

Racing Queensland Limited

POLICY ON DEALING WITH INTANGIBLE ASSETS BY NON-PROPRIETARY LICENSED CLUBS

DATE THE POLICY WAS MADE

This policy was made on 1 July 2010.

COMMENCEMENT DATE

This policy came into effect on 1 July 2010.

PURPOSE

The *Racing Act 2002* (Act) authorises Racing Queensland Limited (Racing Queensland) to make policies for the sound management of the industry. Section 80 (1) (b) of the Act allows Racing Queensland to make a policy because it believes it is good management to have the policy. Racing Queensland believes it is good management to have a policy on dealing with intangible assets by non-proprietary licensed clubs. Section 81 (u) requires Racing Queensland to have a policy dealing with the disposal of assets.

This policy does not apply to the disposal of or dealings with assets which are covered by other policies of Queensland Racing.

Licensed race clubs organise and run events in conjunction with thoroughbred, harness and greyhound race meetings in Queensland. They are responsible for the development and maintenance of assets crucial to the Queensland racing industry. They generate revenue and profits and hold assets on behalf of their members and the Queensland racing industry. They operate in an increasingly competitive environment. The welfare of individual clubs and the Queensland racing industry as a whole depends on race clubs instituting sound financial management practices.

Licensed race clubs range from significant businesses with substantial administrations to those that race once or twice a year and are administered voluntarily. The corporate governance structures will therefore differ substantially from club to club but the fundamental principles of business management and control remain the same. Licensed race clubs must ensure their assets are dealt with for legitimate purposes, that they receive value for money and that they have appropriate documentation to support any dealing with their assets.

Racing Queensland believes that it is good management to have a policy on dealing with intangible assets so that all licensed races clubs and the industry receive optimum value for the use of their intangible assets.

The purpose of this policy is to help Racing Queensland and licensed race clubs manage Queensland racing industry's intangible assets, and to ensure licensed race clubs understand their financial roles and responsibilities and have the necessary tools and support to manage their intangible assets soundly. This policy is intended to ensure

that all clubs utilise their intangible assets in such a way as to achieve the highest possible revenue and value from those intangible assets.

POLICY STATEMENT

Racing Queensland requires licensed race clubs to manage their intangible assets effectively and accountably for the benefit of the club and the Queensland racing industry.

Licensed race clubs must manage their intangible assets in accordance with relevant legislation, including the Act, *Associations Incorporations Act 1981*, and the *Corporations Act 2001*.

Licensed race clubs must also manage and make disclosures about their intangible assets in accordance with rules and procedures set down and administered by Racing Queensland, including the rules of racing, licence conditions and the Financial Management Procedures Manual issued by Racing Queensland, which is available on Racing Queensland's website.

Licensed race clubs must take particular note of the following requirements contained in the Act and the Financial Management Procedures Manual:

- Race clubs must establish appropriate internal control systems to minimise the risk of misappropriation of assets.
- Internal control systems must include clearly documented authorities for the dealing with assets by race club officers.
- All dealings with assets must be supported by appropriate documentation that must be maintained in accordance with the section on "Safeguarding and Retention of Accounting Records" in the Manual.

Racing Queensland will monitor race clubs' asset management performance.

Should Racing Queensland find a race club is not complying with the Financial Management Procedures Manual, relevant legislation or this policy, Racing Queensland will direct the club to take action to rectify the situation under section 34 (2) (a) of the Act.

Should a club refuse to comply with such a direction, Racing Queensland will take appropriate action under section 34 (3) of the Act, which could include suspending or cancelling the club's licence.

It is a requirement of Racing Queensland that any club wishing to deal with its intangible assets must first obtain approval written approval from Racing Queensland.

APPLICATION

This policy applies to all licensed, non-proprietary race clubs in Queensland, including these clubs' management committees and officers.

DEFINITIONS

'Assets' means all assets, other than real property and includes, without limitation, intangible and tangible assets, plant and equipment, machinery, stock, stationery, furniture, fittings and fixtures, computers and electrical equipment, services and vehicles.

'Intangible assets' means all intangible assets and includes, without limitation, intellectual property rights, including, intellectual property rights in any event held, hosted, run or organised by a club or held at premises owned or occupied by a club. It includes, but is not limited to broadcast rights.

'Dealing with intangible assets' means granting a right in relation to, leasing, licensing, lending, mortgaging, charging, parting with possession of the asset.

'Encouragement of racing' refers to the application of monies by a race club to the core business and business objectives of the race club – the conduct of thoroughbred, harness or greyhound racing.

'Financial Management Procedures Manual' refers to the publication prepared and distributed by Racing Queensland Limited that provides comprehensive guidelines and standards for race clubs for their financial and business operations.

'Internal control systems' refer to the practices and processes established by race clubs to ensure high standards of corporate governance and financial accountability are in place, and to minimise the risk to race clubs of fraudulent activity or theft.

'Non-proprietary race club' a not-for-profit race club. A non-proprietary race club has a constitution that both:

- (a) provides for the application of all of the club's profits and other income to the promotion of the club's objects; and
- (b) prohibits the payment of dividends to the members of the club.

PROCEDURES

In order for Racing Queensland to consider a request for approval under this policy from a club, the club must provide the following supporting documentation with its application:

- Latest audited financial statements of the club.
- Copy of the club's constitution.
- Copies of all materials considered by the club's board or committee in relation to the proposal.
- Copies of board or committee minutes relating to its consideration of the proposal.

- Copy of proposed documentation for the dealing with the intangible asset that the club is required to execute.
- Due diligence report on other parties to the transaction.
- Documentation outlining all the costs in connection with the proposal including legal and accounting costs and costs of valuations and due diligence reports commissioned or required.

DETERMINING THE APPLICATION

In determining the application of the club, Racing Queensland will consider the following:

- Compliance with Racing Queensland's policies.
- Club's strategic plan.
- Club's business plan.
- The type of intangible asset.
- Whether Racing Queensland is dealing with the intangible asset itself on behalf of the industry.
- Whether Racing Queensland is proposing to or considering dealing with the intangible asset itself on behalf of the industry.
- Whether Racing Queensland has any legal obligations with respect to the intangible property and if so how the proposed dealing fits with those obligations
- The terms of the proposed dealing with the intangible asset by the club.
- The duration of the proposed dealing with the intangible asset.
- The benefit to be derived by the club and its impact on surrounding clubs in the region.
- The impact on and benefit to the industry as a whole.
- The legal structure of the other party to the dealing and its location.
- The return to the club in connection with the proposed dealing compared to the return to the industry if Racing Queensland were to deal with the intangible asset.

When deciding whether to approve the application for dealing with the intangible asset, Racing Queensland will have the authority to impose conditions.

Each application will be considered on its merits. Where necessary to properly consider a request for approval, Racing Queensland may request other information, documents or further submissions by any applicant.

Racing Queensland will not approve a clubs application for dealing with an intangible asset if:

- Racing Queensland is dealing with the intangible asset itself on behalf of the industry.
- Racing Queensland is proposing to or considering dealing with the intangible asset itself on behalf of the industry.
- Racing Queensland forms the view that the terms of the proposed dealing are not commercial or, the term of the proposed dealing extends beyond what is commercial and reasonable.
- Racing Queensland forms the view that the dealing is inconsistent with the rights, duties or obligations of Racing Queensland in relation to the intangible assets.
- The other party to the dealing is a foreign person or entity.
- Racing Queensland forms the view that the dealing is not for the benefit of the industry as a whole.
- Racing Queensland forms the view that the dealing with the intangible asset conflicts with the rights, needs or interests of other clubs.
- Racing Queensland forms the view that the return to the club in connection with the proposed dealing is not commercial when compared to the return to the industry if Racing Queensland were to deal with the intangible asset.

Roles and responsibilities

Club committees

Club committees must ensure club expenditure and dealing with intangible assets is for legitimate purposes, represents value for money and is supported by appropriate documentation. Club committees must provide accurate, complete and timely information on club finances to Racing Queensland and to their members, and ensure policies are established in respect of the financial operations of the club that are consistent with the principles and guidelines outlined in the Financial Management Procedures Manual. Club committees must comply with a direction from Racing Queensland.

Club treasurer

Club treasurers must ensure club expenditure and dealing with intangible assets is for legitimate purposes, represents value for money and is supported by appropriate documentation. Club treasurers must provide club committees with accurate, complete and timely information on club finances to help committees make decisions. They must oversee the internal accounting and stock controls and procedures of the race club and ensure that appropriate standards in that regard are being met and that the risk of

misappropriation or fraudulent use of race club monies and assets is minimised. Club treasurers must ensure that all committee members and club officials comply with the policies and practices the committee establishes for the financial operations of the club.

Club officials

Race club officials must ensure club expenditure and dealing with intangible assets is for legitimate purposes, represents value for money and is supported by appropriate documentation. They must provide club committees with accurate, complete and timely information on club finances to help committees make decisions. Club officials must at all times operate in accordance with the financial policies and procedures established by the committee.

Racing Queensland

Racing Queensland provides support and guidance to race clubs, monitors clubs' financial and asset management and financial performance and, if necessary, intervenes to ensure clubs manage their finances and assets appropriately. Racing Queensland assesses proposed major capital expenditure by clubs and any proposed expenditure by clubs not directly related to the conduct or encouragement of racing.

Rules of Racing

Rules of Racing will not be made for this policy.

Review

Review date will be July 2012.

REVISION HISTORY

Version	Date	Description
1.01	July 2010	Board adopted under exceptional circumstances
1.02	September 2010	Board confirmed this policy continued to have effect