound racing in Queensland.

The company's short-term objectives are to:

- increase participation and skills in the industry and form strategic partnerships with key stakeholders directed at improving the overall performance of the industry; and
- ensure a high standard of safety, integrity, risk management and environmental sustainability

The company's long-term objectives are to:

- achieve first class racing infrastructure for priority facilities;
- achieve and maintain a high quality, competitive racing and wagering product and supporting information and services;
- optimise the commercial returns for the above long-term objectives and the industry's Intellectual Property; and
- achieve an economically efficient, competitive and viable industry.

To achieve these objectives, the company has adopted the following strategies:

- The entity strives to attract and retain quality staff and volunteers who are committed to the racing industry, and this is evidenced by low staff turnover. The entity believes that attracting and retaining quality staff and volunteers will assist with the success of the entity in both the short and long term.
- Improve the quality of the racing products in Queensland through appropriate research and incentives.
- Optimise the use of the industry assets and resources to ensure full use.
- Implement an expanded racing industry performance management system to ensure

all KPIs are met.

- Enhance the industry's intellectual property rights by working with harness and greyhound clubs to optimise opportunities to aggregate broadcast rights and promote initiatives within all three codes.
- Promote the Queensland racing industry and encourage participation by reviewing training for apprentice jockeys, implement the approved marketing plan and develop one for the future that includes branding and promotional components and investigate opportunities for partnerships with public and private organisations.
- Identify opportunities to build on existing revenue streams and establish new revenue streams by actively working with Government and review the approach taken in relation to the pricing for the use of race information for the purpose of race wagering.

MEETINGS OF DIRECTORS

21 board meetings were held during the period. The board members who attended the meeting are as below.

The entity is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the entity is wound up, the constitution states upon the winding up or dissolution of the company if any property remains after satisfaction of all its debts and liabilities, that property shall not be paid to or distributed among the members of the company, but shall be given or transferred to a control body or bodies for thoroughbred, harness or greyhound racing in Queensland approved by the Minister at or before the time

	Board meetings		Audit committee meetings		Remuneration and nomination committee meetings	
Member	No. Held	No. Attended	No.Held	No. Attended	No. Held	No. Attended
Bob Bentley (a)	21	16	N/A	N/A	2	2
Tony Hanmer	21	21	5	5	N/A	N/A
Bill Ludwig	21	17	N/A	N/A	2	2
Brad Ryan	21	20	5	5	N/A	N/A
Wayne Milner	21	21	5	4	N/A	N/A
Bob Lette	21	17	5	4	N/A	N/A
Kerry Watson	21	9	N/A	N/A	N/A	N/A

Note:

(a) Racing Queensland Limited held 21 board meetings during the 2010/11 period, of which the chairman, Mr Bob Bentley, did not attend five race information RQL board meetings. Owing to a previously and continuously disclosed conflict of interest, chairman Mr Bob Bentley is excluded from all race information board meetings.



of dissolution, but if no such approval is given then an institution having similar objects of the company as determined by a Judge of the Supreme Court of Queensland.

In the event that the company ceases to be a control body under the Racing Act 2002, the board will call a general meeting of members to resolve to wind up the company and will deal with the assets of the company as above.

Every member of the company undertakes to contribute to the assets of the company to a maximum of \$10 in the event the company being wound up while he or she is a member or with one year after he or she ceases to be a member, for payment of the debts and

liabilities of the company contracted before he or she ceases to be a member, and of the costs, charges and expenses of winding up and for the adjustments of the rights of the contributories among themselves.

AUDITORS INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the period ended 30 June 2011 has been received and can be found on page 16 of the director's report.

ROUNDING OF AMOUNTS

The company is an entity to which ASIC Class Order 98/100 applies and accordingly,

amounts in the financial statements and director's report have been rounded to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the board of directors.

R. G. BENTLEY
CHAIRMAN

Brisbane
Dated this 26th day of October 2011



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DECLARATION OF INDEPENDENCE BY DAMIAN WRIGHT TO THE DIRECTORS OF RACING QUEENSLAND LIMITED

As lead auditor of Racing Queensland Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Racing Queensland Limited and the entities it controlled during the period.

DAMIAN WRIGHT

Director

BDO Audit (QLD) Pty Ltd

STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2011

	Note	2011 \$'000
Revenue from continuing operations	2	155,383
Other income	2	3,237
Prizemoney and other distributions		(104,708)
Racing expenses		(8,306)
Race day expenses		(1,790)
Local breeders incentive schemes		(7,551)
Grant – training track subsidy		(617)
Grant – other		(461)
Industry insurances		(2,304)
RISA expenses		(449)
Vet expenses		(214)
Greyhound Adoption Program		(41)
Venue expense		(2,606)
Capital works expense		(424)
Employee benefits expense		(14,298)
Administration expense		(4,939)
Operating lease expense	16	(621)
Marketing expense		(849)
Auditor's remuneration		(336)
Board expenses		(492)
Motor vehicle and travel expense		(699)
Borrowing costs		(612)
Bad debts		(75)
Depreciation expense		(3,309)
Impairment property, plant and equipment		(1,968)
Other expenses		(437)
Profit/(Loss) before income tax and Toowoomba Grant		514
Grant – cushion track Toowoomba	3	(6,054)
Income tax for the period	1(i)	-
Profit/(Loss) for the period		(5,540)
Other comprehensive income		-
Total comprehensive income for the period		(5,540)
Profit/(Loss) attributable to members of Racing Queensland Limited		(5,436)
Profit/(Loss) attributable to non-controlling interests	15	(104)
		(5,540)
Total comprehensive income/(loss) for the period attributable to members of Racing Queensland Limited		(5,436)
Total comprehensive income/(loss) for the period attributable to non-controlling interests	15	(104)
		(5,540)

STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Note	2011 \$'000
CURRENT ASSETS		
Cash and cash equivalents	5	38,047
Trade and other receivables	6	20,189
Other current assets	7	200
Total Current Assets		58,436
NON-CURRENT ASSETS		
Investments	8	1,286
Property, Plant and Equipment	9	116,458
Other non-current assets	10	1,100
Total Non-Current Assets		118,844
TOTAL ASSETS		177,280
CURRENT LIABILITIES		
Trade and Other Payables	11	19,207
Borrowings	12	5,206
Provisions	13	707
Total Current Liabilities		25,120
NON-CURRENT LIABILITIES		
Trade and Other Payables	11	4,819
Borrowings	12	7,276
Provisions	13	431
Total Non-Current Liabilities		12,526
TOTAL LIABILITIES		37,646
NET ASSETS		139,634
EQUITY		
Contributed Equity		
Retained Earnings		136,756
		(5,436)
Capital and Reserves Attributable to the Owners of Racing Queensland Limited		131,320
Non-Controlling Interests	15	8,314
TOTAL EQUITY		139,634

STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2011

	Retained Earnings \$'000	Contributed Equity \$'000	Total Parent \$'000	Non-Controlling Interests \$'000	Total Equity \$'000
Balance at 25 March 2010	-	-	-	-	-
Comprehensive Income					
Profit/(loss) for the period	(5,436)	-	(5,436)	(104)	(5,540)
Total comprehensive income for the period	(5,436)	-	(5,436)	(104)	(5,540)
Transactions with owners in their capacity as owners					
Contributions from transfer of net assets to new entity	-	136,756	136,756	8,418	145,174
Balance at 30 June 2011	(5,436)	136,756	131,320	8,314	139,634

STATEMENT OF CASH FLOWS

For the period ended 30 June 2011

	Note	2011 \$'000
		Inflows (Outflows)
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from Customers		180,128
Payments to Suppliers and Employees		(176,193)
Interest Received		1,685
Interest Paid		(612)
Net Cash Provided By Operating Activities	21 (a)	5,008
CASH FLOW FROM INVESTING ACTIVITIES		
Receipts from Amalgamation		45,652
Purchase of Property, Plant and Equipment		(9,760)
Payment for Preliminary Project Costs		(1,100)
Net Cash Provided By / (Used In) Investing Activities		34,792
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of Borrowings		(1,753)
Net Cash Provided By Financing Activities		(1,753)
NET INCREASE/(DECREASE) IN CASH HELD		38,047
CASH AT THE BEGINNING OF THE REPORTING PERIOD		-
CASH AT THE END OF THE REPORTING PERIOD	21 (b)	38,047

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2011

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

The financial statements of Racing Queensland Limited for the period ended 30 June 2011 were authorised for issue in accordance with a resolution of the directors on 19 October 2011 and covers the consolidated entity consisting of Racing Queensland Limited and its subsidiaries as required by the Corporations Act 2001.

The financial statements are presented in the Australian currency.

Statement of Accounting Policies – Basis of Preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The directors have determined that Racing Queensland Limited is permitted to apply the Tier 2 reporting requirements (Australian Accounting Standards – Reduced Disclosure Requirements) as set out in AASB 1053 Application of Tiers of Australian Accounting Standards because it is a not-for-profit private sector entity. As such, the directors have early adopted AASB 2010-2 Amendments to Australian Accounting Standards Arising from Reduced Disclosure Requirements from 1 July 2010. AASB 2010-2 only mandatorily applies to annual reporting periods commencing on or after 1 July 2013. The early adoption of AASB 2010-2 has had no impact on amounts recognised in the financial statements and related notes because it merely requires less disclosures for these general purpose financial statements, which have been prepared using Australian Accounting Standards - Reduced Disclosure Requirements, than if these financial statements were prepared using Australian Accounting Standards.

The financial statements have also been prepared on a historical cost basis.

Amalgamation

On 1 July 2010, Racing Queensland Limited (RQL) commenced as the new control body for thoroughbred, harness and greyhound racing:

1. Queensland Racing Limited ceased as the control body for thoroughbred racing
2. Queensland Harness Racing Limited ceased as the control body for harness racing, and
3. Greyhounds Queensland Limited ceased as the control body for greyhound racing.

Under section 429(1) (b) of the Racing Act 2002:-

- (1) On the commencement –
- (a) anything that was an asset or liability of a former control body immediately before the commencement becomes an asset or liability of the new control body; and
 - (b) an agreement or arrangement in force immediately before the commencement between a former control body and another entity is taken to be an agreement or arrangement between the new control body and the other entity; and
 - (c) any property that was, immediately before the commencement, held by a former control body on trust or subject to conditions continues to be held by the new control body on the same trusts or subject to the same conditions.
- (2) The registrar of titles or other person responsible for keeping a register for dealings in property must, if asked by the new control body, record the vesting of property under this section in the new control body.

The following significant accounting policies have been adopted by the consolidated group in the preparation and presentation of the financial statements:

(a) Principles of Consolidation

A controlled entity is any entity Racing Queensland Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

The consolidated financial statements of the entity include the financial statements of Racing Queensland Limited, being the parent entity, and its controlled entities being Queensland Race Product Co Limited, Sunshine Coast Racing Pty Ltd ATF Sunshine Coast Racing Unit Trust and Rockhampton Racing Pty Ltd ("the consolidated entity").

A list of controlled entities is contained in Note 14 to the financial statements. All controlled entities have a June financial year end.

The balances and effects of transactions, between controlled entities included in the consolidated financial statements have been eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the parent entity.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2011

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(b) Valuation and measurement of Property, Plant and Equipment

Property, plant and equipment are measured at cost less impairment less accumulated depreciation.

(c) Depreciation Rates

Depreciation rates used for the different classes of assets are as follows:

	Racing Queensland Limited
Buildings & Tracks	2%-7%
Plant and Equipment	5%-25%

As a general policy, fixed assets are depreciated using the straight-line method except for land for which depreciation is not calculated.

(d) Impairment of Assets

All non-current physical assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the asset's recoverable amount is determined. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

An impairment loss is recognised immediately in the profit or loss, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation reserve of the relevant class to the extent available.

(e) Employee Benefits

Wages and salaries and annual leave due but unpaid at reporting date are recognised in the Balance Sheet at the remuneration rates expected to apply at the time of settlement and include related on-costs such as payroll tax, work cover premiums and employer superannuation contributions. For unpaid entitlements expected to be paid within the next 12 months, the liabilities are recognised at their undiscounted values. For those entitlements not expected to be paid within 12 months, the liabilities are recognised at their present value, calculated using yields on Fixed Rate Commonwealth Government bonds of similar maturity.

Sick leave is non-vesting, and an expense is recognised for this leave as it is taken. The Board contributes to various accumulating Employee Superannuation Plans. The number of full time employees at June 30 2011 is 157 (Control body staff June 30 2011 – 118) which increase due to the restructure of the entity's operations due to the control body accepting responsibility for integrity race day and certain club maintenance functions previously undertaken by the clubs .

(f) Unearned Income

Licence and Registration Fees, Course Fees and other income received at balance date, which relate to the next accounting period have been deferred in the Income Statement and will be brought to account as income during the period to which the amounts relate.

(g) Apprentice Jockeys' Trust Fund

The Board holds in trust and invests the earnings of Apprentice Jockeys. At the age of eighteen, each jockey receives his or her earnings and related interest less any approved withdrawals.

(h) Rounding

Unless otherwise stated amounts in the report have been rounded to the nearest thousand dollars.

(i) Taxation

Racing Queensland Limited is exempt from income tax under the provisions of section 50-45 of the *Income Tax Assessment Act 1997* with the exception of Fringe Benefits Tax and Goods and Services Tax (GST). As such, GST credits receivable from/ payable to the ATO are recognised and accrued.

Tax effect accounting procedures have not been applied to Racing Queensland Limited due to a private tax ruling for the purposes of Part IV AA of the *Taxation Administration Act 1953*. This ruling deems product fees paid pursuant to the Product & Program Agreement, as agent of the Queensland Racing Industry will not constitute assessable income under section 6-5 of the *Income Tax Assessment Act 1997*.

Income tax is only provided in Sunshine Coast Racing Pty Ltd ATF Sunshine Coast Racing Unit Trust to the extent that accumulated income is assessable to the trustee in accordance with Section 95 of the Income Tax Assessment Act. No income tax is payable by the trust since, in accordance with the trust deed, taxable income is fully distributed to the beneficiaries.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Income tax is only provided in Rockhampton Racing Pty Ltd to the extent that accumulated income is assessable to the company.

(j) Revenue Recognition

Revenue is recognised when Product and Program Fee monies are due and payable from TattsBet. Interest income is recognised as it accrues. Club Levies and Racing Fees are brought to account as income during the period to which the amounts relate. Grants are brought to account when they are received.

Race Information Fees are brought to account as income during the period to which the amounts relate.

(k) Receivables

Trade debtors are recognised at the nominal amounts due at the time of sale or service delivery, with settlement generally required within 30 days from the invoice date. The collectability of receivables is assessed periodically with provision being made for impairment of debts.

Bad debts are written off in the period in which they are recognised.

Loan and advances are recognised at their face values.

(l) Other Non-Current Assets

Preliminary Project costs are for specific costs incurred for the Racing Queensland Limited Infrastructure plan. The Queensland Government on the 19th July 2011 approved the amended infrastructure plan and the Government extended the Wagering Tax relief from 4 years to 5 years. The wagering tax relief increased from \$80M to \$100M. This will be used to develop key infrastructure projects for all 3 codes of racing such as Gold Coast Turf Club (Thoroughbred), Beaudesert Race Club (Thoroughbred), Deagon (Harness and Greyhounds), Townsville Turf Club (Thoroughbred and Greyhounds), Mackay Turf Club (Thoroughbred) and Rockhampton Jockey Club (Thoroughbred and Greyhounds).

(m) Payables

Payables are recognised for amounts payable in the future for goods and services received, whether or not billed to the consolidated entity. Creditors are generally unsecured, not subject to interest charges and are normally settled within 30 days of invoice receipt.

(n) Cash and Cash Equivalents

For the purpose of the Balance Sheet and the Cash Flow Statement, cash and cash equivalents include all cash and cheques receipted but not banked at 30 June as well as all deposits at call with financial institutions. It also includes investments with short periods to maturity that are readily convertible to cash on hand at the consolidated entity's option and that are subject to a low risk of changes in value.

(o) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the entity are classified as finance leases.

Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values.

Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the entity will obtain ownership of the asset. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as an expense on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight line bases over the lease term.

(p) Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions cost where the instrument is not classified at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2011

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised with the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

Classification and Subsequent Measurement

(i) Financial assets at fair value through profit and loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(iii) Held to maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

(q) Fair Value

Fair value is determined on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for other financial instruments, including recent arm's length transactions, reference to similar instruments and option pricing models.

(r) Government Grants

The entity receives government grant monies to fund projects. It is the policy of the entity to recognise the contributions received immediately as revenue when the amount of the contribution can be measured reliably and the entity obtains control of the contribution.

(s) Parent Entity Financial Information

The financial information for the parent entity, Racing Queensland Limited, included in note 16, has been prepared on the same basis as the consolidated financial statements.

(t) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economics data, obtained both externally and within the company.

On 1 July 2010, Racing Queensland Limited commenced as the new control body for thoroughbred, harness and greyhound racing:

- 1. Queensland Racing Limited ceased as the control body for thoroughbred racing
- 2. Queensland Harness Racing Limited ceased as the control body for harness racing, and
- 3. Greyhounds Queensland Limited ceased as the control body for greyhound racing.

The Racing and Amendment Bill 2010 was passed where the Bill will transfer the assets and liabilities of the current control bodies to the new control body without compensation. However, as the assets to be transferred to a new control body which replaces the three current control bodies, and will have the same functions and powers, is considered that the legislation does have regard to fundamental legislative principles. The assets were brought across at carrying value as at 1 July 2010 from the three former control bodies based on the 30 June 2010 audited annual financial statements.

As at 30 June 2011, the directors reviewed the carrying value of the land and buildings, in particular those parcels subject to the Queensland flood events. They have concluded that the carrying value of these assets remain materially unchanged, and are satisfied that carrying value does not exceed the recoverable amount of land and building at 30 June 2011.

2. REVENUE AND OTHER INCOME

	2011 \$'000
Revenue	
Course Fees	223
Grants – Training Track Subsidy	1,065
Licence and Registration Fees	1,561
Racing Fees	6,899
Interest	1,774
Product and Program Fee	107,292
Race Information Fees	29,671
Marketing Income	114
Fines and Late Fees	431
Nomination Fees	668
Local Breeder Nomination Fees	3,348
Club Income – Operational	293
Club Income – Commercial	74
Track Fee Income	446
Rental Income	1,524
Total Revenue	155,383
Other Income	
Distributions from investments	222
Flood Insurance Proceeds	2,532
Other	483
Total Other Income	3,237
Total Revenue and Other Income	158,620

3. GRANT – CUSHION TRACK TOOWOOMBA

Grant – cushion track Toowoomba Turf Club	6,054
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Note: - Following extensive negotiations, no partnership agreement was determined during the period ending 30 June 2011 with Racing Queensland Limited granting \$6.054M to the Toowoomba Turf Club. This charge was not accounted for in the 2010/2011 budget.

The total cost of installing the cushion track was \$11.65M. An amount of \$5.6M (including interest) was drawn from the grant funds for synthetic track construction at the Toowoomba track, made available by the Queensland Government. The balance of \$6.054M for the track and capital development was funded by Racing Queensland Limited and this amount was granted to the Toowoomba Turf Club.

4. KEY MANAGEMENT PERSONAL COMPENSATION INCLUDING BOARD MEMBERS REMUNERATION

	2011 \$
Short Term Benefits	945,321
Post Employment Benefit	79,679
Total	1,025,000

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2011

4. KEY MANAGEMENT PERSONAL COMPENSATION INCLUDING BOARD MEMBERS REMUNERATION (CONT.)

Total income paid or payable, or otherwise made available, to key management personal and board members of each entity in the consolidated entity from the entities of which they are members or any related party.

Key management personal are involved in the strategic direction of Racing Queensland Limited including the board of directors as well as the Chief Executive Officer and the Director of Integrity Operations.

Other than the remuneration detailed in this note, there were no transactions with key management personnel in the period.

5. CASH AND CASH EQUIVALENTS

	2011 \$'000
Cash Assets	
- Cash at Bank and on Hand *	3,458
- Short term Deposits **	34,589
	38,047

* Amount includes \$6,000 held in Trust for Apprentice Jockeys by Racing Queensland Limited

** Amount includes an amount in relation to synthetic track program of \$4,189,000 which will be used to fund a south east Queensland TAB club facility.

The effective interest rate on short-term bank deposits was 4.77%. These deposits have an average maturity of 32 days.

Reconciliation of Cash

Cash at the end of the period as shown in the cash flow statement is reconciled to items in the statement of financial position as follows:

Cash and Cash Equivalents	38,047
	38,047

6. TRADE AND OTHER RECEIVABLES

Current

Trade Receivables	4,400
Product and Program Fee Receivables	8,998
Other Receivables	3,452
Less Provision for Doubtful Debts (refer to note (1) below)	(507)
Accrued Revenue	3,746
Accrued Interest	100
	20,189

(1) Provision for Impairment of Receivables

Current trade receivables are generally 30 day terms. These receivables are assessed for recoverability and a provision for impairment is recognised when there is objective evidence that an individual trade or other receivable is impaired. These amounts have been recognised in the profit or loss.

	2011 \$'000
Movement in the Provision for Impairment of Receivables	
Balance at the beginning of the period	-
Provision transferred in on amalgamation	(464)
Provision for doubtful receivables	(75)
Amounts written off as uncollectible	32
Balance at the end of the period	(507)

7. OTHER CURRENT ASSETS

Prepayments	200
	200

8. INVESTMENTS

Available-for-sale financial assets	
- RISA Investment	1,286
	1,286

9. PROPERTY, PLANT AND EQUIPMENT

Land

At Cost (refer to note (1) below)	53,975
Accumulated Impairment	(50)
	53,925

Buildings and Tracks

At Cost (refer to note (1) below)	58,435
Accumulated Impairment	(1,918)
Accumulated Depreciation	(2,307)
	54,210

Plant and Equipment

At Cost (refer to note (1) below)	5,033
Accumulated Depreciation	(992)
	4,041

Work In Progress

Cost (refer to note (1) below)	4,282
	116,458

(1) At Cost includes the property, plant and equipment transferred to Racing Queensland Limited on 1 July 2011

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2011

9. PROPERTY, PLANT AND EQUIPMENT (CONT.)

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current period:

Consolidated Group - 2011

Asset Name	Carrying amount 25/03/10 (\$'000)	Assets Transferred 1/07/10 (\$'000)	Additions (\$'000)	Impairment Expense (\$'000)	Transfers (\$'000)	Disposals (\$'000)	Depreciation (\$'000)	Carrying amount 30/06/11 (\$'000)
Land	-	53,975	-	(50)	-	-	-	53,925
Building & Tracks	-	40,325	-	(1,918)	18,110	-	(2,307)	54,210
Plant & Equipment	-	4,016	-	-	1,074	(47)	(1,002)	4,041
Work in Progress	-	13,875	9,760	-	(19,184)	(169)	-	4,282
	-	112,191	9,760	(1,968)	-	(216)	(3,309)	116,458

10. OTHER NON-CURRENT ASSTES

	2011 \$'000
Preliminary Project Costs	1,100
	1,100

11. TRADE AND OTHER PAYABLES

Current

Trade Payables	2,663
Sundry Payables and accrued expenses	11,466
Fees in Advance	3,928
Employee Benefits	1,150
	19,207

Non-Current

Deferred Grants	4,189
Loan – Equity in RISA Investment	600
Fees in Advance	30
	4,819

12. BORROWINGS

Current

Secured loans payable	5,206
	5,206

Non-Current

Secured loans payable	7,276
	7,276

The secured loans payable includes \$9.2M in relation to the stables which are secured by a guarantee given by Sunshine Coast Racing Pty Ltd ATF Sunshine Coast Racing Unit Trust over the land assets held by the entity for the purpose of building 256 stables at Corbould Park.

The secured loans payable also includes \$3.3M in relation to Albion Park demolition which is secured over the Albion Park property.

13. PROVISIONS

Analysis of Total Provisions

Long Service Leave: Current	707
Long Service Leave: Non-Current	431
	1,138

Provision for Long- term Employee Benefits

A provision has been recognised for employee entitlements related to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1 (e) to this report.

14. CONTROLLED ENTITIES

	2011 %
--	-----------

Particulars in relation to controlled entities:

Racing Queensland Limited

Controlled entities:

Queensland Race Product Co Ltd	100.0
Sunshine Coast Racing Pty Ltd	84.6
Rockhampton Racing Pty Ltd	63.8

15. NON-CONTROLLING INTERESTS

Non-controlling interest relates to equity investments held by Sunshine Coast Turf Club Inc in Sunshine Coast Racing Unit Trust (15.4%) and Rockhampton Jockey Club Inc in Rockhampton Racing Pty Ltd (36.2%).\

In relation to the Sunshine Coast Racing Unit Trust the non-controlling interests is held by way of units in the unit trust. It is the opinion of the Directors that these units are in the nature of equity and not a financial liability.

Non-controlling interests are reconciled as follows:

	2011 \$'000
Retained Earnings/(Losses)	(104)
Capital Contributions	8,418
Total Non-Controlling Interest	8,314

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2011

16. PARENT ENTITY INFORMATION

The Corporations Act requirement to prepare parent entity financial statements where consolidated financial statements are prepared has been removed and replaced by regulation 2M/3/01 which requires the following limited disclosure in regards to the parent entity, Racing Queensland Limited. The consolidated financial statements incorporate the assets, liabilities and results of the parent entity in accordance with the accounting policies described in Note 1.

	Racing Queensland Limited
	2011
	\$'000
Current Assets	54,634
Non-Current Assets	108,526
Total Assets	163,160
Current Liabilities	23,211
Non-Current Liabilities	12,526
Total Liabilities	35,737
Net Assets	127,423
Contributed Equity	132,304
Retained Earnings	(4,881)
Total Equity	127,423
Profit/(Loss) for the period	(4,881)
Total Comprehensive Income for the period	(4,881)

Note: - \$4,881,000 deficit is due to the grant of \$6,054,000 provided to the Toowoomba Turf Club for the Synthetic Track. When this is added back the surplus is \$1,173,000.

Guarantees

No guarantees have been entered into by the parent entity in relation to debts of its subsidiaries.

Capital Expenditure Commitments

Capital expenditure projects – property, plant and equipment	882
Total	882

Contingent Liabilities

As detailed in Note 19, an action has commenced against Racing Queensland Limited which involves a claim for Damages. The matter is currently before the courts and Racing Queensland Limited is currently unable to quantify the amount, if any, that might be payable should the action be successful.

17. CAPITAL AND LEASING COMMITMENTS

Operating lease payments are recognised as an expense in the years in which they are incurred as this reflects the pattern of benefits derived by the Racing Queensland Limited.

	2011
	\$'000
a) Operating Lease Expense	
Car Leasing	377
Computer Equipment	200
Office Equipment	44
Total Leasing Expensed	621
b) Lease Commitments (Non-Cancellable Operating Leases–Future Minimum Lease Payments)	
Payable Within 1 Year	515
Payable 1 – 5 Years	665
Total Lease Commitments	1,180
c) Capital Commitments	
Capital expenditure projects – property, plant and equipment	2,121
Total Capital Commitments	2,121

18. CAPITAL MANGEMENT

Management control the capital of the entity to ensure that adequate cash flows are generated to fund its racing programs and that returns from investments are maximised. The board ensures that the overall risk management strategy is in line with this objective.

The audit committee operates under policies approved by the board of directors. Risk management policies are approved and reviewed by the board on a regular basis. These include credit risk policies and future cash flow requirements.

The group's capital consists of financial liabilities supported by financial assets.

Management effectively manage the group's capital by assessing the group's financial risks and responding to changes in these risks and in the market. These responses may include the consideration of debt levels.

The strategy of the entity is to ensure that sufficient cash is on hand to meet trade and sundry payables.

19. CONTINGENT ASSETS AND LIABILITIES

Contingent Asset

In accordance with Race Fields legislation, Racing Queensland Limited is entitled to charge wagering operators fees for the use of racing information

Racing Queensland Limited is currently in discussions with commercial wagering operators in relation to the method of calculating the quantum of these fees. These negotiations are ongoing and have not been resolved at the time of signing the financial statements.

Racing Queensland Limited is confident that there will be resolution of these negotiations and will result in revenue being recognised in the financial year end 30 June 2012.

Contingent Liabilities - Group

Claims

An action has commenced against RQL which involves a claim for Damages. The matter is currently before the courts and RQL is currently unable to quantify the amount, if any, that might be payable should the action be successful.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2011

19. CONTINGENT ASSETS AND LIABILITIES (CONT.)

	2011
	\$'000
Guarantee and indemnity	12,000

The consolidated entity holds a controlling interest in Sunshine Coast Racing Pty Ltd. During the period, Sunshine Coast Racing Pty Ltd granted a guarantee and indemnity to banks to cover bank guarantees to Racing Queensland Limited to build stables at Corbould Park in the Racing Queensland Limited leased area and has given a maximum exposure of \$12M. The consolidated entity's exposure to this guarantee and indemnity is \$12M.

20. POST BALANCE DATE EVENTS

Preliminary Project costs are for costs incurred for the preparing budgets, engineering and feasibility studies for the RQL Infrastructure plan. The Queensland Government on the 19th July 2011 approved the amended infrastructure plan and the Government extended the Wagering Tax relief from 4 years to 5 years. The wagering tax relief increased from \$80M to \$100M. This will be used to develop key infrastructure projects for all 3 codes of racing such as Gold Coast Turf Club (Thoroughbred), Beaudesert Race Club (Thoroughbred), Deagon (Harness and Greyhounds), Townsville Turf Club (Thoroughbred and Greyhounds), Mackay Turf Club (Thoroughbred) and Rockhampton Jockey Club (Thoroughbred and Greyhounds).

Racing Queensland received \$2.35M from the State Government to assist TAB clubs and Strategic and Non-Strategic Non TAB Race Clubs for floods and Cyclone Yasi, Non TAB Clubs to assist with clubs meeting RQL minimum venue and equipment standards.

21. NOTES TO THE STATEMENT OF CASH FLOWS

a) Reconciliation of Profit/(Loss) to Net Cash provided by / (used in) operating activities

	2011
	\$'000
Profit/(Loss) for the period	(5,540)
Depreciation	3,309
Impairment of Assets	1,968
Changes in Operating Assets and Liabilities exclusive of Non- Operating Activities	
(Increase) Decrease in Trade and Other Receivables	(20,089)
(Increase) Decrease in Accrued Interest	(100)
(Increase) Decrease in Prepayments	(200)
(Decrease) Increase in Trade and Other Payables	24,522
(Decrease) Increase in Provisions	1,138
Net Cash provided by / (used in) Operating Activities	5,008

b) Reconciliation of Cash

For the purpose of the Statement of Cash Flows, cash comprises Cash on Hand and at Bank, net of outstanding bank overdrafts, and liquid investments.	
Cash and cash equivalents	38,047
	38,047

22. COMPANY DETAILS

The Registered Office & Principal Place of Business of the Company is:

Racing Queensland Limited
6 Racecourse Road
Deagon, QLD 4017

23. MEMBERS GUARANTEE

The entity is incorporated under the Corporations Act 2001 and is a company limited by guarantee. If the entity is wound up, the constitution states upon the winding up or dissolution of the Company if any property remains after satisfaction of all its debts and liabilities, that property shall not be paid to or distributed among the Members of the Company but shall be given or transferred to a Control Body or Bodies for thoroughbred, harness or greyhound racing in Queensland approved by the Minister at or before the time of dissolution, but if no such approval is given then an institution having similar objects of the Company as determined by a Judge of the Supreme Court of Queensland.

In the event that the Company ceases to be a Control Body under the Racing Act, the Board will call a general meeting of Members to resolve to wind up the Company and will deal with the assets of the Company as above.

Every member of the Company undertakes to contribute to the assets of the Company to a maximum of \$10 in the event the Company being wound up while he or she is a member or with one year after he or she ceases to be a Member, for payment of the debts and liabilities of the Company contracted before he or she ceases to be a Member, and of the costs, charges and expenses of winding up and for the adjustments of the rights of the contributories among themselves.

As at 30 June 2011 the number of members was 6.

The directors of the company declare that:

- The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes, are in accordance with the *Corporations Act 2001* and:
(a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001: and
(b) give a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the period ended on that date.
- In the directors opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by

Robert Bentley

CHAIRMAN

Dated this 26th day of October 2011

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the period ended 30 June 2011



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INDEPENDENT AUDITOR'S REPORT

To the members of Racing Queensland Limited

Report on the Financial Report

We have audited the accompanying financial report of Racing Queensland Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Racing Queensland Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion the financial report of Racing Queensland Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

BDO Audit (QLD) Pty Ltd

DAMIAN WRIGHT

Director

Brisbane, 26 October 2011



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