

2016/17

ANNUAL REPORT

September 8, 2017

The Hon Grace Grace
Minister for Employment and Industrial Relations
Minister for Multicultural Affairs and
Minister for Racing
GPO Box 611
BRISBANE QLD 4001

Dear Minister Grace

**RE: ANNUAL REPORT 2016-17 FOR THE RACING QUEENSLAND BOARD TRADING
AS RACING QUEENSLAND**

I am pleased to submit for presentation to the Parliament the Annual Report 2016-17 and financial statements for the Racing Queensland Board trading as Racing Queensland.

I certify that this Annual Report complies with:

- the prescribed requirements of the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, and
- the detailed requirements set out in the Annual report requirements for Queensland Government agencies.

A checklist outlining the annual reporting requirements can be found at page 35 of this annual report.



Yours sincerely

Steve Wilson AM
Chair
Racing Queensland

CONTENTS

| | | | |
|-----------------------------|----|---|----|
| CHAIR'S MESSAGE | 4 | QUEENSLAND GOVERNMENT'S OBJECTIVES | |
| CEO'S REPORT | 6 | FOR THE COMMUNITY | 25 |
| Finance Summary | 7 | Creating Jobs and a Diverse Economy | 25 |
| Infrastructure | 8 | Protecting the Environment | 25 |
| Eagle Farm | 10 | Delivering Quality Frontline Services | 25 |
| Key Policy Changes | 10 | Building Safe, Caring and Connected Communities | 25 |
| Racing Advisory Panels | 10 | OBJECTIVES, KEY INDUSTRY | |
| Racing Carnivals | 10 | PERFORMANCE INDICATORS | 26 |
| Marketing and Promotion | 12 | ORGANISATIONAL STRUCTURE | |
| Thoroughbred Country Racing | 12 | AND MANAGEMENT TEAM | 27 |
| Impact of Cyclone Debbie | 13 | Board | 28 |
| Tabcorp Agreement | 13 | Remuneration | 29 |
| Future strategy | 14 | Our People | 30 |
| THOROUGHGBRED | 16 | Corporate Governance | 31 |
| GREYHOUND | 19 | Governance | 31 |
| HARNESS | 22 | Executive Leadership Team | 31 |
| | | Audit and Risk Committee | 31 |
| | | Internal Audit | 32 |
| | | General Information | 32 |
| | | GLOSSARY OF TERMS AND ACRONYMS | 33 |
| | | COMPLIANCE CHECKLIST | 35 |
| | | FINANCIAL PERFORMANCE OVERVIEW | 36 |
| | | FINANCIAL REPORT | 38 |

Annual Report 2016-17 for The Racing Queensland Board trading as Racing Queensland

ISSN 2202-4409

PURPOSE OF THE REPORT

This annual report details the financial and non-financial performance of the Racing Queensland Board trading as Racing Queensland from July 1, 2016 to June 30, 2017.

It highlights the work, achievements, activities and strategic initiatives of Racing Queensland and satisfies the requirements of Queensland's *Financial Accountability Act 2009*.

YOUR FEEDBACK

The annual report is an important document representing communication and accountability. Racing Queensland values comments and welcomes feedback from readers.

To provide feedback, please email: info@racingqueensland.com.au

This publication can be accessed and downloaded from our website: <http://www.racingqueensland.com.au/Industry-Services/About-Us/Annual-Report>

Alternatively, hard copies of this publication can be obtained by emailing: info@racingqueensland.com.au

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This document has been prepared with all due diligence and care, based on the best available information at the time of publication. Racing Queensland holds no responsibility for any errors or omissions within this document.

Any decisions made by other parties based on this document are solely the responsibility of those parties.

FURTHER INFORMATION

Further information regarding this report may be obtained by contacting Racing Queensland as follows:

Phone:
(07) 3869 9777

Email:
info@racingqueensland.com.au

By mail:
PO Box 63
SANDGATE QLD 4017

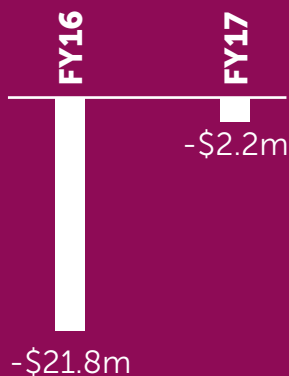
In person:
Racing Queensland, Lot 2 Racecourse Rd, Deagon QLD 4017

September 2017

AT A GLANCE

\$19.6m

turnaround
within
12 months



**+\$3.2m FY18
Prize money**



Additional stakes
pre-allocated
across all codes
for FY18

**\$6m
Country
capital
works**



Infrastructure improvement projects
across 112 QLD clubs as part of
the country and regional capital works
program to spend over next 3 years



+9.5%

QLD wagering
turnover average
all codes

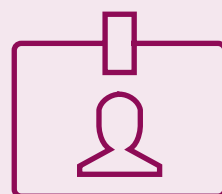
ECONOMIC IMPACTS



\$1.2b
**economic
contribution** to the
Queensland economy

Direct Impact
Indirect Impact

\$0.4b
\$0.8b



9,546
full time equivalent
jobs sustained

Direct Impact
Indirect Impact

4,236
5,310

ECONOMIC IMPACTS BY CODE

| | METRO | REGIONAL | TOTAL |
|--------------|----------|----------|----------|
| THOROUGHBRED | \$514.7m | \$444.7m | \$959.4m |
| HARNESS | \$75.3m | \$66.5m | \$141.8m |
| GREYHOUND | \$57.8m | \$55.2m | \$113.0m |

FTE Jobs

| | METRO | REGIONAL | TOTAL |
|--------------|-------|----------|-------|
| THOROUGHBRED | 3,840 | 3,671 | 7,511 |
| HARNESS | 563 | 561 | 1,124 |
| GREYHOUND | 437 | 474 | 911 |

VALUE OF BREEDING & TRAINING

Training Horses & Greyhounds



THOROUGHBRED – \$175.8m
HARNESS – \$46.1m
GREYHOUND – \$14.5m

\$236.3m

Breeding Horses & Greyhounds



THOROUGHBRED – \$69.4m
HARNESS – \$10.1m
GREYHOUND – \$4.0m

\$83.5m

THE INDUSTRY

132 Racing clubs
in Queensland



THOROUGHBRED – 120

HARNESS – 5

GREYHOUND – 7

847,833 Attendance at
Race Meetings



THOROUGHBRED – 723,753

HARNESS – 68,276

GREYHOUND – 55,804

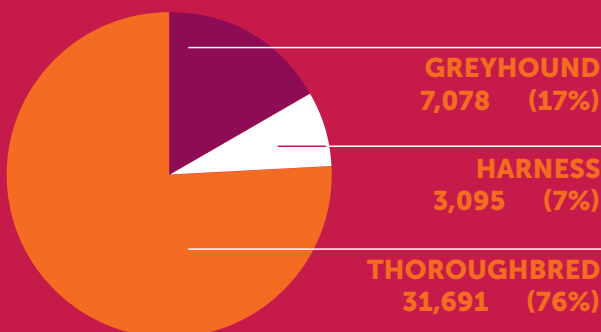
THE PEOPLE



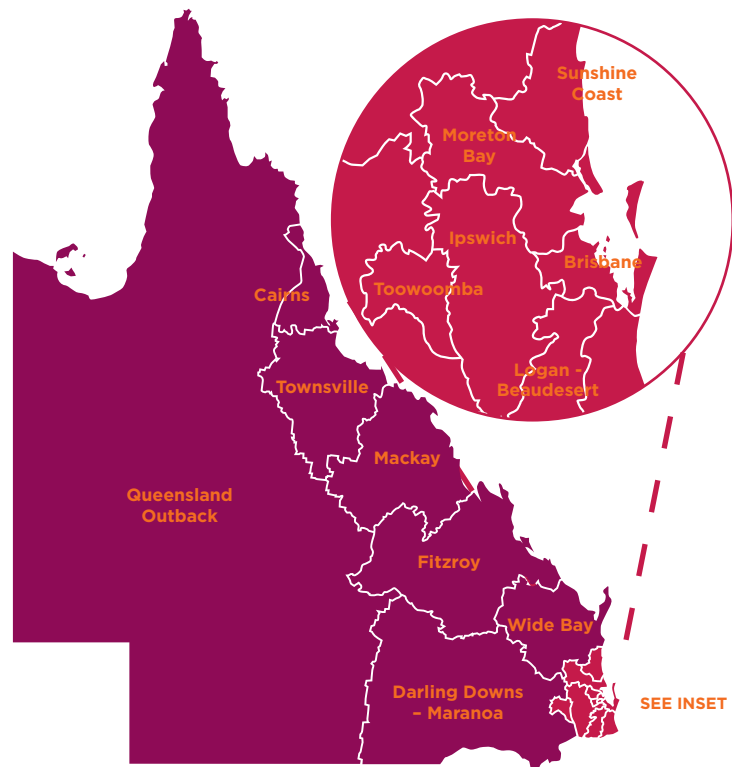
41,864

Individuals employed
or engaged **within**
the industry

7,693
volunteers
providing time
and skills



ECONOMIC IMPACTS BY REGION



| REGION | ECONOMIC IMPACT | FTE JOBS |
|-------------------------|-----------------|----------|
| Cairns | \$28.8m | 234 |
| Darling Downs – Maranoa | \$50.1m | 416 |
| Fitzroy | \$37.5m | 310 |
| Gold Coast | \$88.7m | 739 |
| Ipswich | \$63.3m | 534 |
| Logan-Beaudesert | \$46.7m | 391 |
| Mackay | \$18.2m | 149 |
| Moreton Bay | \$35.8m | 301 |
| Queensland Outback | \$28.6m | 231 |
| Sunshine Coast | \$55.6m | 462 |
| Toowoomba | \$49.8m | 414 |
| Townsville | \$31.8m | 259 |
| Wide Bay | \$19.9m | 166 |
| Brisbane | \$659.6m | 4,942 |

66 The Queensland Racing Industry generates more than **\$1.2 billion** of economic value in Queensland with **around 42,000 individuals employed or engaged** within the industry. **More than 47% of this economic value** is generated in regional parts of the State. **99**

CHAIR'S MESSAGE



THE PAST YEAR HAS BEEN ANOTHER OF SIGNIFICANT CHANGE IN OUR WONDERFUL, MUCH LOVED INDUSTRY AND I'M PLEASED TO ANNOUNCE THAT MOST OF THIS HAS BEEN POSITIVE AS WE HAVE SET A PLAN FOR ONGOING REAL GROWTH IN RACING.

The highlights to me being:

Financial turnaround

from a \$21.8 million loss to a \$2.2 million loss at the consolidated level



Increased attendance at marquee race meetings with the winter and summer carnivals achieving pleasing rises and a base for growing interest

Significant increase in wagering revenue on Queensland racing

Thoroughbred
up 16.5%



Greyhound
up 8.8%



Harness
down 4.5%



I am pleased to present to you the 2017 Annual Report for Racing Queensland in a year that has seen significant challenges, change and the first encouraging signs of turnaround.

It has been one year since your new Board was finalised. Their bios are outlined in this report and I believe we now have the diverse range of industries and skills to face the future challenges.

Our CEO, Dr Eliot Forbes, commenced in August 2016 and his first task was to assemble a team to provide strategic direction and improve operational performance. Dr Forbes has set about changing the mindset of the organisation to drive for growth, stability and business competence. His report addresses these issues in more detail however many highlights stand out, among them:

- The financial turnaround – from a parlous \$19.9 million loss to near break-even position of a \$146k loss at the parent company level
- A 12.8 % increase in wagering revenue on Queensland product
 - Thoroughbred + 16.5%
 - Greyhound + 8.8%
 - Harness – 4.5% (following four years of growth)
- Increased attendance at marquee race meetings with the winter and summer carnivals achieving pleasing rises and a base for growing interest
- The development of a 20+ year plan for infrastructure
- The negotiation of an improved arrangement with Tabcorp should they succeed with their agreed merger with Tatts Group
- A focus to boost non-racing revenue including commercialisation of assets.
- An initial \$3.2 million increase in prize money for 2017-18.

There are however immediate, mid and long-term challenges:

- Eagle Farm track
- Competitive tension with other states' prize money offerings
- The ongoing decline of the tote
- The cost associated with non-TAB racing across 105 towns and communities in regional Queensland
- Our weak balance sheet
- The shortfall in infrastructure funding
- The need for stability to provide the foundation for ongoing success.

Given the early advances and identification of challenges, we are now poised to look forward. Our task is not to make profits but to transfer improvements in our revenue line to participants while ensuring stability in our organisation and sufficient reserves.

Unfortunately, we still have a weak balance sheet. Our dominant asset, Albion Park, delivers no returns yet we carry debt to Government of approximately \$47 million.

While we have made initial improvements in prize money we aim to do much more. Our commercial plan is targeting an overall annual increase to participants of 11% by 2020 which equates to an increase of \$18 million. Prize money would be the largest share.

Amplifying our challenge is the fact that 39% of Queensland races (FY 16) are non-TAB compared to only 8% in Victoria and 16% in New South Wales. There is no commercial return from non-TAB racing and while there are major social and local economic benefits it comes at a financial cost.

We have commenced the process of working more closely with clubs and that collaboration in strategy and execution will continue to yield results in years to come.

We are not taking a 'here and now' approach to planning. Our infrastructure program is forward looking and takes account of the \$67 million already spent since 2010, primarily in thoroughbred racing.

We have \$63 million available now as part of the Racing Infrastructure Fund and another \$44 million available from 2020 to 2023. We have already announced \$13 million for Ipswich and \$6 million for country and regional capital works. Further priority projects are planned for the Gold Coast and an exciting vision for two new or replacement greyhound facilities to the south and west of Brisbane.

Results speak louder than words and we look forward with real confidence that we can improve the performance of our industry for most participants.

I thank all clubs, participants, staff and board for their hard work and results and our Minister for her resolute support across many complicated issues.



Steve Wilson AM
Chair
Racing Queensland Board

CEO'S REPORT



THE 2016-17 FINANCIAL YEAR HAS BEEN A YEAR OF POSITIVE CHANGE AND TRANSFORMATION, WITH THE NEW BOARD ESTABLISHED, A NEW EXECUTIVE TEAM IN PLACE AND SIGNIFICANT STEPS MADE TOWARDS A FINANCIAL AND ORGANISATIONAL TURNAROUND.

The new team is committed to leading a commercially focussed Racing Queensland into a new era and there are some pleasing early results.



\$1.2b

economic contribution to the Queensland economy

9.5%

wagering growth of Queensland product

CONSOLIDATED PROFIT / LOSS



\$19.6m

turn around **within 12 months**

FINANCE SUMMARY

In FY16 Racing Queensland, the parent entity, recorded a loss of \$19.9 million. The new Board and management team were well aware of the challenges to return the organisation to a sustainable path.

Strong revenue growth and the full year benefit of changes made to the business model in the previous year have resulted in the parent entity recording a loss of \$146k for FY17.

Racing Queensland, the consolidated entity, recorded a loss of \$2.2m for FY17 (FY16: -\$21.8m) which represents a significant financial turnaround.

This pleasing financial performance has allowed Racing Queensland to increase prize money for FY18 by \$3.2 million across all three codes. Although the organisation is still loss making, the Board recognises the need to enhance returns to racing industry participants.

Racing Queensland achieved annual revenue growth of +4.5% to \$239m

This was driven by the increase in total wagering revenue of \$7.1m (3.5%) and more specifically the increase in Race Information Fees implemented from January 1, 2017, as well as growth in Queensland wagering turnover of 9.5%.

Revenue from the Program and Product Deed with UBET declined \$2.5m (-2.3%). The trend experienced over the last four years continued with customers migrating to fixed odds products from pari-mutuel betting and this results in a lower return. In addition significant weather events across Australia, including Queensland, also impacted revenue generated through UBET.

Total expenses decreased \$9.3m or 3.7%. The full year effects of the previous Tracking Towards Sustainability measures resulted in a reduction in RQ funded prize money, down \$4.3m or 3.6% on prior year. FY16 also included a one off provision of \$4.95m for jockeys' superannuation related to prior periods. Racing Queensland has lodged an objection against the default assessment, which is currently being considered by the ATO.

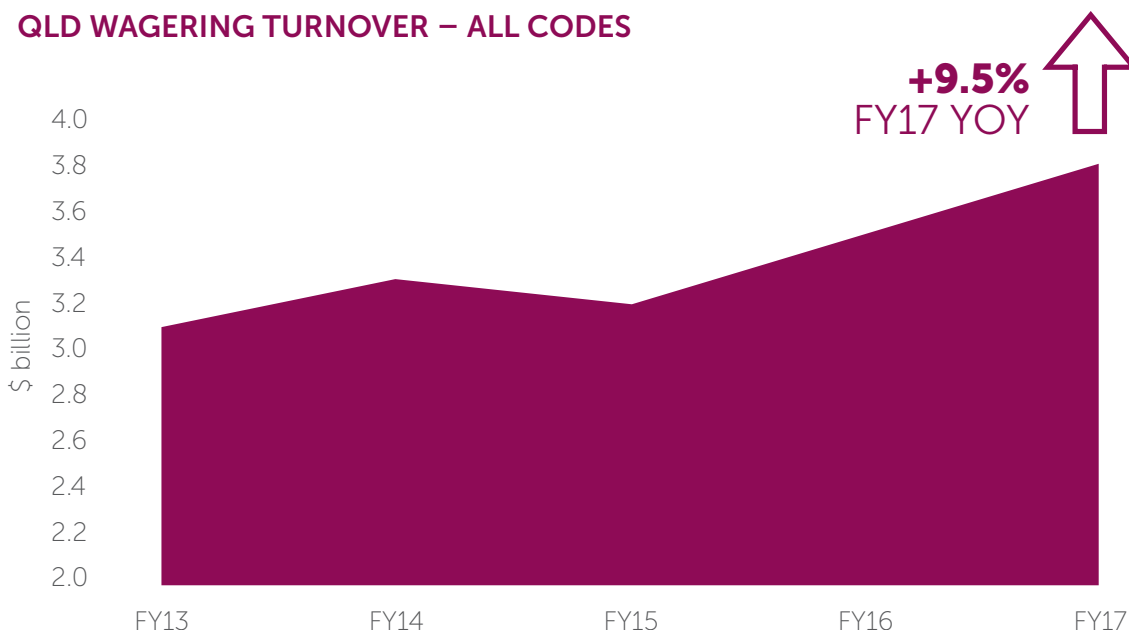
A range of services were transferred to the Queensland Racing Integrity Commission (QRIC) effective July 1, 2016, which make other direct year on year comparisons less relevant.

Under Section 54 of the *Racing Integrity Act 2016*, Racing Queensland is required to contribute annually to the QRIC for the management of the functions of licensing and registration (excluding club licensing), stewarding and integrity operations and animal welfare. Racing Queensland contributed \$14.8m to the QRIC this year.

The resumption of Cronulla Park resulted in a \$6m reduction in the loan provided by the State of Queensland.

Racing Queensland took the initiative to seek a further \$10m of cash from the Queensland Government to improve its cash reserves. This approach will ensure the organisation has sufficient cash reserves to operate for a period of time, should there be delays in the receipt of wagering revenue due to unforeseen circumstances.

QLD WAGERING TURNOVER – ALL CODES





Artist impression only

INFRASTRUCTURE

An important task for the new Board was the formulation of a new infrastructure plan. Racing Queensland approached the task with a robust, evidence-based methodology including customer research, consultation, independent demographic research and venue analysis.

In November 2016, clubs were asked to submit requests for infrastructure spending. The Racing Infrastructure Fund (RIF) has \$63 million available now and a further \$43.8 million of inflows expected from the UBET agreement up until 2023.

After 2023, the 30-year agreement with Racing Queensland does not require further RIF contributions from UBET.

A further \$12 million will be available from loan repayments due by 2027.

Key criteria for submissions included: racing infrastructure, animal and participant welfare, asset optimisation, community benefit and delivering new income to build club sustainability.

There were 55 submissions containing more than 170 projects across 68 clubs. Racing Queensland also analysed its venue inspection database, which identified key animal welfare and safety needs.

\$19 million of projects were earmarked for immediate delivery, which will benefit 112 clubs across the state.

The submission process also identified that the industry's infrastructure needs are greater than \$198 million, which exceeds the \$120m available in the RIF. It is clear that the racing industry needs to work to develop new funding streams for capital investment.

To ensure the infrastructure plan accommodates both existing and future requirements, Racing Queensland commissioned several pieces of research to help inform strategy:

- Deloitte reviewed the infrastructure needs of the greyhound and harness racing codes in south-east Queensland
- An independent stakeholder consultation process was conducted to seek the views of SEQ harness and greyhound industry participants
- Roy Morgan consumer research was utilised, based on 50,000 yearly survey respondents.

The research identified that Albion Park is not meeting the needs of participants and customers and that investment is required. Albion Park harness and greyhound participants also highlighted the logistical benefits of introducing more conveniently located harness and greyhound centres.

The research also identified that only 14% of the population within a 10km radius of Albion Park show a likely interest in harness racing and interest in greyhound racing is only slightly higher at 23%.

RQ formed the view that greyhound and harness racing are better served and positioned for future growth, by the development of new facilities in growth areas, rather than investing in Albion Park.

The analysis identified the need for up to two new or replacement greyhound venues; and up to two new or replacement harness facilities, to the south and west of Brisbane. The need for a single turn greyhound track was also identified.

Racing Queensland subsequently launched an Expression Of Interest (EOI) process to identify potential locations for new facilities. The initial process attracted 44 submissions and a shortlist for further assessment and negotiation was determined.

Racing Queensland owns the Albion Park site and a detailed assessment has been undertaken to assess the best options for the site and the opportunities for both greyhound and harness through any potential relocation.

An application to the Brisbane City Council to submit a development application under the superseded planning scheme was recently refused. Racing Queensland is reviewing its options with a view to potentially submitting further development applications for Albion Park.

In June 2017 the first two major infrastructure projects were announced – the \$6 million Country and Regional Capital Works Program and the \$13 million redevelopment of facilities at the Ipswich Turf Club.

The \$6 million for Country and Regional racing infrastructure benefits all codes and 112 clubs, with projects including water harvesting, critical racing infrastructure (stewards' towers, running rails, barrier stalls and starting boxes) and animal welfare equipment.

The Ipswich project includes remedial works including the partial resurfacing of the course proper, improved drainage and irrigation. There will also be a new building for jockeys, stewards, food and beverage facilities and a new function centre with facilities for on-course patrons.

The project also includes provision for the construction of a sealed car park, new race day stalls, float set-down area and other considerations, should the commercial development proceed on a block with subdivision potential on Brisbane Road.

EAGLE FARM

Racing Queensland deemed Eagle Farm unfit for racing after the Kingsford Smith Cup meeting on May 27, 2017. Key industry participants supported the decision and the remaining Brisbane Carnival race events were transferred to Doomben.

Acting on a Direction from Minister for Racing Grace Grace, Racing Queensland engaged former Victoria Racing Club CEO and current Harness Racing Victoria chair Dale Monteith to review the performance of the Eagle Farm track and to identify solutions to return the track to racing.

The results of the review were provided to the Minister and a remediation plan was agreed with the Brisbane Racing Club (BRC), which is aimed at returning the Eagle Farm track to racing in April 2018.

Racing Queensland and the BRC are determined to ensure Eagle Farm retains its place as Queensland's premier track and the remediation project is a key priority.

KEY POLICY CHANGES

Racing Queensland announced changes to the terms for approved wagering operators to publish and use Queensland race fields from January 1, 2017.

As a result of this, and through increased national support for Queensland racing, there has been significant growth in revenue from Race Information Fees.

During 2016-17, Racing Minister Grace Grace accepted a recommendation from Racing Queensland to introduce a Minimum Bet Limit framework for Queensland.

This change will bring Queensland into line with the major southern racing jurisdictions and the new provisions will take effect from January 2018.

Racing Queensland took action after an independent review identified that on-course bookmakers in Queensland were paying substantially more in total fees than their New South Wales and Victorian counterparts.

To create a more competitive and equitable landscape Racing Queensland issued a control body direction prohibiting clubs from charging on-course bookmakers stand fees. Racing Queensland agreed to provide financial support to affected clubs for a short period of time and will review club funding arrangements in FY18 to ensure that clubs can adjust their business models to accommodate these changes.

The arrangements for on-course bookmakers were also simplified with the abolition of the On-Course Fielding Incentive Scheme, which will streamline club administration procedures.

Following consultation, Racing Queensland has implemented a new tiered framework for assessing race clubs' infrastructure. The minimum standards reflect key practical considerations and the status of the club; i.e. TAB Metropolitan, TAB Regional, Non TAB (Community) and Picnic.

RACING ADVISORY PANELS

During 2016-17 Racing Queensland announced the establishment of new industry advisory panels, across the three codes of racing in the state, which will complement the work undertaken by the existing Country Racing Panel (for the thoroughbred code).

Each panel meets quarterly and comprises a cross-section of industry representatives. These advisory panels provide recommendations to Racing Queensland and assist with strategy, policy formulation and operational review.

The industry advisory panels are part of the organisation's commitment to working with industry stakeholders across all codes and regions.

RACING CARNIVALS THOROUGHBRED

Racing Queensland revamped the Summer Racing Carnival for the thoroughbred code, with a new focus on four major lead-up days to the prestigious \$10m Magic Millions race day.

The Summer Crowns, sponsored by UBET, was introduced with four \$0.5m bonuses on offer. The Bernborough race day on New Year's Eve at Eagle Farm was a highlight, with two of the bonuses being won. Six of the eight races at the Bernborough meeting were Black Type, while the entire carnival featured 16 Black Type races in total.





The Jockey Origin series was another highlight with some of Australia and New Zealand's leading riders fighting out the title over three weeks with an unprecedented tie between NSW and WA.

Pleasingly, the new initiatives resulted in strong commercial performance and average race turnover for the carnival increased by 22%.

Racing Queensland introduced some important changes to the Brisbane Winter Racing Carnival, aimed at improving the progression of races and distances in the pattern. The changes implemented provided horses with an optimal progression of Group One race distances with the Doomben 10,000 at 1200-metres, the Kingsford Smith Cup at 1300-metres and the Stradbroke Handicap at 1400-metres.

The Group 3 Fred Best Classic was moved from Doomben on May 20 to Eagle Farm on May 27. The Fred Best Classic has attracted some of the most progressive 3 year olds in Australia over recent seasons and the race has tremendous potential.

The programming changes were successful with excellent support for the carnival and significant interstate and international representation.

Five days of the Brisbane Winter Carnival were also featured, for the first time, on the free to air channel racing.com in addition to regular feature Sky Racing coverage. Coverage on racing.com reaches approximately 95% of Australian homes, significantly boosting the exposure of Queensland racing.

Online users also enjoyed the new, free coverage via live streaming, and dedicated Queensland production provided by Sky Racing on the Racing Queensland website.

GREYHOUND

The Greyhound code presented an exciting schedule of feature racing. The 2017 Winter Carnival experienced an increase in average race turnover of 23% over the previous year.

The successful Group 3 elevation of the Winter Chase at Albion Park also helped to play a role driving strong fields leading into the Group 1 Gold Cup.

HARNESS

The Harness racing season kicked off in July 2016 with the UBET Picket Fence race series and the running of the Winter Carnival feature race, Blacks A Fake. The season saw the reintroduction of the popular Rising Star and Pot of Gold Series, delivering weekly opportunities for progressive horses.

Queensland led the way in the national 'Team Teal' promotion with the state's reinswomen raising over \$38,000 for the fight against ovarian cancer.

MARKETING AND PROMOTION

Research helped to highlight the gap in awareness and preference to wager on Queensland's races. The research, especially from Victorian and NSW punters, highlighted wagering growth could be achieved if there was better information available about local jockeys, trainers and horses.

To improve awareness, Racing Queensland has launched two new information channels, "Racing Qld Events" and "Puntersland – by Racing Queensland". These digital channels provide enhanced information on the places, races and faces which will in turn enhance wagering turnover.

Racing Queensland also implemented the landmark "We're Racing Everywhere" campaign to promote event attendance across the state.



An agreement with Punters.com.au has also provided additional high quality exposure of Queensland racing to younger audiences across Australia, with in depth reviews and previews of key races.

Improving the functionality of race replays on the Racing Queensland website has been associated with website visitation increasing by over 20%.

A consistent "Always On" daily promotion schedule has also seen improved awareness of racing events across the state in key target markets.

A weekly "Around the Tracks" column in the Courier Mail has improved coverage of all code racing activity along with four full-page lift outs, plus state-wide TV advertising leading into each of the codes' key Winter Carnival periods.

Specific wagering promotions, in collaboration with UBET, have also helped to improve customer awareness through wide-reaching digital campaigns. Additional collaborative campaigns, with other key wagering partners, included special offers and enhanced race previews which were designed to appeal to Victorian and NSW customers.

Racing Queensland's new promotional programs are reaching millions of potential customers and will continue to maintain a balanced approach to promote event attendance, enhanced wagering and improved industry participant services.

THOROUGHBRED COUNTRY RACING

Racing Queensland and the State Government continue to provide strong support for country racing through a range of initiatives.

The State Government's Country Racing Support Package generously provided \$6m of direct financial support to country and community racing. While this does not cover all the costs associated with running those meetings, it is a significant contribution (59%) to prize money and bonuses and helped to maintain the same number of meetings in the FY17 calendar as previous years.

As part of the revamped Summer Racing Carnival, four Country Cup Qualifiers were also introduced, leading into the Magic Millions Country Cup on January 14, 2017. Each qualifier was run for a purse of \$30,000 with a \$20,000 bonus if the winner was Magic Millions registered. The 2017 qualifiers were run at Townsville on December 17, Sunshine Coast on December 18, Warwick on December 26 and Rockhampton on December 31.

The 2017-18 race dates were announced in March following extensive industry consultation. There are thirteen non-TAB race days that have been awarded TAB status, including six at the Cairns Jockey Club, two at the Lockyer Race Club and one each at Dalby, Kilcoy, Roma and Warwick.

A new Country Racing Series was also announced and is spread across 18 country and regional clubs.

The Race to Roma started in July 2017 and ran for four weeks. This will be followed by the Outback Showcase beginning in April 2018 in Julia Creek and the Race to the Reef in May 2018.

Support was also provided through the previously mentioned \$6m Country and Regional Capital Works Package which benefits 112 clubs throughout the state.

Racing Queensland continues to work closely with the Country Racing Panel in order to secure a sustainable future for country and community racing in this state.



TABCORP AGREEMENT

During 2016-17 Racing Queensland and Tabcorp signed a Deed of Understanding should Tabcorp's proposed merger with the Tatts Group proceed.

The Deed provides greater certainty for Racing Queensland in relation to the benefits that the merged Tabcorp-Tatts company will deliver for the Queensland racing industry.

Tabcorp has committed to an increase in capital investment in the Queensland wagering business across retail and on-course wagering facilities, as well as committing to implementing increases in investments in technology, sponsorships and marketing.

IMPACT OF CYCLONE DEBBIE

Cyclone Debbie and the resultant aftermath affected many industry participants, from Bowen to Beaudesert.

Infrastructure damage exceeded \$2m and there was significant disruption to racing and training at venues such as Rockhampton and Beaudesert.

Despite the enormity of the clean-up task, club personnel and volunteers worked tirelessly to repair the damage.

Racing Queensland worked with government to secure financial support to meet the clean-up costs. The State Government provided a grant of \$778,000 to help the nine clubs impacted.

Racing Queensland also liaised with insurance brokers and provided advance meeting payments to help meet club cash obligations where required.



Rockhampton Turf Club and Rockhampton Greyhound Racing Club during flooding from Cyclone Debbie.

Racing Queensland launched an Animal Welfare and Training Assistance Fund with an initial donation of \$20,000 eventually raising around \$140,000 for distribution to trainers in the affected regions.

The support of UBET, Tabcorp, Ladbrokes, William Hill, Bet365, Crownbet, Sportsbet and the Brisbane Racing Club which assisted with fundraising efforts, is greatly appreciated.

The State Government provided a grant of **\$778,000** to help the nine clubs impacted.



FUTURE STRATEGY

Racing Queensland has developed a bold, long-term plan to grow and develop the Queensland racing industry. The FY18–FY20 Strategic Plan has five key pillars and aims to make racing Queensland's favourite sport and Racing Queensland Australia's best racing jurisdiction.

The new strategic plan and the infrastructure plan have both been based on extensive research and consultation. Solutions for the industry's enduring infrastructure funding challenges have been outlined which also best position harness and greyhound codes for future growth. Significant investment has already been directed to the digital world to ensure racing engages and excites new audiences.

Racing Queensland appreciates the support and ongoing passion shown by the industry as we move towards the fulfilment of these priorities. We are now at a critical stage in our transformation path, one that all of our stakeholders have helped us to shape.

The entire team at Racing Queensland are looking forward to continuing to work with all of our stakeholders, as we build a prosperous future for the Queensland racing industry.



Dr Eliot Forbes, CEO

Over the next three years Racing Queensland will:

Boost participant returns

including prize money, in a sustainable manner.



Invest in significant infrastructure

projects across all three codes.

Build and deliver

a customer engagement model to drive the business of racing.



Work with clubs

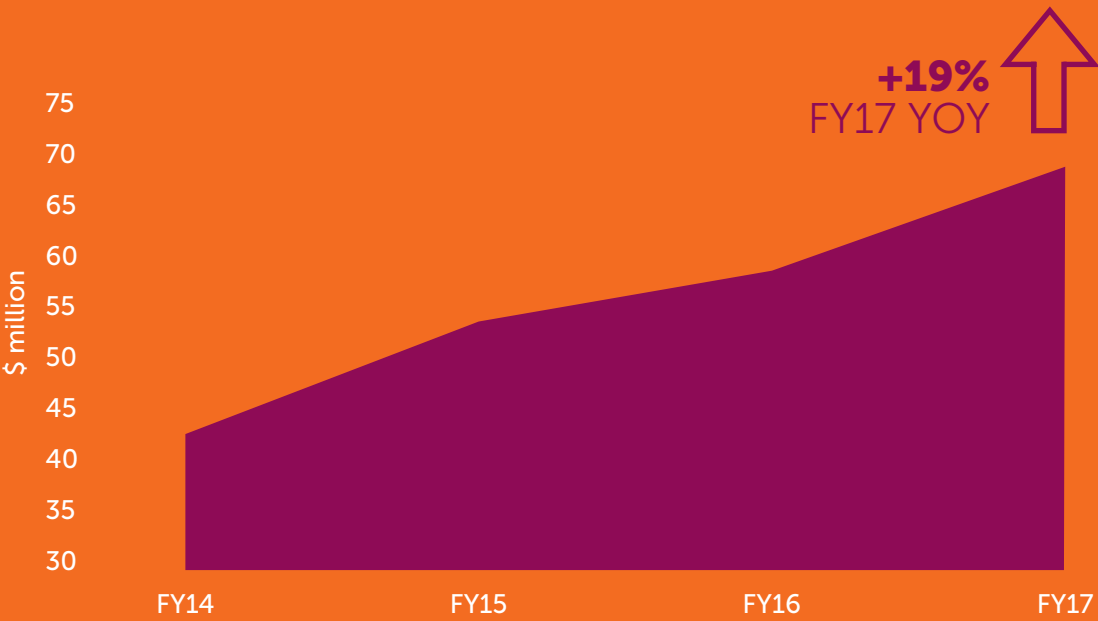
to improve attendance and commercial returns.

Engage with the community

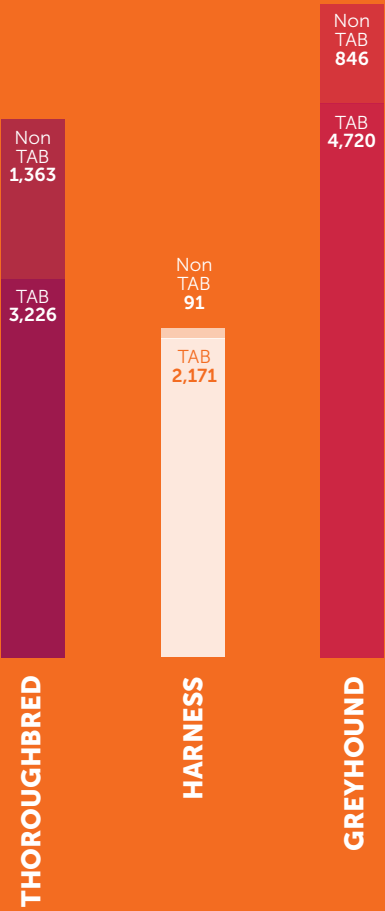
to ensure greater understanding of the racing industry's contribution to society.



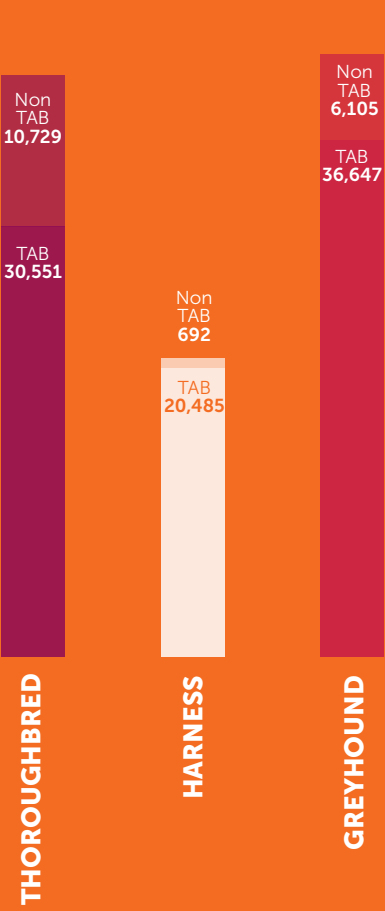
RACE INFORMATION FEES – REVENUE (NET OF PRODUCT REBATE)



NUMBER OF RACES BY CODE 2016-17



NUMBER OF STARTERS BY CODE 2016-17



THOROUGHBRED

SEASON 2016-17 SAW 435 THOROUGHBRED
TAB RACE MEETINGS CONDUCTED AND
3,226 INDIVIDUAL RACES RUN.



THOROUGHBRED CLUBS

| | |
|---------|-----|
| TAB | 13 |
| Non-TAB | 107 |
| Total | 120 |

The industry's non-TAB racing outcomes were also significant with more than 10,729 starters contesting 1,363 races.

Wagering turnover on Queensland Thoroughbred racing increased by 12.3% to \$2.76b with growth in wagering of \$302.1m for the financial year.

One of the key contributors to these results was the Summer Carnival, widely judged a resounding success following its strong participant support, wagering outcomes and overall interest in the Queensland thoroughbred product.

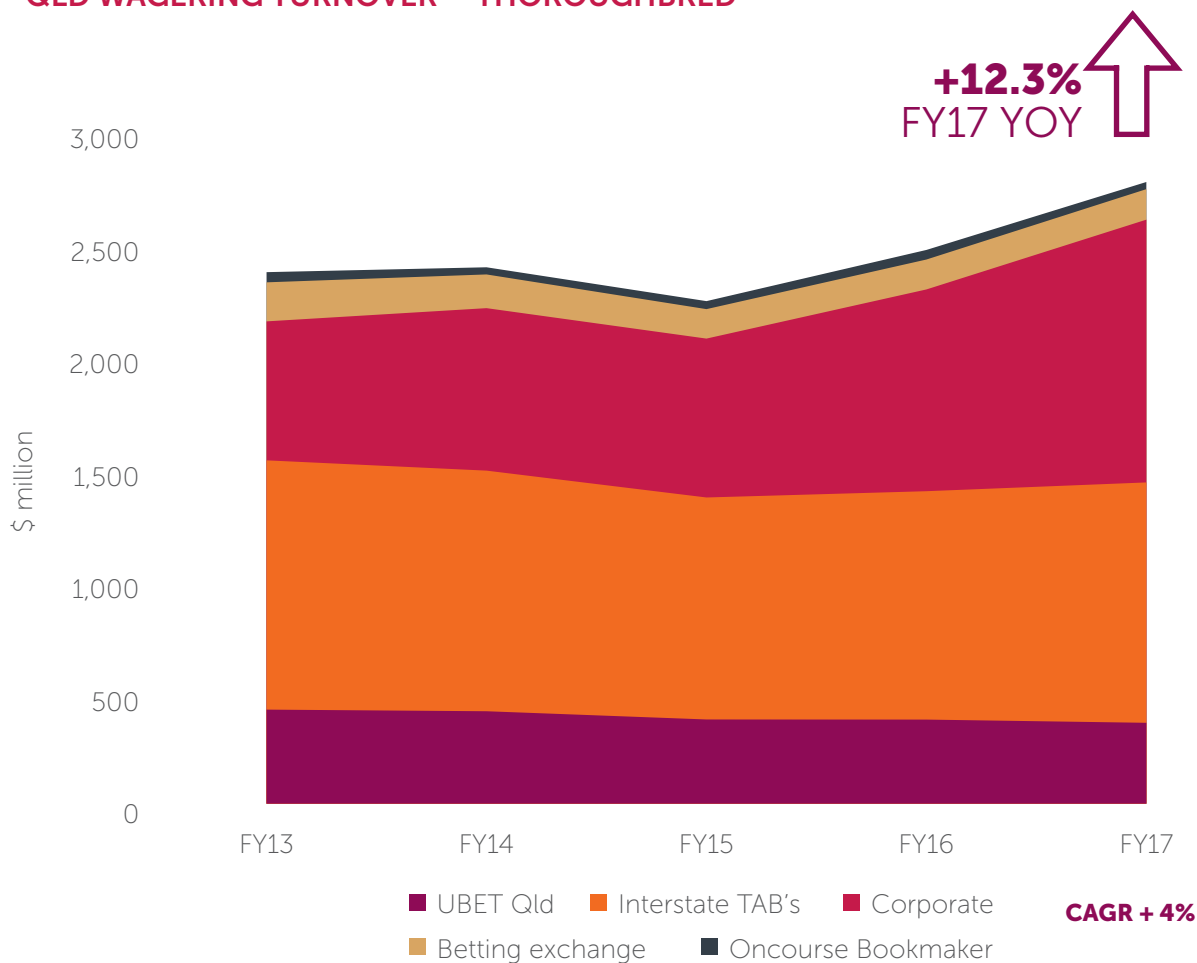
In total, \$14m in prize money was offered over the Carnival and the 16 Black Type Races contested during it provided high class racing with quality fields assembled throughout.

The \$10m Magic Millions raceday at the Gold Coast Turf Club in January was the jewel in the Summer Carnival, and Racing Queensland introduced three major lead-up race days at Doomben and Eagle Farm to drive participation leading into that 'grand final day'.

Total wagering turnover on the Magic Millions raceday increased by 16% to \$53.7m – a strong result following the large increase of 39% recorded in 2016 when the program was extended to a nine race card for the first time. Notably also, the average field size at Magic Millions increased from 14.7 to 16, an 8.1% uplift, while the average Summer Carnival field size, exclusive of the Magic Millions raceday, increased by 6% to 12.4.

Also included in the Summer Carnival's composition was the second edition of the State of Origin Jockey Series. The series again delivered an increased profile for the industry and importantly, wagering growth of 6.6% per race was achieved when compared to its inaugural year.

QLD WAGERING TURNOVER – THOROUGHBRED



In February 2017, Racing Queensland announced the \$250,000 QTIS 2YO Jewel on the Gold Coast scheduled for March 2018. This event, exclusive to QTIS horses, is set to become a highlight on the annual racing calendar for Queensland owners and trainers and will undoubtedly generate increased interest in the March QTIS sale.

The success of the QTIS scheme was again evidenced right throughout the state with in excess of 690 bonuses won which delivered \$7.45m in QTIS bonuses to the winning connections of Queensland bred horses. The outstanding performer for the QTIS scheme this year was Tony McMahon's star 2YO Paradis Imperial, the Rockhampton filly added over \$112,000 in QTIS bonuses to her stakes with six wins recorded to the end of June.

The Queensland Winter Racing Carnival again proved to be the pinnacle of racing in our state. Despite the unavailability of Eagle Farm for the majority of its signature events, the wagering levels recorded were strong throughout the Carnival's entirety. The Black Type Races contested achieved good outcomes as measured by the Australian Pattern Committee ratings.

The Group 1 Race winners in Queensland in 2016-17 were:

- Doomben 10,000 – Redzel
- Doomben Cup – Sense of Occasion
- Kingsford Smith Cup (ex BTC Cup) – Clearly Innocent
- Queensland Oaks – Egg Tart
- Stradbroke Handicap – Impending
- Queensland Derby – Ruthven
- J.J Atkins – Capital Gain
- Tattersall's Tiara – Tycoon Tara

The 2016-17 season in its entirety saw a number of racing highlights, both equine and human.

Two Queensland trained horses recorded success at the Group 1 level with Yankee Rose taking the honours in the Spring Champion Stakes in Sydney

and Capital Gain greeting the judge in the pinnacle of the Winter Carnival's 2YO races, the J.J. Atkins.

As winners of two of the three (\$500,000) Summer Crown bonuses on offer, Most Important and Winning Rupert stamped themselves as horses of the highest quality, and in the 2YO ranks, Houtzen swept all before her in Queensland, the highlight of her accomplishments being her stunning win in the Magic Millions 2YO Classic.

Many of the racing initiatives implemented within the financial year were delivered through industry consultation provided by the Thoroughbred and Country Advisory Panels. This included the trial revision of minimum starters policy and minimum races policy that expanded opportunities for participants and race clubs throughout Queensland.

The metropolitan trainers premiership was again won by Tony Gollan, his third title in succession. Young Toowoomba based trainer Ben Currie also had an exciting season, training in excess of one hundred winners, to claim the State Trainers Title.

The jockeys premiership saw Jeff Lloyd ride his way into the record books when he broke Chris Munce's record for wins in a season. In the apprentice jockey ranks, Tiffany Brooker secured the title for most metropolitan wins – whilst rising star from Rockhampton, Zoe White, claimed the state and provincial title.

Country racing will also continue to be a key component of the calendar in 2017-18 with thirteen non-TAB race meetings converted to TAB status. The 2017-18 season will also see the advent of a number of series' which have been created to showcase country racing.

Racing Queensland was pleased to announce a prize money increase of \$2.3m which has been directed towards a number of races around the State.



GREYHOUND

GREYHOUND RACING IN QUEENSLAND
CONTINUED ITS TRACK RECORD OF SUCCESS
IN 2016-17, WITH WAGERING TURNOVER UP
8.7% IN THE CURRENT YEAR.

Queensland greyhound racing has undergone a major transformation in recent times following the recommendations made in the MacSporran Report which clearly defined a framework to facilitate the continuation of the industry in the state.

Racing Queensland places animal welfare as a key priority and fully supports the role of the Queensland Racing Integrity Commission and will work with them to ensure the governance and administration of the industry delivers the best outcome for all stakeholders.



GREYHOUND CLUBS

| | |
|---------|---|
| TAB | 4 |
| Non-TAB | 3 |
| Total | 7 |

Racing Queensland introduced a number of new initiatives to assist the code during 2016-17.

In February 2017, commencement of Finish On Lure (FOL) trials at race meetings was announced following recommendations by the Greyhound Racing Advisory Panel. The purpose of introducing the FOL is to reduce the number of non-chasing instances at race meetings and maximise the potential racing career for greyhounds in Queensland. A review by Racing Queensland in 2010 showed that the Finish On Lure was a significant motivating tool for greyhounds to chase consistently – and our latest results to date support this.

The FOL was introduced on a trial basis at Albion Park for a total of 12 race meetings across four months and was recently extended to include a larger number of meetings.

Masters racing was introduced to Albion Park on Thursday evenings in the form of a Grade 5 over 520 metres. Masters racing is designed to give greyhounds the opportunity to extend their racing careers. Pathways racing was also introduced in December 2016, which provides greyhounds of all abilities an opportunity to compete against a similar class of greyhound.

The 2017 Winter Greyhound Racing Carnival kicked off on May 30. This year's Winter Carnival was focused on our 'We're Racing Everywhere' campaign across all three codes.

Racing Queensland's aim was to share the thrill of winter racing throughout the state, and included feature events from Ipswich to Cairns.

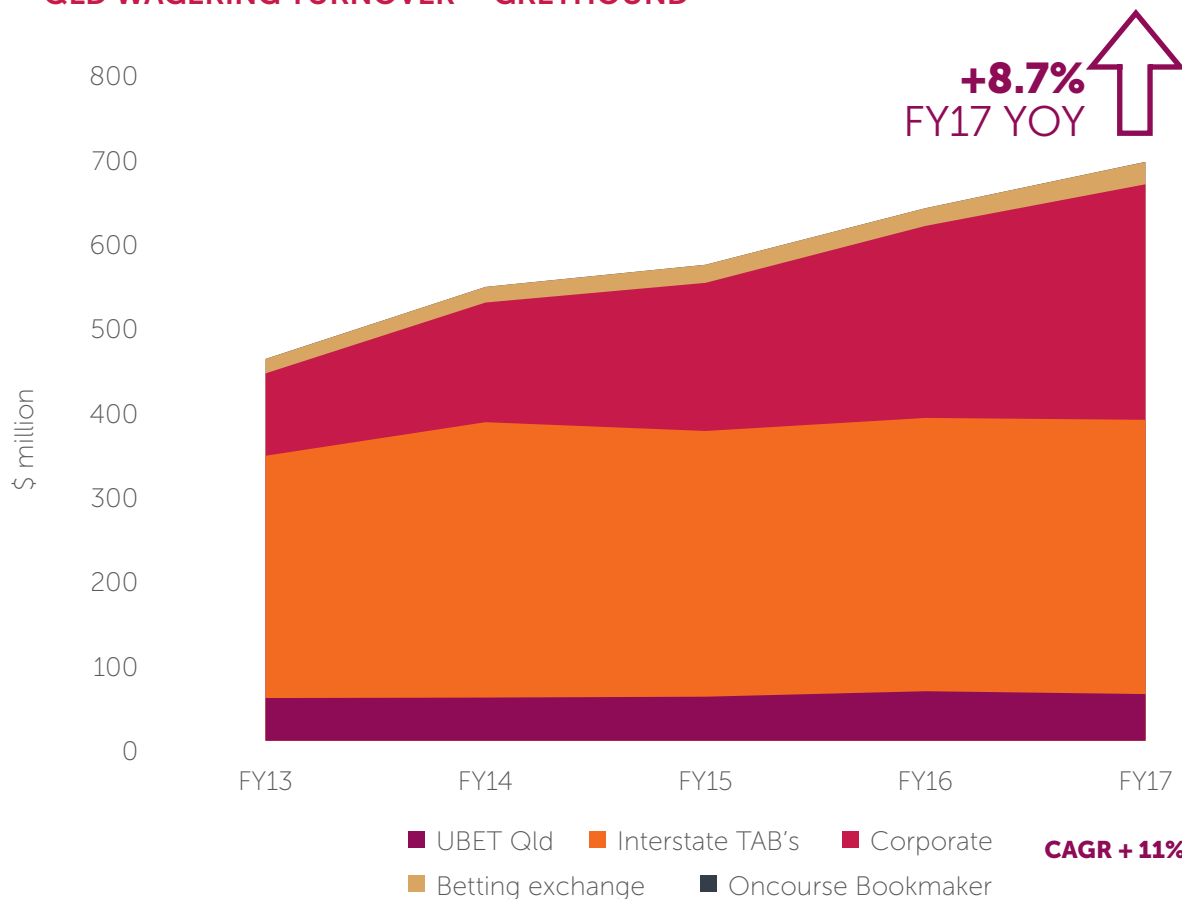
The Brisbane carnival comprised multiple weeks of Group racing action at Albion Park. With the carnival highlights the Group 1 Gold Cup Final (710m) for stayers and the Group 1 Winter Cup (520m) for the sprinters. Both races included \$110,000 total prize money and attracted some of the best greyhounds from around the country. The Winter Chase was also elevated to Group 3 -level prize money for the first time, in recognition of its importance as a lead-in to the Group 1 Gold Cup.

Racegoers were treated to some memorable performances with the Group 1 Gold Cup Final on June 15 dominated by the outstanding Victorian Fanta Bale. The following week Super Night at Albion Park on June 22 featured quality racing over all five race distances at Albion Park including the Group 3 Superstayers Invitational (710m) won by another star Victorian in Burn One Down.

Beyond Albion Park, the Queensland feature race schedule included events hosted by the Ipswich Greyhound Racing Club, Rockhampton Greyhound Racing Club, Townsville Greyhound Racing Club, Capalaba Greyhound Racing Club, Bundaberg Greyhound Racing Club and the Cairns Greyhound Racing Club.



QLD WAGERING TURNOVER – GREYHOUND



Cyclone Debbie and the Fitzroy River flood forced a delay to the staging of the Rockhampton Cup, moving the series to fall within the winter carnival dates. In recognition of the quality of racing in Rockhampton the Rockhampton Cup saw prize money increased to \$37,500 with the aim of achieving an upgrade to Group 3 status and delivering Group races at every TAB venue in Queensland.

The 2016 Greyhound of the Year Awards were held in March 2017 and the winners were:

- 2016 BRISBANE GRC GOTY Bill Elson-trained CYNDIES MAGIC.
- 2016 BUNDABERG GRC GOTY MR REALITY! for owner/trainer Eric Conroy.
- 2016 CAIRNS GOTY PA TING for owner/trainer Robert Lound.
- 2016 CAPALABA GRC GOTY is TWEED DANCER for owner/trainer Mark Johnston.
- 2016 IPSWICH GRC GOTY IS HARRY BAILEY for Pauline & Colin Byers.
- 2016 ROCKHAMPTON GOTY is – Dallas Beckett's TWELVE PLUS TWO.
- 2016 TOWNSVILLE GOTY is ROCKET'S MAGIC for trainer Robert Thomson/owner Robert Lound.
- 2016 QLD GREYHOUND OF THE YEAR AWARDS –Leading owner goes to CYNTHIA ELSON for the 2nd year running.
- 2016 QLD GREYHOUND OF THE YEAR – Trainer's Strike Rate Award is won by ROSS OGDEN with an impressive 40% SR.

- 2016 QLD GOTY AWARDS – Brisbane Sire OTY won by MAGIC SPRITE for owner Courtney Carruthers.
- 2016 Brisbane Broodbitch of the Year is REGAL SILVER for owner Bill Elson.
- 2016 Provincial Greyhound Trainer of the Year is PETER RUETSCHI – 157 wins in 2016 – much admired and much missed.
- 2016 Metropolitan Greyhound Trainer of the Year for 2nd year running is BILL ELSON with 138 metro wins.
- 2016 Country Trainer of the Year (FNQ) ROBERT LOUND – training 77 winners in 2016.
- 2016 Country Trainer of the Year (Central Qld) MARIE RICHARDS – 13 winners over the 2016 season.
- 2016 Women in Racing Award MARY BURMAN – Breeder, trainer, owner.
- 2016 Young Achiever of the Year Award MATTHEW MCGUIRE of Townsville. Trainer and committee member.
- 2016 Top Simbi Award CYNDIE'S MAGIC.
- 2016 UBET GOTY was THIRTY TALKS – 23 wins for the 3YO brindle dog in his 1st season for trainer Tony Brett & owner Leonard Antonio.

As we look to the future, the 2017-18 racing schedule will include 583 greyhound race meetings, with the injection of more than \$400,000 additional prize money for the Queensland greyhound code.

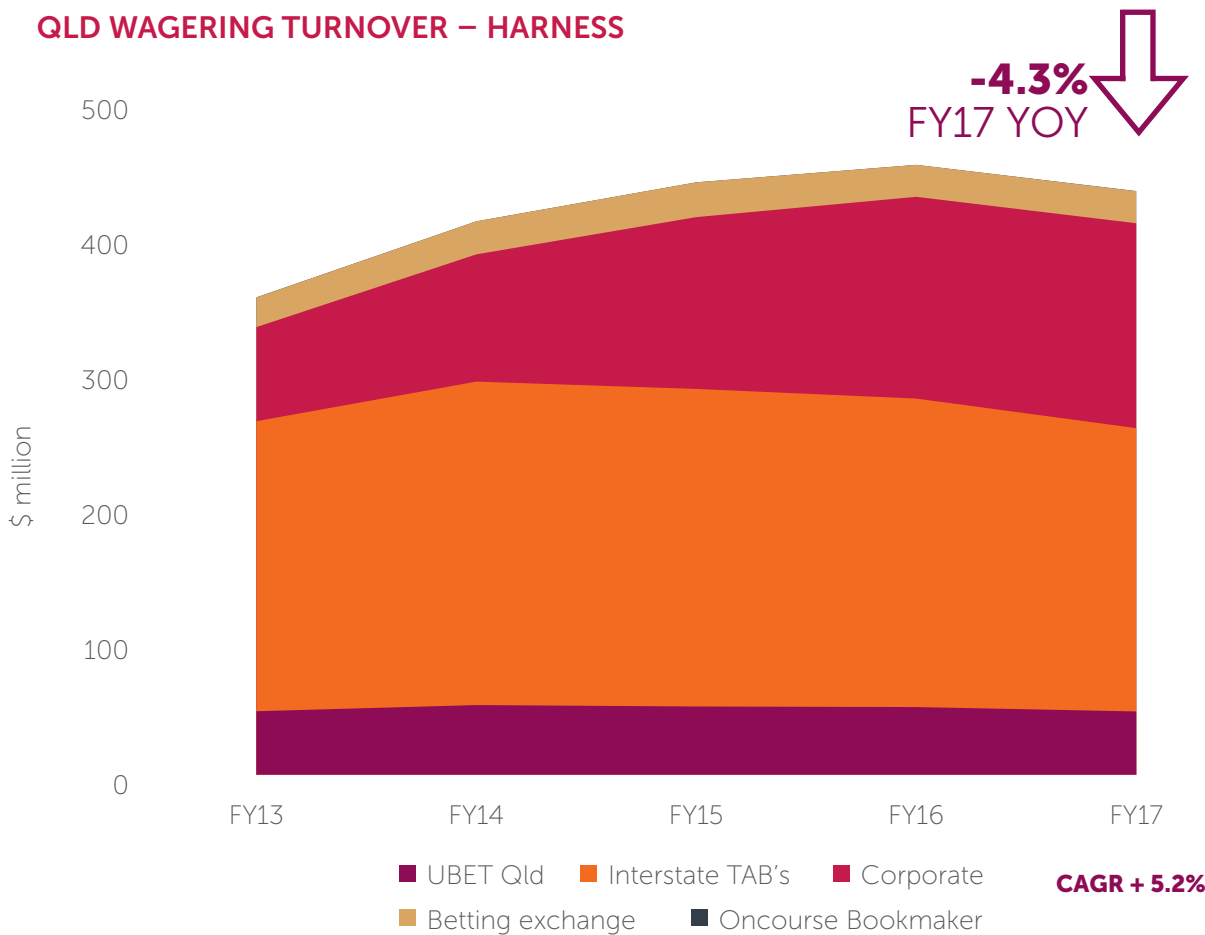
HARNESS

FEATURE RACING AGAIN ATTRACTED MANY OF THE BEST FROM THROUGHOUT AUSTRALASIA, PARTICULARLY FOR THE WINTER CARNIVAL.

22



QLD WAGERING TURNOVER – HARNESS



The QBRED scheme again proved to be a success for owners and breeders throughout the year, highlighted by the increased number of 2YO's who qualified for the \$7,500 2YO bonus, which was up by over 30% year on year. Further enhancements to the scheme, included the reintroduction of the 4YO first win bonus, which was also announced following consultation with the Harness Racing Advisory Panel.

Feature racing again attracted many of the best from throughout Australasia, particularly for the Winter Carnival. The climax to the 2016 Winter Carnival, the UBET Blacks A Fake, saw New Zealander Ohoka Punter victorious over Hectorjayjay while Nek Time with Dexter Dunne aboard won the Queensland Oaks and Catcha A Lefty defied his odds of 50/1 to win the Queensland Derby.

Shane Graham proved why he is Australia's representative at the World Drivers Championship in Canada (August 2017) taking out the State Drivers premiership piloting 247 winners while Grant Dixon continued his dominance of the training ranks with a 5th consecutive Premiership. Our Concession Drivers continue to point towards a bright future for the sport with Nathan Dawson the leading Concession Driver for the first time ahead of Narissa McMullen and Trent Moffat.

HARNESS CLUBS

| | |
|---------|---|
| TAB | 2 |
| Non-TAB | 3 |
| Total | 5 |

In May, 10 of Queensland's best young drivers went head-to-head in the annual BOTRA Queensland Young Drivers Championship which was held at the Redcliffe and Albion Park Harness Racing Clubs. In a positive sign for the future of the sport, four of the 10 drivers contesting the Championship were female, including 2015 Series winner Brittany Graham and fellow young guns Isobel Ross, Danni-elle McMullen and Narissa McMullen.

Seventeen year old Lachie Manzelmann, who qualified for a position in the Series by obtaining his A-Grade license in the weeks leading up to the Championship, claimed the 2017 title. Competing against Queensland's best young drivers over three nights, Manzelmann tied with Danni-elle McMullen on 60 points overall, however claimed the Series on countback with Isobel Ross finishing third on 42 points.



In a shuffle to the fixture, the Pot of Gold and Rising Stars series were introduced at Albion Park, each held weekly. The move comes after consultation with harness racing stakeholders and is aimed at providing an opportunity for local participants to race for attractive prize money on a bi-weekly basis, while improving participation rates for Tuesday and Friday night race meetings.

It has also been a positive year through the industry's support of the Women's Cancer Foundation, with Queensland's female harness drivers taking up the fight against ovarian cancer, taking part in the TEAM TEAL initiative. Ambassadors Trista Dixon, Brittany Graham, Danni-elle McMullen and Isobel Ross wore Cancer Foundation silks and teal pants in each of their races through February and March to raise funds for ovarian cancer research. Each time a female driver crossed the line victorious at our Albion or Redcliffe tracks, \$600 was donated to the Women's Cancer Foundation. This was an initiative proudly supported by Racing Queensland, UBET, Albion Park Harness Racing Club and Redcliffe Harness Racing Club. Our Queensland female drivers raised over \$38,000 – an amazing effort going directly to a very worthy cause.

After positive wagering growth over the past 5 years, Queensland harness racing saw a 4.3% decline in Queensland wagering turnover, partly impacted by reduced acceptances resulting in approximately 60 fewer TAB races. A similar trend has occurred nationally and Racing Queensland in conjunction with other Principal Racing Authorities and Harness Racing Australia are currently working collaboratively to address the recent downturn.

Racing Queensland held a dedicated harness strategy day in May 2017, inviting some of Australia's leading administrators to consider new growth strategies for the harness code. A customised plan has been formulated and was recently tabled at the Harness Advisory Panel where it was unanimously endorsed by panel members.

Nationally Harness Racing Australia (HRA) announced changes to the use of whips in harness racing and the introduction of microchipping, both measures aimed at improving integrity and animal welfare practices. Work continues on reform to whip rules with Racing Queensland working in collaboration with HRA, QRIC and the Breeders, Owners, Trainers and Reinspersons Association (BOTRA) to achieve national rules and standards while the introduction of microchipping will aid the identification of horses, assist with transfer between trainers and transition to rehoming post racing.

Looking ahead to 2017-18, we have released an exciting new race schedule which includes 282 harness meetings. We were pleased to announce a prize money increase of \$505k which has been directed to strengthening the Redcliffe mid-week program and the implementation of an extra 2YO breeders series. A key highlight for the new race schedule will be the Blacks A Fake night with the feature race now attaining Grand Circuit status, joining an elite group of race events from Australia and New Zealand.

Additionally Queensland will take centre stage in December to conduct the Australasian Young Drivers Championship. The schedule also includes six dual code meetings between Kilcoy and Gympie, and an additional non-TAB fixture at Marburg for the running of a Junior Drivers Series.

QUEENSLAND GOVERNMENT'S OBJECTIVES FOR THE COMMUNITY

The racing industry in Queensland contributes to the State Government's objectives for the community by:

CREATING JOBS AND A DIVERSE ECONOMY

- The Queensland Racing industry employs tens-of-thousands of people directly in a range of vocations from horse and greyhound trainers to veterinary surgeons, stewards, administrators, jockeys and drivers
- The racing industry also facilitates employment in a range of supplementary industries from feed and stock to transport and civil works
- Racing's breeding industries attract investment from overseas and interstate and produce a range of employment opportunities for Queenslanders
- Racing delivers capital works and industry infrastructure programs

PROTECTING THE ENVIRONMENT

- All Racing Queensland approved infrastructure projects are constructed in line with responsible development procedures and all relevant planning legislation, including those relative to environment and heritage protection
- Furthermore, all future development projects will be encouraged to explore the possibility of multi-use facilities to ensure the best-possible use of space, including sports facilities and park areas

DELIVERING QUALITY FRONTLINE SERVICES

- Racing Queensland is committed to ensuring our employees are provided with opportunities to develop their vocations for their own individual benefit and the benefit of the wider industry
- Racing Queensland is committed to providing opportunities for those pursuing a career in the racing industry to have access to adequate training in their chosen field
- Providing opportunity for owners to participate in the racing industry, without large additional overheads

BUILDING SAFE, CARING AND CONNECTED COMMUNITIES

- Racing is conducted across more than 130 venues throughout the length and breadth of the state. Racecourses throughout metropolitan and country Queensland play a role in galvanising communities as people come together to celebrate the iconic sport of racing.

DIRECTION FROM THE MINISTER

In accordance with the *Racing Act 2002*, Racing Queensland received the following Ministerial Directions:

Direction from the Hon. Grace Grace MP, Minister for Employment and Industrial Relations, Minister for Sport and Minister for Multicultural Affairs on January 27, 2017 that Racing Queensland Board:

- does not proceed with the development of Cronulla Park
- transfer the freehold title for the Cronulla Park site to the Logan City Council (LCC) for nil consideration.

Direction from the Hon. Grace Grace MP, Minister for Employment and Industrial Relations, Minister for Sport and Minister for Multicultural Affairs on June 5, 2017 that Racing Queensland Board to take all necessary steps to ensure the Eagle Farm track is rectified and made fit for purpose as an immediate priority.

In addition, the Minister requested that Racing Queensland provide the Minister with a full briefing regarding this matter.

OBJECTIVES, KEY INDUSTRY PERFORMANCE INDICATORS



COMMERCIAL

Manage and drive the commercial performance of the business of racing in Queensland



INDUSTRY SUSTAINABILITY

Create a sustainable racing industry in Queensland



INFRASTRUCTURE

20+ year plan to meet operational requirements, customer expectations and leverage industry assets



ORGANISATIONAL

Develop organisational systems and capability to improve performance delivery & efficiencies



COMMUNITY

Racing to be recognised as a significant contributor to the Queensland community

In December 2016, Racing Queensland's Board and executive team formulated an updated set of core strategic drivers. Within these drivers, key performance indicator (KPI) targets were agreed to at a Board and Minister level to help assess Racing Queensland's progress towards its goals.

Although less than 6 months since the setting of these KPI's, some solid initial results are below with further detail to be provided in the FY18-FY21 strategic plan:

| AREA | KPI | FY17 RESULT |
|--------------------------|--|---|
| Commercial | Grow total revenue by 5% by FY2020 | \$10.4m growth +4.5% vs FY16 |
| | Grow net wagering revenue by 8% by FY2020 | \$7.1m growth +3.5% vs FY16 |
| | Achieve Profit / Loss Budget | \$146k loss (parent level) \$19.6m turnaround vs FY16 |
| | Reduce overhead costs as a % of net wagering revenue by FY2020 | Expenses decreased \$9.3m -3.7% vs FY16 |
| Industry sustainability | Increase returns to participants by 11% by FY2020 | FY18 prize money increased by \$3.2m |
| Infrastructure by FY2020 | Country and regional capital works program | \$6m funds granted and works in progress covering 112 clubs \$13m redevelopment of the Ipswich Turf Club |
| Organisational | Grow website traffic by 15% per annum by FY2020 | Sessions 1.6m +20.1% Users 482k +21.84% |
| Community | Identify and grow economic impact of racing to the QLD economy | \$1.2b as at FY17 vs \$1.06b at FY09 |

ORGANISATIONAL STRUCTURE AND MANAGEMENT TEAM



27

FY17

| | |
|--------------------------------|---|
| NAME OF GOVERNMENT BODY | Racing Queensland Board |
| ACT OR INSTRUMENT | <i>Racing Act 2002</i> |
| FUNCTIONS | <p>The Racing Queensland Board (trading as Racing Queensland) was established under s6 of the <i>Racing Act 2002</i>. Racing Queensland is a statutory body under the <i>Financial Accountability Act 2009</i> and the <i>Statutory Bodies Financial Arrangements Act 1982</i> and a unit of public administration under the <i>Crime and Misconduct Act 2001</i>. The Racing Queensland Board is the control body for all three codes of racing (Thoroughbred, Harness, and Greyhound) in Queensland and coordinates, manages and regulates the industry by:</p> <ul style="list-style-type: none"> ▪ licensing race clubs and venues, monitoring their activities and performance ▪ commissioning and undertaking research and promotional activities ▪ administering industry funding and commercial agreements ▪ encourage and facilitate the development of ancillary racing activities for the code of racing, including, for example, the breeding and training of animals ▪ providing an effective and efficient system for the distribution of prize money ▪ maintaining a capital works program across the codes of racing ▪ developing an effective product and program mix ▪ issue race information authorities under s134 and 135 of the <i>Racing Act 2002</i> ▪ promote animal welfare and prevent animal cruelty, including ensuring adequate training is provided to participants to achieve this. ▪ representing the Queensland racing industry on the three peak national bodies and their subcommittees; Racing Australia, Harness Racing Australia (HRA) and Greyhounds Australasia Limited (GAL). <p>The role of the Racing Queensland Board is to provide strategic guidance for the three codes of racing and effective oversight of management. In performing its role, the Racing Queensland Board aspires to excellence in governance standards.</p> |
| ACHIEVEMENTS | <ul style="list-style-type: none"> ▪ Total wagering turnover growth on Queensland races of 9.5% ▪ Total revenue growth of \$10.4m +4.5% vs FY16 ▪ Wagering revenue growth of \$7.1m +3.5% vs FY16 ▪ \$146k loss FY17 (parent level) showing a \$19.8m turnaround vs FY16 loss ▪ Reduction of costs as a percentage of overheads of \$9.3m -3.7% vs FY16 ▪ Country racing continued support with \$6m funds granted and works in progress covering 112 clubs ▪ Website sessions 1.6m +20.1% & users 482k +21.84% |

BOARD



STEVE WILSON AM
CHAIR OF THE BOARD

Steve Wilson AM had an extensive career in the investment industry in the United Kingdom and Australia. He led the Brisbane stockbroker Wilsons to become a national leader in emerging companies and established investment management companies Hyperion (1996) and Pinnacle (2006). Currently Pinnacle's affiliates have funds under management of \$26 billion.

He is Chair of the Russo Business School and a director of Pinnacle Investment Management, Centre for Independent Studies, Racing Australia and Australian Oil Shale Holding Ltd. He previously chaired South Bank Corporation (16 years), Hyperion Asset Management, St John's Cathedral Completion Fund and Queensland Rugby Union and was a Director of Telstra, Tourism Queensland and Councillor of QUT.

He was awarded an Order of Australia for services to the finance industry and community and the BDA Gold Medal award for his role in transforming South Bank.



MARGARET REYNOLDS
MEMBER

Margaret was previously the Secretary/Treasurer of the Qld Breeders Owners Trainers Reinspersons Association and has over 50 years involvement in all aspects of the sport.

She is a former Director, and current executive member, of Harness Racing Australia and was also Secretary/Manager of North Qld Harness Racing Club.

Margaret, an experienced retail buyer for Myer and David Jones for many years, is very passionate as a breeder/owner and is the recipient of awards for service to the industry including the national meritorious award.



DALE CARTWRIGHT
MEMBER

Dale Cartwright is the Managing Director and Principal of the Cartwright Property Group, a highly recognised and accredited member of the Queensland real estate industry he established in 2003.

While Dale enjoys all aspects of the three codes of racing, he has a long-standing personal interest in the greyhound industry. His deep understanding of the greyhound industry and its heritage is valuable in informing his views of the future of the sector.

Dale is a Director of Greyhounds Australasia, and chairs the Greyhound Industry Advisory Panel meetings. He is also a former President of the Brisbane Greyhound Racing Club; where he convened the Queensland Greyhound Affiliation which dealt with industry and animal welfare issues in a very fraught public environment.



MARK SOWERBY MEMBER

Mark is the founder and Managing Director of Blue Sky Alternative Investments Ltd, an alternative asset manager. In March 2016, Blue Sky was admitted to the ASX index as one of Australia's top 300 listed companies with a market capitalisation in excess of \$500m and 85 people across offices in Brisbane, Sydney, Melbourne, Adelaide and New York. He has a deep understanding of the commercial aspects of racing.

SHARON DAWSON MEMBER

Sharon is the CEO of the Dawsons Group, a diversified heavy engineering and services company operating nationally from workshops in Cairns, Townsville and Charters Towers. A North Queensland local, Sharon is committed to regional economic development and is the immediate past Deputy Chair of Ports North as well as previous roles with Advance Cairns, Cairns Chamber of Commerce and TAFE North Queensland. Sharon has a strong knowledge of country and regional racing.

MAXWELL WALTERS MEMBER/CHAIR OF ARC

Max was a Senior Executive with the Seven Network for 26 years and is a lifelong follower of racing across all codes. Max's initial background is finance and he is a Fellow of the Institute of Chartered Accountants. During his career, he has been responsible for highly successful marketing, promotional and broadcast agreements between the Seven Network and both the South Australian Jockey Club and the Brisbane Racing Club. Max was awarded the Order of Australia Medal in 2011 for Services to Cricket, the Community and the Media.

SUSANNAH GEORGE MEMBER

Susannah is the founder and CEO of The Urban List, Australia's most influential local lifestyle guide. The site connects with 2.5 million Australians and New Zealanders each month across seven markets, with a partner portfolio that includes some of the world's most prominent lifestyle brands. Susannah has familial connections with the racing industry - her Great Grandfather Daniel O'Mara and Grandfather Judge Eddie Broad were both previous Chairs of the Brisbane Amateur Turf Club.

REMUNERATION

| POSITION | NAME | NO. OF MEETINGS/SESSIONS ATTENDANCE | APPROVED ANNUAL SALARY | APPROVED SUB-COMMITTEE FEES | ACTUAL FEES RECEIVED |
|--------------------|-------------------|-------------------------------------|------------------------|-----------------------------|----------------------|
| Chair of the Board | Steve Wilson AM | 10 Board, 4 ARC | \$58,685 | \$2,500 | \$68,570 |
| Member | Margaret Reynolds | 10 Board | \$39,303 | Nil | \$43,037 |
| Member | Dale Cartwright | 10 Board | \$39,303 | Nil | \$43,037 |
| Member | Mark Sowerby | 9 Board | \$39,303 | Nil | \$43,037 |
| Member | Sharon Dawson | 9 Board | \$39,303 | Nil | \$43,037 |
| Member / Chair ARC | Maxwell Walters | 9 Board, 4 ARC | \$39,303 | \$3,500 | \$46,304 |
| Member | Susannah George | 10 Board | \$39,303 | Nil | \$43,037 |

Total No. scheduled meetings/sessions 10 Board Meetings, 4 Audit Risk Committee (ARC) Meetings

Total out of pocket expenses \$4,122

Note: Actual Fees received includes post employment benefits (long service leave)

OUR PEOPLE

At Racing Queensland we aim to create an environment where our people are encouraged to reach their full potential and be rewarded and recognised for their achievements. We are committed to developing the capability of our people and building a culture of high performance. We seek to ensure everyone in our workplace is treated fairly and their contribution is valued.

The way our people lead the business and how they engage with our stakeholders is guided by our values; Strive for excellence, Respect others, Work together, Make good decisions and Embrace and manage change.

As at June 30, 2017 Racing Queensland:

- employed 81.5 full-time equivalent (FTE) employees excluding Board members based predominantly at head office in Deagon,
- reported flexible working arrangements for:
 - three permanent employees working on a part-time basis, and,
 - two employees participating in formal telecommuting arrangements
- described a separation rate of 43 per cent compared to 13.7 per cent for 2015-16.

The separation rate reflects a significant transformational change agenda that is supported by talent acquisition plans and a new performance development framework to ensure we attract, motivate, develop and retain high calibre talent for Racing Queensland.

In June 2017 we launched a new performance development framework called Align, Adapt, Achieve. This reflects our commitment to become a more commercially focused organisation whilst continuing to support the ongoing development of our people at every level.

Commencing in the new financial year, RQ staff will develop their FY18 performance plans to align with the organisations strategic and operational plans.

During FY17, Racing Queensland recognised the following service milestones:

| | |
|-------------------|-------------|
| 5 years' service | 1 employee |
| 15 years' service | 2 employees |
| 20 years' service | 1 employee |

CEO

| GENERAL MANAGER INFRASTRUCTURE | GENERAL MANAGER SALES AND MARKETING | GENERAL MANAGER STRATEGY, PROJECTS AND REPORTING | CHIEF FINANCIAL OFFICER | GENERAL MANAGER RACING |
|--|--|--|-----------------------------|------------------------------------|
| Racing Infrastructure & Facilities Maintenance | Corporate Affairs | Legal Services | Finance | Strategy & Operations-Thoroughbred |
| Infrastructure Projects | Brand Management | Government Liaison | Human Resources | Strategy & Operations-Harness |
| Development & Master Planning | Wagering & Partnerships | | Club Compliance & Licensing | Strategy & Operations-Greyhound |
| Workplace Health & Safety | Digital Management | | Club Development | Education & Jockey/Driver Welfare |
| | | | Purchasing | |
| | | | Business Analytics | |
| | | | Information Technology | |

CORPORATE GOVERNANCE

The governance structure of Racing Queensland has been established to set direction and oversee performance. Information about strategic and operational performance is provided by Racing Queensland's analytics, human resource and financial systems. Strategic and operational direction is communicated and managed through Racing Queensland's Commercial Plan and targets as well as a structured risk management process.

The Racing Queensland Board (trading as Racing Queensland) was established under s6 of the *Racing Act 2002*. Racing Queensland is a statutory body under the *Financial Accountability Act 2009* and *Statutory Bodies Financial Arrangements Act 1982* and a unit of public administration under the *Crime and Misconduct Act 2001*.

GOVERNANCE

Each accountable officer and statutory body must ensure a governance framework, appropriate for the accountable officer's department or the statutory body, is established. Governance, for a statutory body, is the way the statutory body manages the performance of its functions and operations.

Racing Queensland's governance incorporates the cultural and operational aspects of our organisation that are influenced by our actions and decisions and includes the concepts of:

- (i) Openness and transparency
- (ii) Integrity and accountability
- (iii) Due care
- (iv) Public defensibility.

Racing Queensland updated the Code of Conduct to reflect the Queensland Public Service Code of Conduct and aligns to the *Public Sector Ethics Act 1994* principles, values and the obligations of public officials. This is supported by a separate policy focusing on actual or perceived conflicts of interest related to the racing industry that is required to be completed as part of the pre-employment check. All new employees receive training on these topics during their induction.

Racing Queensland's management and committees oversee all major activities and areas of decision-making and ensure the organisation has a clear direction, operates efficiently and fulfils its legislative responsibilities. These groups are:

- Executive Leadership Team
- Audit and Risk Committee
- HR and Remuneration Committee (appointed June 2017)
- Infrastructure Steering Committee.

EXECUTIVE LEADERSHIP TEAM

The executive leadership team oversees the organisation's strategic direction and performance. The group is assisted by the audit and risk committee and other governance groups.

The executive leadership teams' role is to:

- Administer the rules of racing
- Implement sound policies
- Establish and maintain standards of safety and integrity
- License race clubs, venues and monitor their activities and performance
- Monitor the condition of racecourses and work with race clubs to ensure courses are maintained to a suitable standard
- Commission and undertake research and promotional activities
- Administer industry funding and commercial agreements
- Represent the Queensland racing industry on the three peak national bodies and their subcommittees; Racing Australia (RA), Harness Racing Australia (HRA) and Greyhounds Australasia Limited (GAL)
- Develop an effective racing product and program mix
- Provide an effective and efficient system for the distribution of prize money and other industry funding.

AUDIT AND RISK COMMITTEE

The audit and risk committee was established in August 2016, and operates under an audit charter which defines the purpose and responsibility of the committee. The charter is reviewed annually and approved by the Board.

The role of the committee is to provide independent assurance and assistance to the Board of Racing Queensland on risk, control and compliance frameworks, including Racing Queensland's external accountability & responsibilities.

Some of the key initiatives the committee has undertaken during the year include:

- Endorsement of risk management policy, review and endorsement of RQ's risk management framework including RQ enterprise risks
- Provision of internal services for FY18
- Provided assurance of the financial reports and cashflow position
- Provided assurance of the annual financial statements for year end June 30, 2017.

INTERNAL AUDIT

Internal audit is an integral part of Racing Queensland's corporate governance framework, established to provide an independent appraisal and advisory function to the Chief Executive Officer and the Racing Queensland Board.

Following a tender process, RQ appointed an independent third party supplier to provide a professional and cost effective internal audit function.

The independent service provider has been engaged to provide assurance to Management and the Board on the adequacy of control systems, including the effectiveness of RQ's financial and operating systems as well as compliance and reporting processes and activities.

GENERAL INFORMATION

OPEN DATA INITIATIVE

In line with the Queensland Government's open data initiative, Racing Queensland has developed an open data policy and publishes a wide range of data on the internet which is available to interested parties.

INFORMATION SYSTEMS AND RECORDKEEPING

Racing Queensland has previously worked with the state archivist with a view to finalising its retention and disposal schedule. Racing Queensland will continue to work to adapt the current schedule as appropriate and put in place retention and disposal procedures.

Racing Queensland continues to review its record keeping with a view to establishing best practice and to better facilitate compliance with the *Public Records Act 2002*, *Information Privacy Act 2009*, and *Right to Information Act 2009*.

HR AND REMUNERATION COMMITTEE

The HR and Remuneration Committee was established by June 2017 and operates under a charter which defines the purpose and responsibility of the committee. The charter is reviewed annually and approved by the Board. The role of the committee is to provide oversight of human resources strategies and the over-arching principles and parameters of remuneration policy across the organisation to foster quality of management practices.

Some of the key agenda items of this committee include:

- Ensuring effective systems of human resources, performance management and remuneration are established and maintained
- Setting key performance areas for the CEO and the regular review of the CEO's performance
- Endorsing employee policies, procedures and guidelines
- Monitoring compliance with applicable laws and regulations.

GLOSSARY OF TERMS AND ACRONYMS

Glossary of terms which may have been used in this report are contained in the table below:

| TERM | DEFINITION |
|-------------------------------|--|
| Board | The Board of Racing Queensland |
| Breeding Incentive Scheme | A scheme that provides an incentive for Queensland-bred race animals to be purchased and raced in Queensland through the provision of bonus prize money |
| Code | The type of racing, being one of the following; Thoroughbred Racing, Harness Racing or Greyhound Racing |
| Control Body | An organisation that exists for the purpose of controlling racing for a particular code or codes empowered by the <i>Racing Act 2002</i> |
| Country | Areas outside of metropolitan and provincial. Generally country areas |
| Customers | Individuals, groups or organisations with specific interest in and/or influence on the work of Racing Queensland |
| Group 1, 2, and 3 | A level of quality in terms of performance and prize money ascribed to a particular race as set by the Australian Pattern Committee. Group 1 is the highest level |
| Integrity | The standards and required behaviours applied to the conduct of races, the rules associated with racing and the resulting confidence, all things being equal, by the public in a fair and equitable race outcome |
| Metropolitan Racing | The greater Brisbane area. Specifically the venue held by the Brisbane Racing Club |
| Off-course | Activities conducted outside of a race course venue |
| On-course | Activities conducted at a race course venue |
| Pacing or pace | Used to describe the particular style of Harness racing in reference to the horses' gait |
| Pari-mutuel | Traditional wagering market with floating (variable) odds based on a total market pool of funds wagered, also known as the "Tote" |
| Principal Racing Authority | A state-based organisation that exists for the purpose of managing and administering racing for a particular code or codes |
| Prize money | Funds collected by Racing Queensland through the product and program agreement and race information fees and distributed to owners, trainers, riders, and drivers as a result of winning or placing their animal in a race |
| Product and Program | The racing product being the participation composition and broadcast race event and the program being the scheduling of that product |
| Product and Program Agreement | The revenue from wagering distribution agreement between Racing Queensland and the Tatts Group |
| Provincial | Major regional cities as designated by Racing Queensland |
| QBRED | A harness racing breeding scheme |
| Race club | A not for profit association appointed by its members for the purpose of running race meetings at a particular venue |
| Race Information Fees | The fee charged by Racing Queensland for the use of product and program for the purposes of wagering |
| Rules of Racing | The rules relating to the participation in and conduct of a particular code of racing as formulated, published and enforced by the control body |
| Stakeholders | Individuals, groups or organisations with specific interest in and/or influence on the work of Racing Queensland |
| Speed map | A tool to assist in analysing the way a race is likely to be run in terms of speed, positioning and use of any track bias that may be present |

GLOSSARY OF TERMS AND ACRONYMS

| TERM | DEFINITION |
|------------------|--|
| Synthetic Track | A race track surface constructed of synthetic material (as opposed to grass) |
| TAB Meeting | Product and program broadcast on television and radio and wagered on through any wagering operator |
| Trotting or Trot | Used to describe the particular style of Harness racing in reference to the horses' gait |
| Wagering | Gambling on code-specific product and program |

Acronyms which may have been used in this report are contained in the table below:

| TERM | DEFINITION |
|------|--|
| 2YO | 2-Year-Old in relation to a horses age |
| 3YO | 3-Year-Old in relation to a horses age |
| 4YO | 4-Year-Old in relation to a horses age |
| ATO | Australian Taxation Office |
| CCS | Clubs Cooperation Scheme |
| CEO | Chief Executive Officer |
| GAL | Greyhounds Australasia Limited |
| GAP | Greyhound Adoption Program |
| HR | Human Resources |
| HRA | Harness Racing Australia |
| IP | Intellectual Property |

| TERM | DEFINITION |
|------|--|
| IT | Information Technology |
| NDR | National Data Repository |
| PRA | Principal Racing Authority |
| QCAT | Queensland Civil and Administrative Tribunal |
| QCRS | Queensland Community Racing Scheme |
| QRIC | Queensland Racing Integrity Commission |
| QTIS | Queensland Thoroughbred Incentive Scheme |
| RISA | Racing Information Services Australia |

COMPLIANCE CHECKLIST

| SUMMARY OF REQUIREMENT | | BASIS FOR REQUIREMENT | ANNUAL REPORT REFERENCE |
|---|--|--|-------------------------|
| Letter of compliance | A letter of compliance from the accountable officer or statutory body to the relevant Minister/s | ARRs – section 7 | Inside cover |
| Accessibility | Table of contents | ARRs – section 9.1 | Page 1 |
| | Glossary | | Page 33-34 |
| | Public availability | ARRs – section 9.2 | Page 1 |
| | Interpreter service statement | Queensland Government Language Services Policy ARRs – section 9.3 | N/A |
| | Copyright notice | <i>Copyright Act 1968</i> ARR – section 9.4 | Page 1 |
| | Information Licensing | QGEA – Information Licensing ARRs – section 9.5 | Page 1 |
| General information | Introductory Information | ARRs – section 10.1 | Page 6 |
| | Agency role and main functions | ARRs – section 10.2 | Page 7, 27 |
| | Operating environment | ARRs – section 10.3 | Page 6-28 |
| Non-financial performance | Government's objectives for the community | ARRs – section 11.1 | Page 25 |
| | Other whole-of-government plans / specific initiatives | ARRs – section 11.2 | N/A |
| | Agency objectives and performance indicators | ARRs – section 11.3 | Page 26 |
| | Agency service areas and service standards | ARRs – section 11.4 | Page 30 |
| Financial performance | Summary of financial performance | ARRs – section 12.1 | Page 7 |
| Governance – management and structure | Organisational structure | ARRs – section 13.1 | Page 30 |
| | Executive management | ARRs – section 13.2 | Page 30 |
| | Government bodies (statutory bodies and other entities) | ARRs – section 13.3 | Page 27-28 |
| | <i>Public Sector Ethics Act 1994</i> | <i>Public Sector Ethics Act 1994</i> ARRs – section 13.4 | Page 31 |
| | <i>Queensland public service values</i> | ARRs – section 13.5 | Page 31 |
| | | | |
| Governance – risk management and accountability | Risk management | ARRs – section 14.1 | Page 31 |
| | Audit committee | ARRs – section 14.2 | Page 31 |
| | Internal audit | ARRs – section 14.3 | Page 32 |
| | External scrutiny | ARRs – section 14.4 | Page 32 |
| | Information systems and record keeping | ARRs – section 14.5 | Page 32 |
| Governance – human resources | Workforce planning and performance | ARRs – section 15.1 | Page 30 |
| | Early retirement, redundancy and retrenchment D | Directive No.11/12 Early Retirement, Redundancy and Retrenchment Directive No.16/16 Early Retirement, Redundancy and Retrenchment (from 20 May 2016) ARRs – section 15.2 | N/A |
| | | | |
| Open Data | Statement advising publication of information | ARRs – section 16 | Page 32 |
| | Consultancies | ARRs – section 33.1 | Open Data |
| | Overseas travel | ARRs – section 33.2 | Open Data |
| | Queensland Language Services Policy | ARRs – section 33.3 | N/A |
| Financial statements | Certification of financial statements | FAA – section 62 FPMS – sections 42, 43 and 50 ARRs – section 17.1 | Page 38-65 |
| | Independent Auditor's Report | FAA – section 62 FPMS – section 50 ARRs – section 17.1 | Page 66-67 |

FAA Financial Accountability Act 2009

FPMS Financial and Performance Management Standard 2009

ARRs Annual report requirements for Queensland Government agencies

FINANCIAL PERFORMANCE OVERVIEW

PARENT AND CONSOLIDATED COMPANY PERFORMANCE

| CONTROLLED ENTITIES | OWNERSHIP |
|--|-----------|
| Sunshine Coast Racing Pty Ltd atf Sunshine Coast Racing Unit Trust | 84.6% |
| Rockhampton Racing Pty Ltd | 63.8% |

| ENTITY | FINANCIAL RESULTS |
|---|-------------------|
| Racing Queensland | (\$0.14m) |
| Sunshine Coast Racing Pty Ltd atf Sunshine Coast Racing Unit Trust | (\$1.29m) |
| Rockhampton Racing Pty Ltd | (\$0.64m) |
| Consolidation adjustments | (\$0.17m) |
| Consolidated Group Loss for the Year | (\$2.24m) |
| Other Comprehensive Income where items will never be reclassified to profit or loss | |
| Decrease in asset revaluation surplus | (\$1.92m) |
| Total Comprehensive Loss | (\$4.16m) |

INDUSTRY INFRASTRUCTURE STRATEGY SUMMARY

| PROJECT | FUNDS RECEIVED FROM GOVERNMENT FOR THE LIFE OF THE PROJECT TO 30/06/17 | ACTUAL PROJECT COSTS FOR THE LIFE OF THE PROJECT TO 30/06/17 | APPROVAL PER FUNDING DEED | % COMPLETE |
|------------------------------|--|--|---------------------------|------------|
| Eagle Farm Track, Brisbane | 9,721,650 | 9,727,602 | 10,000,000 | 97.3% |
| Cluden Park, Townsville | 7,000,000 | 6,983,789 | 7,000,000 | 99.8% |
| Eagle Farm Infield, Brisbane | 12,000,000 | 12,000,000 | 12,000,000 | 100.0% |
| TOTAL | 28,721,650 | 28,711,391 | 29,000,000 | |

RACING QUEENSLAND CONTRIBUTION TO PRIZE MONEY AND BREEDING SCHEMES

| CODE | 2011-12 \$M | 2012-13 \$M | 2013-14 \$M | 2014-15 \$M | 2015-16 \$M | 2016-17 \$M |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Thoroughbred | 78.5 | 81.2 | 84.0 | 93.5 | 98.5 | 98.2 |
| Harness | 14.2 | 14.9 | 14.2 | 16.5 | 16.6 | 14.9 |
| Greyhound | 9.6 | 10.4 | 10.8 | 14.7 | 14.0 | 12.2 |
| Total | 102.3 | 106.5 | 109.0 | 124.7 | 129.1 | 125.3 |

COUNTRY RACING CONTRIBUTION

| RACING QUEENSLAND | 2016-17 |
|---|---------------------|
| SECTION 12 RACING ACT 2002 & COUNTRY RACING SUPPORT PACKAGE | \$ |
| Product Fee Variable | 126,092,158 |
| Product Fee Fixed | 15,362,408 |
| UBET QLD Wagering Revenue | 141,454,566 |
| Interstate Race Fields fee deducted by UBET | (30,580,362) |
| Overseas Race Fields fee deducted by UBET | (4,655,893) |
| UBET QLD Wagering Expense | (35,236,255) |
| Net UBET QLD Product and Program fee paid to Racing Queensland | 106,218,311 |
| 5.32% of Net Product Fee as RQ's Prize money obligation under section 12 Racing Act 2002 | 5,650,814 |
| State of Queensland Country Racing Support Package | 6,000,000 |
| Total Country Racing Contribution | 11,650,814 |
| Prize money paid non TAB Thoroughbred meetings | 9,503,019 |
| QTIS paid non TAB Thoroughbred meetings | 701,856 |
| Jockey Riding Fees, super and WorkCover for non TAB meetings | 3,176,893 |
| Additional Country Racing Club Costs incurred by RQ | 7,435,124 |
| Total Country Racing Expenditure | 20,816,892 |
| (Net Over) / Shortfall in funding for Country Racing | (9,166,078) |

Note: Additional country racing club costs include operational subsidies, marketing and overhead support functions within Racing Queensland and the Queensland Racing Integrity Commission (QRIC) which is funded by RQ.

FINANCIAL PERFORMANCE BY CODE FOR FY17

| PARENT ENTITY | RACING QUEENSLAND \$'000 | THOROUGHBRED \$'000 | HARNESS \$'000 | GREYHOUND \$'000 |
|--|---------------------------------|----------------------------|-----------------------|-------------------------|
| Total Revenue | 238,317 | 183,608 | 20,686 | 34,024 |
| Total Expenditure | (237,883) | (184,232) | (25,608) | (28,043) |
| Profit / (Loss) Before Depreciation, Interest and Asset Disposals | 434 | (625) | (4,923) | 5,981 |
| Depreciation & Interest | (1,300) | (653) | (324) | (323) |
| Net Gain / Loss on Disposal of Assets | 720 | (231) | (1) | 953 |
| Parent Profit / (Loss) for the Year | (146) | (1,509) | (5,248) | 6,611 |

Total revenue and total expenditure includes both direct and indirect revenue and costs. Indirect (i.e. revenue and costs that are not code specific such as support salaries and wages) are allocated to each code based on the percentage of total direct revenue. For the FY17 year, that allocation was 77% for Thoroughbred, 9% for Harness and 14% for Greyhound. The gain on disposal of assets for the Greyhound code related to the transfer of Cronulla Park land to the Logan City Council. Due to rounding, numbers presented may not add up precisely to the totals provided.

FINANCIAL REPORT

38

| | |
|---|----|
| STATEMENT OF COMPREHENSIVE INCOME | 39 |
| STATEMENT OF FINANCIAL POSITION | 40 |
| STATEMENT OF CHANGES IN EQUITY | 41 |
| STATEMENT OF CHANGES IN EQUITY | 42 |
| STATEMENT OF CASH FLOWS | 43 |
| NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS | 44 |
| CERTIFICATE OF RACING QUEENSLAND BOARD | 65 |
| INDEPENDENT AUDITOR'S REPORT | 66 |

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

| | | Consolidated 2017 \$'000 | Consolidated 2016 \$'000 | Parent 2017 \$'000 | Parent 2016 \$'000 |
|--|-------------|--------------------------------|--------------------------------|--------------------------|--------------------------|
| Income from Continuing Operations | Note | | | | |
| Wagering Revenue | 3 | 210,424 | 203,347 | 210,424 | 203,347 |
| Racing Fees | | 8,195 | 8,084 | 8,195 | 8,084 |
| Local Breeder Nomination Fees | | 1,410 | 1,927 | 1,410 | 1,927 |
| Government Grant Income | 4 | 7,591 | 1,852 | 7,591 | 1,852 |
| Prizemoney Sponsored Income | | 8,595 | 8,818 | 8,595 | 8,818 |
| Gain on Sale of Assets | | 1,021 | 12 | 1,021 | 12 |
| Other Revenue | 6 | 2,624 | 5,468 | 2,347 | 5,189 |
| Total Revenue and Other Income | | 239,860 | 229,508 | 239,583 | 229,229 |
| Expenses from Continuing Operations | | | | | |
| Wagering Expense | 3 | 35,236 | 36,228 | 35,236 | 36,228 |
| Prizemoney and Breeders Bonus Payments | 5 | 133,610 | 137,899 | 133,610 | 137,899 |
| Supplies and Services | 8 | 10,177 | 18,773 | 9,832 | 18,537 |
| Government Grant Expense | 4 | 1,591 | 849 | 1,591 | 849 |
| Jockeys and Drivers (excluding Prizemoney) | 7 | 14,822 | 19,362 | 14,822 | 19,362 |
| Club Subsidies | | 16,932 | 16,434 | 16,929 | 16,430 |
| Employee Expenses | 9 | 8,862 | 15,452 | 8,862 | 15,452 |
| Queensland Racing Integrity Commission Funding | 2 | 14,746 | - | 14,746 | - |
| Depreciation Expense | | 3,870 | 3,990 | 1,845 | 2,023 |
| Other Expenses | | 2,256 | 2,367 | 2,256 | 2,367 |
| Total Expenses | | 242,102 | 251,354 | 239,729 | 249,147 |
| Operating Result from Continuing Operations | | (2,242) | (21,846) | (146) | (19,918) |
| Other Comprehensive Income | | | | | |
| Items that will never be reclassified to Profit or Loss: | | | | | |
| (Decrease)/Increase In Asset Revaluation Surplus | | (1,924) | 3,492 | (1,756) | 1,769 |
| Total items that will not be reclassified to Profit or Loss | | (1,924) | 3,492 | (1,756) | 1,769 |
| Total Other Comprehensive Income/(Loss) | | (4,166) | (18,354) | (1,902) | (18,149) |
| (Loss) attributable to Members of Racing Queensland | | (1,787) | (21,436) | (146) | (19,918) |
| (Loss) attributable to Non-Controlling Interests | 22 | (455) | (410) | - | - |
| | | (2,242) | (21,846) | (146) | (19,918) |
| Total Comprehensive Income/(Loss) for the period: | | | | | |
| - Attributable to Members of Racing Queensland | | (3,651) | (18,378) | (1,902) | (18,149) |
| - Attributable to Non-Controlling Interests | | (515) | 24 | - | - |
| | | (4,166) | (18,354) | (1,902) | (18,149) |

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

| | | Consolidated 2017 \$'000 | Consolidated 2016 \$'000 | Parent 2017 \$'000 | Parent 2016 \$'000 |
|---|------|--------------------------------|--------------------------------|--------------------------|--------------------------|
| | Note | | | | |
| Current Assets | | | | | |
| Cash and Cash Equivalents | 10 | 29,984 | 16,373 | 28,614 | 14,147 |
| Trade Debtors | 11 | 18,584 | 17,388 | 18,550 | 17,278 |
| Loan Receivable | 12 | 803 | 789 | 803 | 789 |
| Other Current Assets | | 640 | 842 | 640 | 842 |
| Total Current Assets | | 50,011 | 35,392 | 48,607 | 33,056 |
| Non-Current Assets | | | | | |
| Loan Receivable | 12 | 11,711 | 12,211 | 11,711 | 12,211 |
| Other Financial Assets | 13 | 4,254 | 3,711 | 30,667 | 29,815 |
| Property, Plant and Equipment | 14 | 134,458 | 142,947 | 74,891 | 82,525 |
| Total Non-Current Assets | | 150,423 | 158,869 | 117,269 | 124,551 |
| Total Assets | | 200,434 | 194,261 | 165,876 | 157,607 |
| Current Liabilities | | | | | |
| Trade & Other Payables | 16 | 22,778 | 16,852 | 22,800 | 17,051 |
| Other Provision | 17 | 4,001 | 4,001 | 4,001 | 4,001 |
| Employee Benefits | 18 | 690 | 1,330 | 690 | 1,330 |
| Loan Payable | 20 | 1,128 | - | 1,128 | - |
| Other Current Liabilities | | 103 | 363 | 98 | 363 |
| Total Current Liabilities | | 28,700 | 22,546 | 28,717 | 22,745 |
| Non-Current Liabilities | | | | | |
| Employee Benefits | 18 | 274 | 963 | 274 | 963 |
| Deferred Tax Liabilities | 19 | 2,356 | 2,426 | - | - |
| Loan Payable | 20 | 47,167 | 43,783 | 47,167 | 43,783 |
| Total Non-Current Liabilities | | 49,797 | 47,172 | 47,441 | 44,746 |
| Total Liabilities | | 78,497 | 69,718 | 76,158 | 67,491 |
| Net Assets | | 121,937 | 124,543 | 89,718 | 90,116 |
| Equity | | | | | |
| Contributed Equity | | 123,144 | 122,183 | 120,152 | 119,191 |
| Accumulated Deficit | | (48,489) | (46,719) | (42,855) | (42,726) |
| Asset Revaluation Reserve | 21 | 33,442 | 35,323 | 10,253 | 12,026 |
| Other Reserves | | 2,168 | 1,625 | 2,168 | 1,625 |
| Capital and Reserves Attributable to Racing Queensland | | 110,265 | 112,412 | 89,718 | 90,116 |
| Non-Controlling Interests | 22 | 11,672 | 12,131 | - | - |
| Total Equity | | 121,937 | 124,543 | 89,718 | 90,116 |

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

| Consolidated | Note | Contributed Equity | Accumulated Surplus / (Deficit) | Assets Revaluation Reserve (Note 21) | Other Reserves | Total attributable to RQ | Non-Controlling Interests (Note 22) | Total Equity |
|--|------|--------------------|---------------------------------|--------------------------------------|----------------|--------------------------|-------------------------------------|--------------|
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 July 2015 | | 122,183 | (25,283) | 31,580 | 1,625 | 130,105 | 12,054 | 142,159 |
| Operating Result from Continuing Operations | | - | (21,436) | - | - | (21,436) | (410) | (21,846) |
| Other Comprehensive Income | | | | | | | | |
| - Change in Fair Value of Land, Buildings, Tracks and Improvements | | - | - | 3,058 | - | 3,058 | 434 | 3,492 |
| Total Other Comprehensive Income for the year | | - | - | 3,058 | - | 3,058 | 434 | 3,492 |
| Transactions with Owners as Owners | | | | | | | | |
| - Racing Australia Ltd Investment | | - | - | 685 | - | 685 | - | 685 |
| - Contributions to Sinking Fund | | - | - | - | - | - | 53 | 53 |
| Net Transactions with Owners as Owners | | - | - | 685 | - | 685 | 53 | 738 |
| Balance at 30 June 2016 | | 122,183 | (46,719) | 35,323 | 1,625 | 112,412 | 12,131 | 124,543 |
| Balance at 1 July 2016 | | 122,183 | (46,719) | 35,323 | 1,625 | 112,412 | 12,131 | 124,543 |
| Operating Result from Continuing Operations | | - | (1,787) | - | - | (1,787) | (455) | (2,242) |
| Other Comprehensive Income | | | | | | | | |
| - Change in Fair Value of Land, Buildings, Tracks and Improvements | | - | - | (1,864) | - | (1,864) | (60) | (1,924) |
| - Net transfer between equity accounts | | - | 17 | (17) | - | - | - | - |
| Total Other Comprehensive Income for the year | | - | 17 | (1,881) | - | (1,864) | (60) | (1,924) |
| Transactions with Owners as Owners | | | | | | | | |
| - Racing Australia Ltd Investment | | - | - | - | 543 | 543 | - | 543 |
| - Contributions to Sinking Fund | | - | - | - | - | - | 56 | 56 |
| - Net transfer out to the Queensland Racing Integrity Commission | 2 | 961 | - | - | - | 961 | - | 961 |
| Net Transactions with Owners as Owners | | 961 | - | - | 543 | 1,504 | 56 | 1,560 |
| Balance at 30 June 2017 | | 123,144 | (48,489) | 33,442 | 2,168 | 110,265 | 11,672 | 121,937 |

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

| Parent Entity | Note | Contributed Equity | Accumulated Surplus / (Deficit) | Assets Revaluation Reserve (Note 21) | Other Reserves | Total Equity |
|---|------|-----------------------|---------------------------------------|---|-------------------|--------------|
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 July 2015 | | 119,191 | (22,808) | 9,572 | 1,625 | 107,580 |
| Operating Result from Continuing Operations | | - | (19,918) | - | | (19,918) |
| Other Comprehensive Income | | | | | | |
| - Changes in Fair Value of Land, Buildings, Tracks & Improvements | | - | - | 1,769 | - | 1,769 |
| Total Other Comprehensive Income for the year | | - | - | 1,769 | - | 1,769 |
| Transactions with Owners as Owners | | | | | | |
| - Racing Australia Ltd Investment | | - | - | 685 | | 685 |
| Net Transactions with Owners as Owners | | - | - | 685 | - | 685 |
| Balance at 30 June 2016 | | 119,191 | (42,726) | 12,026 | 1,625 | 90,116 |
| Balance at 1 July 2016 | | 119,191 | (42,726) | 12,026 | 1,625 | 90,116 |
| Operating Result from Continuing Operations | | - | (146) | - | - | (146) |
| Other Comprehensive Income | | | | | | |
| - Changes in Fair Value of Land, Buildings, Tracks & Improvements | | - | - | (1,756) | - | (1,756) |
| Total Other Comprehensive Income for the year | | - | - | (1,756) | - | (1,756) |
| Transactions with Owners as Owners | | | | | | |
| - Racing Australia Ltd Investment | | - | - | - | 543 | 543 |
| - Net transfer out to the Queensland Racing Integrity Commission | 2 | 961 | - | - | - | 961 |
| - Net transfer between equity accounts | | | 17 | (17) | | - |
| Net Transactions with Owners as Owners | | 961 | 17 | (17) | 543 | 1,504 |
| Balance at 30 June 2017 | | 120,152 | (42,855) | 10,253 | 2,168 | 89,718 |

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

| | Note | Consolidated 2017 \$'000 | Consolidated 2016 \$'000 | Parent 2017 \$'000 | Parent 2016 \$'000 |
|---|-----------|--------------------------------|--------------------------------|--------------------------|--------------------------|
| Cash flows from operating activities | | | | | |
| Inflows: | | | | | |
| Receipts from customers | | 221,415 | 226,731 | 221,599 | 226,533 |
| Grants and other contributions | | 7,591 | 1,852 | 7,591 | 1,852 |
| GST collected from customers | | 20,633 | 20,999 | 20,594 | 20,989 |
| Interest received | | 591 | 345 | 545 | 285 |
| Outflows: | | | | | |
| Payment to suppliers and employees | | (224,100) | (248,336) | (224,436) | (248,384) |
| Net cash transfer to the Queensland Racing Integrity Commission | 2 | (243) | - | (243) | - |
| GST paid to suppliers | | (8,720) | (9,545) | (8,510) | (9,528) |
| GST remitted to ATO | | (11,913) | (11,454) | (12,084) | (11,461) |
| Net cash provided by / (used in) operating activities | 23 | 5,254 | (19,408) | 5,056 | (19,714) |
| Cash flows from investing activities | | | | | |
| Inflows: | | | | | |
| Sale of property, plant and equipment | | 99 | 413 | 99 | 413 |
| Outflows: | | | | | |
| Purchase of property, plant and equipment | | (2,796) | (556) | (1,686) | (484) |
| Net cash provided by / (used in) investing activities | | (2,697) | (143) | (1,587) | (71) |
| Cash flows from financing activities | | | | | |
| Inflows: | | | | | |
| Proceeds from borrowings | | 11,023 | 31,664 | 11,023 | 31,664 |
| Repayment by related party | | 56 | 53 | - | - |
| Outflows: | | | | | |
| Repayment of borrowings | | (25) | - | (25) | - |
| Net cash provided by / (used in) financing activities | | 11,054 | 31,717 | 10,998 | 31,664 |
| Net increase/(decrease) in cash and cash equivalents | | 13,611 | 12,166 | 14,467 | 11,879 |
| Cash and cash equivalents at the beginning of the financial year | | 16,373 | 4,207 | 14,147 | 2,268 |
| Cash and cash equivalents at the end of the financial year | 10 | 29,984 | 16,373 | 28,614 | 14,147 |

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1. Summary of Significant Accounting Policies

(a) Objectives and Principle Activities of Racing Queensland Board trading as Racing Queensland (RQ)

RQ is the control body for all three codes of racing (Thoroughbred, Harness, and Greyhound) in Queensland and is a statutory body established under the *Racing Act 2002*. The Hon. Grace Grace - Minister for Employment and Industrial Relations, Minister for Racing and Minister for Multicultural Affairs is responsible for this statutory body.

(b) Statement of Compliance

The financial statements are general purpose financial statements and are prepared on a going concern basis (refer to Note 30).

The financial statements have been prepared on an accrual basis in accordance with Australian Accounting Standards (AASB) adopted by the Australian Accounting Standards Board based on Tier 2 Reduced Disclosure Requirements and Interpretations, and in compliance with the Financial Accountability Act 2009 and Financial and Performance Management Standard 2009.

The historical cost convention is used unless otherwise stated.

(c) The Reporting Entity and Controlled Entities

RQ controls other entities which mean that RQ has the power to control financial and operating policies so as to obtain benefits from its activities.

The Reporting Entity (known as the Parent Entity)

Racing Queensland Board trading as Racing Queensland

| Controlled Entities: | 2017 (%) | 2016 (%) |
|---|----------|----------|
| Sunshine Coast Racing Pty Ltd as trustee for the Sunshine Coast Racing Unit Trust | 84.6 | 84.6 |
| Rockhampton Racing Pty Ltd | 63.8 | 63.8 |
| Queensland Race Product Co Ltd * | - | 100 |

* Deregistered 26 April 2017

(d) Other Presentation Matters

Current and Comparatives

All amounts throughout the financial statements are in Australian dollars and the Statements have a June financial year end. Unless otherwise stated, amounts in the report have been rounded to the nearest thousand.

No material adjustments have been made to prior year comparatives.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1. Summary of Significant Accounting Policies (continued)

(e) New and Revised Accounting Standards

First Time Mandatory Application of Accounting Standards and Interpretations

AASB 124 *Related Party Disclosures* became effective on 1 July 2016. This standard requires note disclosures about Key Management Personnel remuneration expenses and other related party transactions. These are disclosed in Note 25 and 26. No comparative information is required in respect of the financial year ended June 2016.

Early Adoption of Accounting Standards and Interpretations

No accounting pronouncements were adopted early in the 2016-17 financial year.

New Accounting Standards for Application in Future Periods

RQ did not voluntarily change any of its accounting policies during the financial year. Australian Accounting Standard changes applicable for the first time as from 2016-17 have had minimal impact on RQ's financial statements.

| Standard | Effective Date |
|--|---|
| AASB 15 Revenue from Contracts with Customers | Annual reporting periods beginning on or after 1 January 2018 |
| RQ has not yet undertaken an analysis to identify and quantify the impacts of introducing AASB 15. | |
| AASB 16 Leases | Annual reporting periods beginning on or after 1 January 2019 |
| AASB 16 will require the recognition of all leases on the balance sheet. A lease liability will initially be measured at the present value of the lease payments to be made over the lease term. A corresponding right-of-use asset will also be recognised to record the right to use the leased item over the lease term. RQ has not yet undertaken an analysis to identify and quantify the impacts of introducing AASB 16. | |

Authorisation of Financial Statements for Issue

The financial statements are authorised for issue by the Chief Executive Officer and the Chairperson at the date of signing the Certificate of Racing Queensland Board.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2. Machinery of Government Changes and the Queensland Racing Integrity Commission Funding

(a) Machinery of Government Changes

Transfer out - Controlled Activities

Details of Transfer: The following functions were transferred from Racing Queensland to the Queensland Racing Integrity Commission:

- Licensing and Registration (excluding Club Licensing),
- Stewarding and Integrity Operations, and
- Animal Welfare.

Basis of Transfer: Public Service Departmental Arrangements Notice (No.2) 2016

Date of Transfer: 1 July 2016

The assets and liabilities transferred as a result of this change were as follows:

| | \$'000 |
|-----------------------------------|----------------|
| Assets | |
| Cash | 100 |
| Prepayments | 31 |
| Property, Plant and Equipment | 261 |
| Liabilities | |
| Deferred Income | 174 |
| Accrued Employee Benefits | 1,322 |
| Net Assets / (Liabilities) | (1,104) |

The movement has been accounted for as a decrease in property, plant and equipment, and accrued employee benefits as disclosed in the Statement of Changes in Equity, and a net decrease in the cash and cash equivalents for the cash, prepayments and deferred income.

(b) The Queensland Racing Integrity Commission Funding

Under Section 56 of the *Racing Integrity Bill 2015*, RQ will contribute annually to the Queensland Racing Integrity Commission for the management of the functions of Licensing and Registration (excluding Club Licensing), Stewarding and Integrity Operations and Animal Welfare.

The funding contribution for the current year was:

| | Consolidated 2017 \$'000 | Consolidated 2016 \$'000 | Parent 2017 \$'000 | Parent 2016 \$'000 |
|---|--------------------------------|--------------------------------|--------------------------|--------------------------|
| The Queensland Racing Integrity Commission Funding | 14,746 | - | 14,746 | - |
| | 14,746 | - | 14,746 | - |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

| | Consolidated 2017 \$'000 | Consolidated 2016 \$'000 | Parent 2017 \$'000 | Parent 2016 \$'000 |
|--|--------------------------------|--------------------------------|--------------------------|--------------------------|
| 3. Wagering Revenue and Expense | | | | |
| Wagering Revenue | | | | |
| Product Fee | 126,092 | 129,830 | 126,092 | 129,830 |
| Fixed Fee | 15,362 | 15,181 | 15,362 | 15,181 |
| Sport Retail | 262 | 210 | 262 | 210 |
| Race Information Fee | 70,019 | 59,662 | 70,019 | 59,662 |
| | 211,735 | 204,883 | 211,735 | 204,883 |
| Queensland Product Rebate | (1,311) | (1,536) | (1,311) | (1,536) |
| Total | 210,424 | 203,347 | 210,424 | 203,347 |
| Wagering Expense | | | | |
| Race Field Fees | 35,236 | 36,228 | 35,236 | 36,228 |
| Total | 35,236 | 36,228 | 35,236 | 36,228 |

Accounting Policy

Wagering revenue is recognised when the revenue is earned and can be measured with a sufficient degree of certainty. The Queensland Product Rebate ceased on 31 December 2016.

Wagering expenses are comprised of overseas and inter-state race field fees incurred by UBET QLD Limited in generating their wagering revenue.

4. Government Grants

Government Grant - Income

| | | | | |
|--------------------------------|--------------|--------------|--------------|--------------|
| Country Racing Support Package | 6,000 | 974 | 6,000 | 974 |
| Training Track | 813 | 809 | 813 | 809 |
| Cyclone Relief | 778 | - | 778 | - |
| Infrastructure | - | 69 | - | 69 |
| | 7,591 | 1,852 | 7,591 | 1,852 |

Government Grant - Expense

| | | | | |
|----------------|--------------|------------|--------------|------------|
| Training Track | 813 | 809 | 813 | 809 |
| Cyclone Relief | 778 | - | 778 | - |
| Infrastructure | - | 40 | - | 40 |
| | 1,591 | 849 | 1,591 | 849 |

Accounting Policy

Grants that are reciprocal in nature are recognised as revenue when RQ obtains control over them (control is generally obtained at the time of receipt). Where grants received are non-reciprocal in nature, revenue is progressively recognised over the term of the funding arrangement.

Contributions of assets are received from the Government and other parties. These assets are recognised at fair value on the date of acquisition in the Statement of Financial Position, with a corresponding amount of revenue recognised in the Statement of Comprehensive Income.

Additional Disclosures

All government grant income has been received from the Queensland Government. The Country Racing Support Package, Training Track and Cyclone Relief grant is recognised as separate revenue and expense components. The Country Racing Support Package funding is specifically used to support Queensland country racing through prizemoney, development of sustainability initiatives and marketing promotions. RQ distributes the Training Track subsidy incentive component to approved thoroughbred clubs each year based on the number of starters generated by a venue. The Cyclone Relief grant is providing financial relief to approved clubs that suffered damage as a result of Cyclone Debbie in 2017.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

| | Consolidated 2017 \$'000 | Consolidated 2016 \$'000 | Parent 2017 \$'000 | Parent 2016 \$'000 |
|--|--------------------------------|--------------------------------|--------------------------|--------------------------|
| 5. Prizemoney and Breeders Bonus Payments | | | | |
| Prizemoney - RQ Funded | 116,663 | 121,001 | 116,663 | 121,001 |
| Prizemoney - Third Party Sponsored | 8,595 | 8,818 | 8,595 | 8,818 |
| Breeders Bonus | 8,352 | 8,080 | 8,352 | 8,080 |
| Total | 133,610 | 137,899 | 133,610 | 137,899 |

Accounting Policy

Prizemoney payments include third party contributions of sponsored prizemoney. A corresponding amount is shown as prizemoney sponsored income.

6. Other Revenue

| | | | | |
|---------------------------------------|--------------|--------------|--------------|--------------|
| Industry Insurance Recoupment | 148 | 1,148 | 148 | 1,148 |
| License, Registration and Course Fees | 78 | 1,020 | 78 | 1,020 |
| Fines | 1 | 397 | 1 | 397 |
| Parking Revenue | 316 | 290 | 316 | 290 |
| Marketing Income | 551 | 892 | 551 | 892 |
| Interest Income | 591 | 338 | 545 | 285 |
| Property Income | 231 | 226 | - | - |
| Rental Income | 102 | 151 | 102 | 151 |
| Recognition of Prior Period Provision | 327 | 575 | 327 | 575 |
| Industry Training Income | 106 | 91 | 106 | 91 |
| Other | 173 | 340 | 173 | 340 |
| Total | 2,624 | 5,468 | 2,347 | 5,189 |

7. Jockeys and Drivers (excluding Prizemoney)

| | | | | |
|--------------|---------------|---------------|---------------|---------------|
| Jockey fees | 14,308 | 18,393 | 14,308 | 18,393 |
| Drivers fees | 514 | 969 | 514 | 969 |
| Total | 14,822 | 19,362 | 14,822 | 19,362 |

8. Supplies and Services

| | | | | |
|-----------------------------|---------------|---------------|--------------|---------------|
| Administration | 4,426 | 5,204 | 4,318 | 5,200 |
| Integrity Services* | - | 5,121 | - | 5,121 |
| Venue Expenses | 2,215 | 2,360 | 1,983 | 2,133 |
| Race Day Expenses | 2,096 | 2,178 | 2,096 | 2,178 |
| Industry Insurance Expenses | 669 | 1,731 | 669 | 1,731 |
| Other Expenses | 771 | 2,179 | 766 | 2,174 |
| Total | 10,177 | 18,773 | 9,832 | 18,537 |

Total external audit fees paid to the Queensland Audit Office, relating to the 2017 financial year is estimated to be \$158,000 (2016: \$175,000).

*Integrity Services were transferred to the Queensland Racing Integrity Commission from 1st July 2016.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

| | Consolidated 2017 \$'000 | Consolidated 2016 \$'000 | Parent 2017 \$'000 | Parent 2016 \$'000 |
|----------------------------------|--------------------------------|--------------------------------|--------------------------|--------------------------|
| 9. Employee Expenses | | | | |
| Employee Benefits | | | | |
| Wages and Salaries | 6,433 | 11,811 | 6,433 | 11,811 |
| Superannuation | 678 | 1,116 | 678 | 1,116 |
| Annual Leave | 496 | 898 | 496 | 898 |
| Long Service Leave | 35 | 161 | 35 | 161 |
| Employee Related Expenses | | | | |
| Payroll Tax | 389 | 630 | 389 | 630 |
| WorkCover Insurance | 108 | 203 | 108 | 203 |
| Ex gratia payments * | 65 | 24 | 65 | 24 |
| Other Employee Related Expenses | 658 | 609 | 658 | 609 |
| Total | 8,862 | 15,452 | 8,862 | 15,452 |

* Ex gratia expenditure includes expenses that RQ is not contractually or legally obliged to make to other parties. RQ made 4 special payments totalling \$65,096 during 2016-17 to employees. This included 2 amounts over \$5,000 made to 2 employees.

The number of employees including both full-time employees and part-time employees measured on a full-time equivalent basis is:

| | 2017 | 2016 |
|---------------------------------|------|------|
| Number of Full Time Equivalents | 82 | 164 |

Accounting Policy

Wages and salaries, annual leave, long service leave, and employer superannuation contributions are regarded as employee benefits. Worker's compensation insurance and payroll tax are not employee benefits and are recognised separately as employee related expenses.

Wages, Salaries and Sick Leave

Wages and salaries due but unpaid at the reporting date are recognised in the Statement of Financial Position at the current salary rates. As RQ expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at their undiscounted values.

Prior history indicates that on average, sick leave taken each reporting period is less than the accrued entitlement. This is expected to continue in future periods. As it is unlikely that existing accumulated entitlements will be used by employees, no liability for unused sick leave entitlements are recognised. As sick leave is non-vesting, the expense is recognised as it is taken.

Annual and Long Service Leave

Annual leave and long service leave liabilities are accounted for as short term employee benefits if RQ expects to wholly settle such liabilities within the 12 months following the reporting date. Otherwise, annual leave and long service leave liabilities are accounted for as 'other long-term employee benefits' in accordance with AASB 119 *Employee Benefits* and split between current and non-current components.

Entitlements expected to be paid within the 12 months following balance date are recognised at their undiscounted value. For those entitlements not expected to be paid within the 12 months following balance date, the liabilities are recognised at their present value, calculated using yields on Queensland Treasury Corporation's AUD Benchmark as at 30 June 2017, after projecting the remuneration rates expected to apply at the time of payment.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

9. Employee Expenses (continued)

Annual and Long Service Leave (continued)

Long service leave liabilities are estimated with reference to the minimum period of qualifying service. For employees with less than the required minimum period of 8 years of qualifying service, the probability that they will reach the required minimum period of service has been taken into account in estimating the long service leave liability. All directly associated on-costs (e.g. employer superannuation contributions, payroll tax, and workers' compensation insurance) are also recognised as liabilities where these costs are material.

Superannuation

RQ contributes to various accumulating Employee Superannuation Funds. Contributions are expensed in the period they are paid or payable. RQ's liability is limited to its contribution to these Funds.

| | Consolidated 2017 \$'000 | Consolidated 2016 \$'000 | Parent 2017 \$'000 | Parent 2016 \$'000 |
|--|--------------------------------|--------------------------------|--------------------------|--------------------------|
| 10. Cash and Cash Equivalents | | | | |
| Cash at Bank and On Hand | 9,084 | 13,237 | 8,314 | 13,018 |
| Short Term Deposits* | 19,957 | 2,012 | 19,357 | 5 |
| Cash held for Infrastructure Projects** | 46 | 285 | 46 | 285 |
| Cash held for the Department of National Parks, Sport and Racing** | 897 | 839 | 897 | 839 |
| Total | 29,984 | 16,373 | 28,614 | 14,147 |

Cash not available for use by the consolidated entity at 30 June 2017 is \$942,302 (2016: \$1,123,301).

* Consolidated short term deposits include the NAB short term deposit of \$600,000 in the Sunshine Coast Racing Unit Trust (2016:\$2,000,000).

**Any funds not utilised on the projects will be returned to Government.

11. Trade Debtors

Current

| | | | | |
|-----------------------------------|---------------|---------------|---------------|---------------|
| Trade Debtors | 17,331 | 16,093 | 17,323 | 16,060 |
| Less: Impairment of Trade Debtors | (446) | (383) | (446) | (383) |
| | 16,885 | 15,710 | 16,877 | 15,677 |
| Race Information Fees Receivable | 363 | 1,091 | 363 | 1,091 |
| Sundry Receivables | 666 | 573 | 643 | 510 |
| Accrued Interest ¹ | 670 | 14 | 667 | - |
| Total | 18,584 | 17,388 | 18,550 | 17,278 |

Accounting Policy

Trade Debtors represent amounts owed to RQ at the end of the reporting period and 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 provisions being made for any amounts believed to be impaired. Bad debts are written off in the period in which they are recognised as being uncollectable. All known bad debts were written off as at the last date of the financial year.

¹ Includes \$628k of interest payable by BRC related to the \$12m loan for the infield project. Refer notes 12 and 20.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

| | Consolidated 2017 \$'000 | Consolidated 2016 \$'000 | Parent 2017 \$'000 | Parent 2016 \$'000 |
|--|--------------------------------|--------------------------------|--------------------------|--------------------------|
| 12. Loan Receivable | | | | |
| Current | | | | |
| Brisbane Racing Club - Infield Project | 500 | - | 500 | - |
| Racing Infrastructure Fund | 303 | 789 | 303 | 789 |
| Total | 803 | 789 | 803 | 789 |
| Non-Current | | | | |
| Brisbane Racing Club - Infield Project | 11,500 | 12,000 | 11,500 | 12,000 |
| Townsville Turf Club - Funding Loan | 211 | 211 | 211 | 211 |
| Total | 11,711 | 12,211 | 11,711 | 12,211 |

Brisbane Racing Club

This loan was provided for the re-development of the Eagle Farm Racecourse under the Racing Infrastructure Fund granted by the Department of National Parks, Sport and Racing. The loan commenced 1 July 2015 with a repayment term of 11 years with interest at 3.603% per annum. Loan repayments will commence from 1 July 2017.

Racing Infrastructure Fund

Queensland Treasury provides funding, through the Department of National Parks, Sport and Racing, for infrastructure projects to support racing in the State.

Townsville Turf Club

The loan commenced on 1 May 2013 for a term of 60 months with interest at the RBA cash rate per annum.

13. Other Financial Assets

Investments in subsidiaries *

| | | | | |
|------------------------------------|---|---|--------|--------|
| - Sunshine Coast Racing Unit Trust | - | - | 20,188 | 19,879 |
| - Rockhampton Racing Pty Ltd | - | - | 6,225 | 6,225 |
| | - | - | 26,413 | 26,104 |

Unlisted securities **

| | | | | |
|----------------------------------|--------------|--------------|---------------|---------------|
| - Equity in Racing Australia Ltd | 4,254 | 3,711 | 4,254 | 3,711 |
| Total | 4,254 | 3,711 | 30,667 | 29,815 |

* Investments in subsidiaries are accounted for using the carrying amount. These entities are consolidated into RQ's financial statements.

** 18% in the capital of Racing Australia Ltd is accounted for at fair value.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

| | Consolidated 2017 \$'000 | Consolidated 2016 \$'000 | Parent 2017 \$'000 | Parent 2016 \$'000 |
|--|--------------------------------|--------------------------------|--------------------------|--------------------------|
| 14. Property, Plant and Equipment | | | | |
| Land - At Fair Value | 47,385 | 54,385 | 41,215 | 48,215 |
| Buildings, Tracks & Improvements - At Fair Value | 82,234 | 85,780 | 30,204 | 31,658 |
| Plant and Equipment - At Cost | 3,587 | 3,673 | 3,371 | 3,484 |
| Accumulated depreciation | (1,393) | (1,108) | (1,321) | (1,049) |
| | 2,194 | 2,565 | 2,050 | 2,435 |
| Work In Progress – At Cost | 2,645 | 217 | 1,422 | 217 |
| Total | 134,458 | 142,947 | 74,891 | 82,525 |

Accounting Policy

Items of property, plant and equipment with a cost value equal to, or in excess of, the following thresholds are recognised for financial reporting purposes in the year of acquisition:

| | |
|----------------------------------|---------|
| Land | \$1 |
| Buildings, Tracks & Improvements | \$2,000 |
| Plant and Equipment | \$2,000 |

Items with a lesser value are expensed in the year of acquisition.

Revaluations of Non-Current Physical Assets

Land, buildings, tracks & improvements are measured at fair value and revalued every three or five years by an independent professional valuer. A full appraisal was performed by Australis Asset Advisory Group for the financial year ended 30 June 2016. A review of that appraisal was performed in June 2017 by Australis Asset Advisory Group. In the intervening years, internal asset managers assess the asset condition and remaining life of all infrastructure assets, the results of which are considered in combination with the most appropriate cost index movement for the period. Together these are used to form the basis of a management valuation. The analysis performed by management has indicated that, on average, across all classes, the variance between an indexed asset value and the valuation by an independent valuer is not significant and the indices used by RQ are appropriate.

Depreciation

Depreciation is provided on a straight-line basis on all buildings, tracks & improvements, plant and equipment, over the estimated useful life of the assets. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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

| | |
|----------------------------------|--------------------|
| Buildings, tracks & improvements | Range 0.4% - 22.2% |
| Plant and Equipment | Range 2.5% - 50.0% |

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of plant and equipment is the higher of, fair value less costs to sell, and value in use. Impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash generating unit is then written down to its recoverable amount.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

a) Reconciliation of Property, Plant and Equipment

| | Land \$'000 | Buildings, Tracks & Improvements \$'000 | Plant and Equipment \$'000 | Work in Progress \$'000 | Total \$'000 |
|--|----------------|--|----------------------------------|-------------------------------|-----------------|
| Consolidated | | | | | |
| Carrying amount at 1 July 2015 | 53,106 | 86,438 | 3,863 | 281 | 143,688 |
| Additions | - | - | - | 557 | 557 |
| Disposals | - | - | (938) | (234) | (1,172) |
| Net revaluation increment/(decrement) | 1,279 | 2,580 | 5 | - | 3,864 |
| Transfers | - | 117 | 270 | (387) | - |
| Depreciation | - | (3,355) | (635) | - | (3,990) |
| Carrying amount at 30 June 2016 | 54,385 | 85,780 | 2,565 | 217 | 142,947 |
| Carrying amount at 1 July 2016 | 54,385 | 85,780 | 2,565 | 217 | 142,947 |
| Additions | - | - | - | 3,096 | 3,096 |
| Disposals | (5,000) | (56) | (323) | (79) | (5,458) |
| Net revaluation increment/(decrement) | (2,000) | (240) | 244 | - | (1,996) |
| Transfers | - | 209 | 380 | (589) | - |
| Transfer of PPE to Queensland Racing Integrity Commission | - | (38) | (223) | - | (261) |
| Depreciation | - | (3,421) | (449) | - | (3,870) |
| Carrying amount at 30 June 2017 | 47,385 | 82,234 | 2,194 | 2,645 | 134,458 |
| Parent Entity | | | | | |
| Carrying amount at 1 July 2015 | 47,026 | 32,459 | 3,721 | 281 | 83,487 |
| Additions | - | - | - | 487 | 487 |
| Disposals | - | - | (938) | (234) | (1,172) |
| Net revaluation increment/(decrement) | 1,189 | 553 | 4 | - | 1,746 |
| Transfers | - | 47 | 270 | (317) | - |
| Depreciation | - | (1,401) | (622) | - | (2,023) |
| Carrying amount at 30 June 2016 | 48,215 | 31,658 | 2,435 | 217 | 82,525 |
| Carrying amount at 1 July 2016 | 48,215 | 31,658 | 2,435 | 217 | 82,525 |
| Additions | - | - | - | 1,686 | 1,686 |
| Disposals | (5,000) | (55) | (324) | (79) | (5,458) |
| Net revaluation increment/(decrement) | (2,000) | - | 244 | - | (1,756) |
| Transfers | - | 49 | 353 | (402) | - |
| Transfer to Queensland Racing Integrity Commission | - | (38) | (223) | - | (261) |
| Depreciation | - | (1,410) | (435) | - | (1,845) |
| Carrying amount at 30 June 2017 | 41,215 | 30,204 | 2,050 | 1,422 | 74,891 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

15. Fair Value Hierarchy

Financial instruments measured at fair value have been classified in accordance with the hierarchy described in AASB 13 *Fair Value Measurement*. The fair value hierarchy is categorised into three levels based on the observability of the inputs to fair valuation techniques:

- Level 1 represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;
- Level 2 represents fair value measurements that are substantially derived from inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly; and
- Level 3 represents fair value measurements that are substantially derived from unobservable inputs.

| Consolidated | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| At 30 June 2016 | | | | |
| Cash and Cash Equivalents | 15,249 | - | - | 15,249 |
| Other Financial Assets - Equity securities | - | 3,711 | - | 3,711 |
| Land | - | 54,385 | - | 54,385 |
| Buildings, Tracks & Improvements | - | - | 85,780 | 85,780 |
| Total | 15,249 | 58,096 | 85,780 | 159,125 |
| At 30 June 2017 | | | | |
| Cash and Cash Equivalents | 29,041 | - | - | 29,041 |
| Other Financial Assets - Equity Securities | - | 4,254 | - | 4,254 |
| Land | - | 47,385 | - | 47,385 |
| Buildings, Tracks & Improvements | - | - | 82,234 | 82,234 |
| Total | 29,041 | 51,639 | 82,234 | 162,914 |
| Parent | | | | |
| At 30 June 2016 | | | | |
| Cash and Cash Equivalents | 13,023 | - | - | 13,023 |
| Other Financial Assets - Equity securities | - | 3,711 | - | 3,711 |
| Land | - | 48,215 | - | 48,215 |
| Buildings, Tracks & Improvements | - | 238 | 31,420 | 31,658 |
| Total | 13,023 | 52,164 | 31,420 | 96,607 |
| At 30 June 2017 | | | | |
| Cash and Cash Equivalents | 27,671 | - | - | 27,671 |
| Other Financial Assets - Equity Securities | - | 4,254 | - | 4,254 |
| Land | - | 41,215 | - | 41,215 |
| Buildings, Tracks & Improvements | - | 209 | 29,995 | 30,204 |
| Total | 27,671 | 45,678 | 29,995 | 103,344 |

There were no transfers between levels for recurring fair value measurements during the year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

| | Consolidated 2017 \$'000 | Consolidated 2016 \$'000 | Parent 2017 \$'000 | Parent 2016 \$'000 |
|---------------------------------------|--------------------------------|--------------------------------|--------------------------|--------------------------|
| 16. Trade & Other Payables | | | | |
| Trade Payables | 20,279 | 14,408 | 20,448 | 13,934 |
| GST Payable | 585 | 718 | 658 | 725 |
| Other Payables | 964 | 776 | 744 | 1,442 |
| ATO Jockey Superannuation* | 950 | 950 | 950 | 950 |
| Total | 22,778 | 16,852 | 22,800 | 17,051 |

Accounting Policy

Trade Payables are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price, net of applicable trade and other discounts. Amounts owing are unsecured and are generally settled on 30 day terms.

17. Other Provision

Current

| | | | | |
|--------------------------------------|-------|-------|-------|-------|
| Provision for Jockey Superannuation* | 4,001 | 4,001 | 4,001 | 4,001 |
|--------------------------------------|-------|-------|-------|-------|

Accounting Policy

Provisions are recorded when RQ has a present obligation, either legal or constructive as a result of a past event. They are recognised at the amount expected to be paid in a future period.

*Additional Disclosure

The ATO issued RQ with default assessments with respect to superannuation contributions payable for certain jockeys in relation to the period 1 July 2009 - 30 September 2014. RQ has lodged an objection against the default assessment which is currently under consideration by the ATO. Notwithstanding this, the obligation to pay the default assessment of \$949,696 arose when the default assessment was issued and as such has been included under in Note 16 to cover this obligation.

RQ has calculated the full extent of superannuation payable for all remaining jockeys for the period mentioned and has made a provision for the amount that would be payable to the ATO if default assessments were issued for all jockeys. The amounts disclosed in Notes 16 and 17 have been included in the 2016 Jockey Fees in Note 7.

18. Employee Benefits

Current

| | | | | |
|--------------------|------------|--------------|------------|--------------|
| Annual Leave | 406 | 773 | 406 | 773 |
| Long Service Leave | 284 | 557 | 284 | 557 |
| Total | 690 | 1,330 | 690 | 1,330 |

Non-Current

| | | | | |
|--------------------|------------|------------|------------|------------|
| Annual Leave | 84 | 300 | 84 | 300 |
| Long Service Leave | 190 | 663 | 190 | 663 |
| Total | 274 | 963 | 274 | 963 |

Refer to Note 9 for the Accounting Policy on Employee Benefits.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

| | Consolidated 2017 \$'000 | Consolidated 2016 \$'000 | Parent 2017 \$'000 | Parent 2016 \$'000 |
|--|--------------------------------|--------------------------------|--------------------------|--------------------------|
|--|--------------------------------|--------------------------------|--------------------------|--------------------------|

19. Deferred Tax Liabilities

The balance comprises temporary differences attributable to:

| | | | | |
|---|--------------|--------------|----------|----------|
| Revaluation of land, buildings, tracks & improvements | 2,356 | 2,426 | - | - |
| Total | 2,356 | 2,426 | - | - |

Refer to Note 31 for taxation information on the Parent Entity and Controlled Entities.

Recognition

Deferred income tax is provided on all temporary differences, using the liability method, at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

20. Loan Payable

Current

| | | | | |
|--|--------------|----------|--------------|----------|
| Queensland Treasury - Brisbane Racing Club * | 1,128 | - | 1,128 | - |
| Total | 1,128 | - | 1,128 | - |

Non-Current

| | | | | |
|--|---------------|---------------|---------------|---------------|
| Queensland Treasury - RQ ** | 35,664 | 31,664 | 35,664 | 31,664 |
| Queensland Treasury - Brisbane Racing Club * | 11,503 | 12,119 | 11,503 | 12,119 |
| Total | 47,167 | 43,783 | 47,167 | 43,783 |

* Loan to Brisbane Racing Club was to re-develop the Eagle Farm Racecourse. Loan repayments will commence from 1 July 2017. RQ will pay an amount equivalent to the repayment amount from Brisbane Racing Club to the Department of National Parks, Sport and Racing upon receipt (refer to Note 12 for further information). The current loan payable to Queensland Treasury is inclusive of the \$628k of accrued interest on the \$12m loan to the BRC. Refer to accrued interest (note 11).

** The State of Queensland has provided loans to enable RQ to meet its obligations. The loan terms currently do not attract interest and there is no recourse to make repayments until RQ is able to do so.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

21. Asset Revaluation Reserve

| | Land | Buildings, Tracks & Improvements | Other | Total |
|-----------------------------------|--------------|--|-------------|---------------|
| Consolidated | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 July 2015 | 1,575 | 30,690 | - | 32,265 |
| Revaluation Increments | 1,404 | 1,948 | - | 3,352 |
| Revaluation Decrements | (103) | (191) | - | (294) |
| Balance at 30 June 2016 | 2,876 | 32,447 | - | 35,323 |
| Balance at 1 July 2016 | 2,876 | 32,447 | - | 35,323 |
| Revaluation Increments | - | 244 | - | 244 |
| Revaluation Decrements | (2,000) | (108) | - | (2,108) |
| Net transfer to Retained Earnings | - | - | (17) | (17) |
| Balance at 30 June 2017 | 876 | 32,583 | (17) | 33,442 |

| | Land | Buildings, Tracks & Improvements | Other | Total |
|-----------------------------------|--------------|--|-------------|---------------|
| Parent Entity | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 July 2015 | 1,266 | 8,991 | - | 10,257 |
| Revaluation Increments | 1,270 | 747 | - | 2,017 |
| Revaluation Decrements | (81) | (167) | - | (248) |
| Balance at 30 June 2016 | 2,455 | 9,571 | - | 12,026 |
| Balance at 1 July 2016 | 2,455 | 9,571 | - | 12,026 |
| Revaluation Increments | - | 244 | - | 244 |
| Revaluation Decrements | (2,000) | - | - | (2,000) |
| Net transfer to Retained Earnings | - | - | (17) | (17) |
| Balance at 30 June 2017 | 455 | 9,815 | (17) | 10,253 |

22. Non-Controlling Interests

Non-controlling interests relate 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 Sunshine Coast Racing Unit Trust, the non-controlling interest is held by way of units in the unit trust. It is the opinion of RQ that these units are in the nature of equity and not a financial liability.

Non-controlling interests are reconciled as follows:

| | 2017 \$'000 | 2016 \$'000 |
|---------------------------------------|----------------|----------------|
| Capital Contributions | 12,131 | 12,054 |
| Retained Earnings/(Losses) | (455) | (410) |
| Asset Revaluation Reserve | (60) | 434 |
| Sinking Fund Reserve | 56 | 53 |
| Total Non-Controlling Interest | 11,672 | 12,131 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

| | Consolidated 2017 \$'000 | Consolidated 2016 \$'000 | Parent 2017 \$'000 | Parent 2016 \$'000 |
|---|--------------------------------|--------------------------------|--------------------------|--------------------------|
| 23. Notes to the Statement of Cash Flows | | | | |
| (a) Reconciliation of Operating Result from Continuing Operations to Net Cash Provided by Operating Activities | | | | |
| Loss after income tax | (2,242) | (21,846) | (146) | (19,918) |
| Non-cash flows in operating activities | | | | |
| Depreciation expense | 3,870 | 3,990 | 1,845 | 2,023 |
| Net (gain)/loss on sale of property, plant and equipment | (622) | 529 | (622) | 529 |
| Recognition of Prior Period Provision | - | 228 | - | 228 |
| Sinking fund | - | - | - | (292) |
| Other | (88) | (38) | (102) | (17) |
| Changes in assets and liabilities | | | | |
| (Increase) decrease in trade receivables | (1,238) | 778 | (1,263) | 786 |
| (Increase) decrease in sundry receivables | (93) | 148 | (134) | 167 |
| Increase (decrease) in impairment of debtors | 63 | 308 | 63 | 308 |
| (Increase) decrease in race information fees receivable | 728 | (295) | 728 | (295) |
| (Increase) decrease in accrued interest | (656) | 8 | (667) | - |
| (Increase) decrease in GST receivable | (48) | 51 | 14 | 54 |
| Increase (decrease) in GST payable | (85) | (608) | (82) | (608) |
| Increase (decrease) in trade payables and accrued expenses | 5,871 | (3,749) | 6,514 | (5,546) |
| Increase (decrease) in sundry payables | 188 | - | (698) | 1,779 |
| (Increase) decrease in other current assets | 202 | 3 | 202 | 3 |
| (Increase) decrease in other current liabilities | (265) | (1,186) | (265) | (1,186) |
| Increase (decrease) in loan receivable | 486 | 2,126 | 486 | 2,126 |
| (Increase) decrease in loan payable | 512 | - | 512 | - |
| Increase (decrease) in provisions | (1,329) | 145 | (1,329) | 145 |
| Net Cash Provided by Operating Activities | 5,254 | (19,408) | 5,056 | (19,714) |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

24. 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 RQ.

| | Consolidated 2017 \$'000 | Consolidated 2016 \$'000 | Parent 2017 \$'000 | Parent 2016 \$'000 |
|--|--------------------------------|--------------------------------|--------------------------|--------------------------|
| a) Operating Lease Expense | | | | |
| Car Leases | 41 | 178 | 41 | 178 |
| Computer Equipment | 39 | 113 | 39 | 113 |
| Office Equipment | - | 6 | - | 6 |
| Total | 80 | 297 | 80 | 297 |
| b) Lease Commitments (Non-Cancellable Operating Leases—Future Minimum Lease Payments) | | | | |
| Payable Within 1 Year | 43 | 67 | 43 | 67 |
| Payable 1 – 5 Years | 8 | 53 | 8 | 53 |
| Total | 51 | 120 | 51 | 120 |
| c) Capital Commitments | | | | |
| Capital Expenditure Projects – Property, Plant and Equipment | - | 131 | - | - |
| Total | - | 131 | - | - |

25. Related Parties

A related party is one that controls, or is controlled by, or under common control with the entity.

(a) Ultimate Controlling Entity

The immediate controlling entity and ultimate controlling entity is the Under Treasurer of Queensland.

(b) Key Management Personnel

Disclosures relating to key management personnel are set out in Note 26.

(c) Investments in Companies

RQ has a controlling entity Share of Directorship in the following entities:

- Sunshine Coast Racing Pty Ltd as trustee for the Sunshine Coast Racing Unit Trust (84.6%)
- Rockhampton Racing Pty Ltd (63.8%)

(d) Transactions with Related Parties

Related party transactions and outstanding balances with investments in companies are disclosed in RQ's financial statements. Intragroup related party transactions and outstanding balances are eliminated in the preparation of the consolidated financial statements and as such there are no remaining transactions with related parties for the financial year ended 30 June 2017.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

26. Key Management Personnel

As from 2016-17, RQ's responsible Minister is identified as the Hon. Grace Grace - Minister for Employment and Industrial Relations Minister for Racing and Minister for Multicultural Affairs.

Key management personnel are defined as those persons having authority and responsibility for the planning, directing and controlling of activities of RQ, being members of the Board of Directors and the Chief Executive Officer.

Key management personnel and remuneration disclosures are made in accordance with the Financial Reporting Requirements for Queensland Government Agencies issued by Queensland Treasury.

(a) Remuneration Principles

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. RQ does not bear any remuneration costs of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as Key Management Personnel of the Queensland Government, aggregate remuneration expenses for all Ministers is disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements as from 2016-17, which are published as part of Queensland Treasury's Report on State Finances.

The remuneration policy for the Members of the Board and Chief Executive Officer of RQ is set by the Governor in Council. The remuneration policy for employees, who are Key Management Personnel, is set by the Board.

Remuneration packages for Key Management Personnel comprise the following components:

- Short term employment benefits include:
 - (i) Base, which consists of base salary, and where applicable, allowances and leave entitlements paid and provided for the entire year or for that part of the year during which the Member or employee occupied the specified position. Amounts disclosed equal the amount expended in the Statement of Comprehensive Income.
 - (ii) Benefits consisting of the provision of a motor vehicle together with fringe benefits tax applicable to the benefit.
- Long service leave accrued is the only long term employment benefit provided; and
- Superannuation contributions are the only post-employment benefits provided.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

26. Key Management Personnel (continued)

(a) Remuneration Principles (continued)

(i) Board Members

Details of the nature and amount of each major element of the remuneration are as follows:

| | Short Term Employee Benefits | | Post-Employment Benefits | | Total | |
|--------------------------------------|---------------------------------|---------------|-----------------------------|--------------|----------------|---------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Steven Wilson AM - Chairperson | 61,708 | 15,289 | 7,754 | 1,871 | 69,462 | 17,160 |
| Margaret Reynolds | 40,866 | 10,054 | 3,734 | 933 | 44,600 | 10,987 |
| Dale Cartwright | 40,970 | 9,826 | 3,734 | 933 | 44,704 | 10,759 |
| Mark Sowerby ⁽¹⁾ | 39,303 | - | 3,734 | - | 43,037 | - |
| Sharon Dawson ⁽¹⁾ | 39,303 | - | 3,734 | - | 43,037 | - |
| Maxwell Walters ⁽¹⁾ | 42,287 | - | 4,017 | - | 46,304 | - |
| Susannah George ⁽¹⁾ | 39,303 | - | 3,734 | - | 43,037 | - |
| Jim Rundle ⁽²⁾ | - | 302 | - | - | - | 302 |
| The Hon. John Muir QC ⁽³⁾ | - | 51,121 | - | 5,860 | - | 56,981 |
| Total Remuneration | 303,740 | 86,592 | 30,441 | 9,597 | 334,181 | 96,189 |

⁽¹⁾ Appointed 01/07/2016.

⁽²⁾ Resigned 04/04/2016.

⁽³⁾ Resigned 30/03/2016.

(ii) Executive Management

| | Short Term Employee Benefits | | Long Term Employee Benefits | Post- Employment Benefits | Total |
|--|---------------------------------|------------------|-----------------------------------|---------------------------------|----------------|
| | Base | Non- Monetary | | | |
| 30 June 2017 | \$ | \$ | \$ | \$ | \$ |
| Chief Executive Officer ⁽¹⁾ | 302,488 | - | 4,928 | 38,109 | 345,525 |
| Acting Chief Executive Officer ⁽²⁾ | 40,110 | - | - | 4,575 | 44,685 |
| Total Remuneration | 342,598 | - | 4,928 | 42,684 | 390,210 |

⁽¹⁾ Appointed 22/08/2016.

⁽²⁾ Resigned 21/08/2016.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

(a) Remuneration Principles (continued)

(ii) Executive Management (continued)

| | Short Term Employee Benefits | | Long Term Employee Benefits | Post-Employment Benefits | Total |
|---|------------------------------|--------------|-----------------------------|--------------------------|----------------|
| | Base | Non-Monetary | | | |
| 30 June 2016 | \$ | \$ | \$ | \$ | \$ |
| Chief Executive Officer ⁽¹⁾ | 30,502 | - | - | 270 | 30,772 |
| Acting Chief Executive Officer ⁽²⁾ | 72,163 | - | - | 9,103 | 81,266 |
| Total Remuneration | 102,665 | - | - | 9,373 | 112,038 |

⁽¹⁾ Resigned 01/07/2015.

⁽²⁾ Appointed 11/07/2015.

(b) Other Transactions

There were no loans to and from key management personnel during the financial year.

27. Parent Entity Information

Guarantees

During the 2014-15 financial year, RQ provided a guarantee in favour of the Commonwealth Bank of Australia to support borrowings by Racing Information Services Australia (RISA) for the purchase of the Australian Stud and Australian Genetics Testing Pty Ltd. The value of the guarantee is capped at \$2,880,000, plus compounding interest being 18% of the amount borrowed by RISA. Effective from 13 April 2015, RISA merged its functions and assets with the Australian Racing Board and the Australian Stud Book to form Racing Australia Ltd.

28. Contingent Liabilities

Other than the item noted above, no other contingent liabilities have been identified for the year ended 30 June 2017.

29. Financial Instruments

Recognition and Initial Measurement

Financial assets and financial liabilities are recognised in the Statement of Financial Position when RQ becomes party to the contractual provisions of the financial instrument.

Financial instruments are classified and measured as follows:

- Cash and cash equivalents: held at fair value through profit and loss. Refer to note 10.
- Trade debtors: held at amortised cost. Refer to note 11.
- Financial assets - held at fair value through profit and loss. Refer to note 13.
- Payables: held at amortised cost. Refer to note 16 and note 20.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

29. Financial Instruments (continued)

Recognition and Initial Measurement (continued)

The carrying amounts of trade receivables and payables approximate their fair value.

No financial assets and financial liabilities have been offset and presented on a net basis in the Statement of Financial Position. RQ does not enter into, or trade with such instruments for speculative purposes nor for hedging.

30. Going Concern

Racing Queensland, the parent entity, has recorded a loss of \$0.146 million and a consolidated loss of \$2.242 million in the financial year 2016-17.

While Racing Queensland was previously reliant on ongoing government support, the financial statements have been prepared on a going concern basis, because:

- There is no intention to liquidate Racing Queensland or to cease operations;
- Funding previously supplied by the State of Queensland is to be repaid by Racing Queensland once it is financially viable (refer also to note 20);
- Positive cash flows were experienced in financial year 2016-17 and are expected to continue for a period not less than 13 months from the date of this financial report;
- In the members of the Board's opinion there are reasonable grounds to believe that Racing Queensland Board trading as Racing Queensland will be able to pay its debts as and when they become due and payable.

31. Other Information

Taxation

RQ is exempt from income tax with the exception of Fringe Benefits Tax and Goods and Services Tax payable to the ATO which are recognised as incurred and accrued.

Income tax is provided for in Sunshine Coast Racing Pty Ltd as trustee for Sunshine Coast Racing Unit Trust to the extent that accumulated income is assessable to the trustee. No income tax is payable by the trust in accordance with the trust deed, and taxable income is fully distributed to the beneficiaries.

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

Accounting Estimates and Judgments

The preparation of financial statements necessarily requires the determination and use of certain critical accounting estimates, assumptions, and management judgements that have the potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Such estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

Estimates and assumptions that have a potential significant effect are outlined in the following notes:

- Note 14 – Property, Plant and Equipment;
- Note 16 – Trade & Other Payables;
- Note 20 – Loan Payable; and
- Note 18 – Employee Benefits.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

32. Events Occurring After Balance Date

On the 14th July 2017, the Brisbane City Council declined Racing Queensland's request to be allowed to submit an application for development of Albion Park under the superseded Albion Neighbour Plan. RQ is considering its options.

There are no other matters or circumstances which have arisen since the end of the financial year that have materially affected or may materially affect the operations of RQ, the results of those operations or the state of affairs of RQ in future years.

CERTIFICATE OF RACING QUEENSLAND BOARD

These general purpose financial statements have been prepared pursuant to s.62 (1) (a) of the Financial Accountability Act 2009 (the Act), s43 of the Financial and Performance Management Standard 2009 and other prescribed requirements. In accordance with s.62 (1) (b) of the Act we certify that in our opinion:

- a) The prescribed requirements for establishing and keeping the accounts have been complied with in all material respects.
- b) The financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of Racing Queensland Board trading as Racing Queensland for the period 1 July 2016 to 30 June 2017 and of the financial position of Racing Queensland as at the end of that financial year.
- c) These assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.



Dr Eliot Forbes
CHIEF EXECUTIVE OFFICER

Date 24/8/2017



Steve Wilson AM
CHAIRPERSON

Date 24/8/2017

INDEPENDENT AUDITOR'S REPORT

To the Board of Racing Queensland Board (trading as Racing Queensland)

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Racing Queensland Board (the parent) and its controlled entities (the group).

In my opinion, the financial report:

- a) gives a true and fair view of the parent's and group's financial position as at 30 June 2017, and their financial performance and cash flows for the year then ended
- b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2009 and Australian Accounting Standards.

The financial report comprises the statements of financial position as at 30 June 2017, the statements of comprehensive income, statements of changes in equity and statements of cash flows of Racing Queensland Board for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate of Racing Queensland Board.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the parent and group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Entity for the Financial Report

The Board is responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2009 and Australian Accounting Standards, and for such internal control as the Board determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The Board is also responsible for assessing the parent's and group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the parent or group or to otherwise cease operations.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

INDEPENDENT AUDITOR'S REPORT

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the parent's and group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the group.
- Conclude on the appropriateness of the parent's and group's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent's or group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the parent or group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the group. I remain solely responsible for my audit opinion.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2017:

- a) I received all the information and explanations I required.
- b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.



Nick George
as delegate of the Auditor-General



Queensland Audit Office
Brisbane

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