



Queensland Thoroughbred Racing Board

Annual Report 2003



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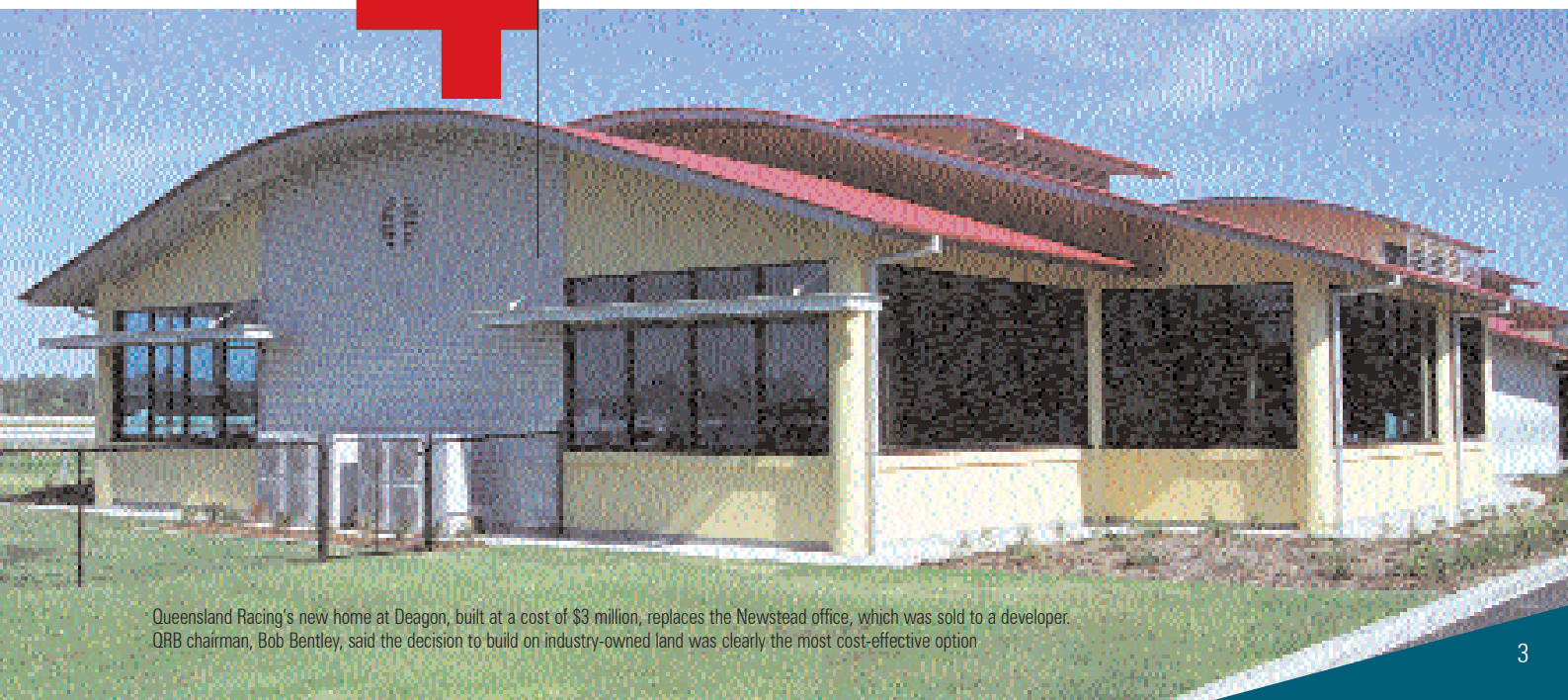
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Queensland Racing's new home at Deagon, built at a cost of \$3 million, replaces the Newstead office, which was sold to a developer. QRB chairman, Bob Bentley, said the decision to build on industry-owned land was clearly the most cost-effective option.

QUEENSLAND RACING BOARD PROFILES

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The Queensland Racing Board, from left (standing): Mr Wally Tutt, Mr Michael Lambert, Mr Tony Hanmer, Mr Stephen Lonie (Deputy Chairman) Seated: Mr Robert Bentley (Chairman)

The Queensland Thoroughbred Racing Board was appointed in April 2002 as the industry's first independent, commercially-focused, skills-based control body.

The Board members are:

Robert (Bob) Bentley (Chairman)

Mr Bentley has an extensive background in racing industry administration, breeding and racing. He has been a non-executive Director of UNITAB since 1998 and is a Director of the Australian Racing Board. He was previously a Chairman of the Queensland Principal Club between 1992 and 1997, Chair of the Racing Industry Co-ordinating Committee, Chair of the Ipswich Turf Club, Treasurer of the Queensland Bloodhorse Breeders Association, Chair and Managing Director of Austral Plywoods and Chairman of the Australian Plywoods Manufacturing Association. He is also a Director of a number of private companies in Queensland. Mr Bentley has extensive business experience in pastoral and timber-related industry and property development. He was instrumental in establishing the QRIS breeding and ownership incentive scheme, which has recently evolved into QTIS.

Stephen Lonie (Deputy Chairman)

Mr Lonie is a retired partner of KPMG (accountants and professional advisors) and Chairman of CS Energy Limited. He has undertaken a range of performance and functional reviews of organisations and, in particular, public sector entities. He was Project Director for KPMG when a strategic plan was developed for the Queensland racing industry, as part of the privatisation process for the TABQ. Mr Lonie was subsequently retained by the QPC to negotiate with the Government in regard to its ongoing relationship with the TAB and to formulate a strategic plan for the QPC.

Tony Hanmer

Mr Hanmer has more than 25 years' leadership experience and a track record of company management, building professional organisations, originally in the United Kingdom and subsequently in Australia and Asia. He has been Senior Vice President of McCann-Erikson Worldwide and Regional Director of Asia South Pacific, working internationally with global companies. Mr Hanmer is now a QRB member, specialising in strategy, marketing and research. He is a director of Techstar Pty Ltd, Medteq Innovations and the Endeavour Foundation. Having a long interest in racing, he is an owner and member of the Sunshine Coast Turf club.

Michael Lambert

Mr Lambert is Managing Director of ABN-AMRO Australia, part of the ABN-AMRO global investment bank and former head of the NSW Treasury. His areas of focus and responsibility are government, transport and the gaming and gambling sectors. He has had substantial involvement with the Queensland racing industry, having been an adviser to the Government on strategic options for TABQ and the Queensland racing industry and on the reform and sale of TABQ. Mr Lambert is also a Board member of Energy Australia and a previous Board member of the Macquarie Health Service.

Wally Tutt

Mr Tutt, a Brisbane solicitor, has been an active participant and racehorse owner in Queensland for more than 30 years. He is a member of the Queensland, Brisbane, Ipswich and Gold and Sunshine Coast Turf Clubs. Mr Tutt has a wealth of business, racing and legal experience. He was a former trustee of the Queensland Turf Club and Albion Park. Mr Tutt owned his first horse in 1969. The best horse he raced was Handsome Prince, the winner of 20 races in the early 80's, including two legs of the Doomben Triple Crown. He filled the vacancy on the Board in December 2002 created by the sudden death of Mr George Pippas.

CHAIRMAN'S REPORT



QRB Chairman Bob Bentley

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A year of progress and change

The 2002-03 financial year was one of significant change and progress for the racing industry in Queensland.

It was the first full year at the helm for the Board of Queensland Racing following its appointment in April 2002. The Board, with its commercial focus and expertise, and its independence, has pursued an aggressive reform agenda and the tough decisions made during the year are already generating positive results.

The new financial package, announced in August 2003, was the result of stringent, ongoing administrative cost cutting, a commercial and practically focused racing program and a complete overhaul of management practices.

Queensland Racing has a clear objective to ensure that as much of the funding as possible that is generated through the product agreement with UNITAB finishes in the pockets of racehorse owners and other stakeholders that invest in racing in this state. The Board has demonstrated its commitment to this objective through the reforms of the past year.

The Board accepts that racing has to be more competitive to grow and achieve its potential, and the industry still faces some huge challenges in the year ahead if we are to achieve this. However, if we walk down the path united and accept change, there is no limit to the successes that the industry can enjoy.

Notwithstanding the work that lies ahead of us, the achievements of the last year are many, and I would like to take this opportunity to highlight the most significant to you.

Massive funding increase announced in August

The most important item on the list of Board achievements, the massive increase in prizemoney announced in August 2003, reinforced the commitment of the Board to make good on its promise of returning savings to the industry in increased prizemoney.

The announcement, made at a media conference prior to the Queensland Racing Industry Awards night, was a significant milestone that was focused on by Premier Peter Beattie in Parliament that morning. Mr Beattie described it as "a most memorable day for Queensland Racing" and challenged the industry to work with the Board as we continue the rebuilding process.

As the Premier said, this is just the first instalment of the financial benefits to flow to industry participants across the state. The Board is well aware that the job is far from complete.

The funding initiatives will mean that racing in Queensland will receive an increase in distribution to participating TAB clubs of almost \$10 million, a full-year increase of 21 per cent. The Board was able to generate this level of funding and return it directly to the industry largely as a result of the

comprehensive reform package that was implemented during 2002-03.

The cornerstone of the new funding initiatives is the "Stakes Race Development Program," through which millions of extra dollars will be strategically placed into prizemoney to fund new feature races.

The Program has been especially tailored to aggressively challenge for more Black Type listings for fillies and mares and is complementary to the highly successful QTIS program already in place.

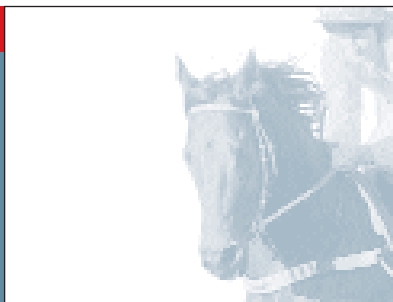
More than half the races conducted at Saturday metropolitan meetings from January 1, 2004, will each be run for \$40,000 or more. We have the other half of the program in our sights as well. That would cost close to \$3 million or equate to almost 200 races at \$15,000 each.

The Board has put race clubs on notice that there will be heightened focus on their performances and, in particular, their capacity to return to stakeholders the highest possible percentage of all funding. It is essential that race clubs, employees and administrators share the values of Queensland Racing through an unconditional commitment to progress our industry.

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Chairman's Report continued...

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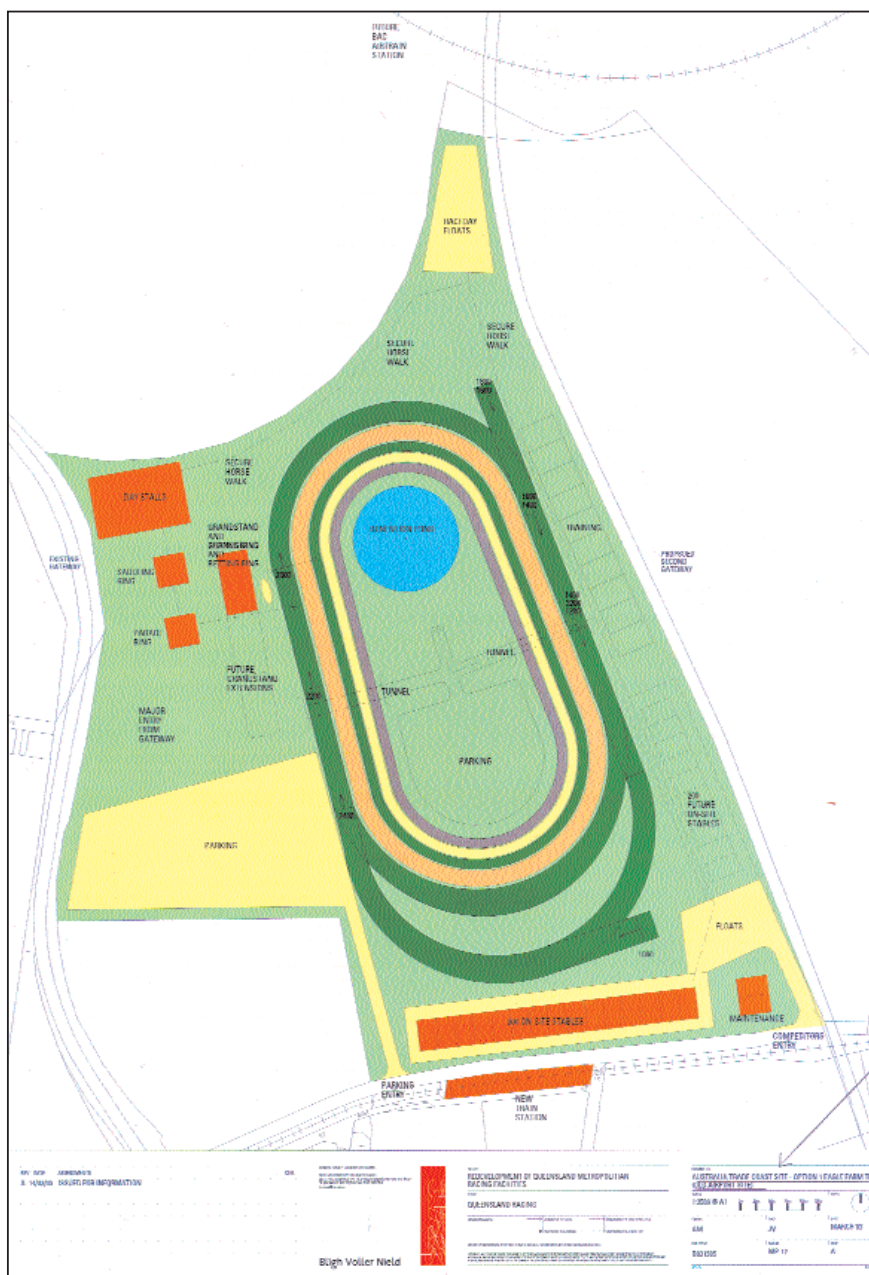
Introduction of QTIS

Our first major initiative of the new financial year was to re-name and re-launch QTIS (the Queensland Thoroughbred Investment Scheme), formerly known as the Queensland Racing Incentive Scheme. Queensland Racing assumed the responsibility for administration of the scheme, which had been managed by the Queensland Thoroughbred Breeders' and Owners' Association from 1997 to 2002, and increased its total prize value to \$4.5 million, an annual increase of \$600,000.

Late in the year the Board agreed to expand QTIS to include eligible four-year-olds for designated events at non-TAB tracks for the 2003-04 season, and this will be extended to five-year-olds for the 2004-05 season. This decision will provide a substantial boost to non-TAB racing throughout the state.

Metropolitan Racing Facilities Master Planning Project

The Board announced in August of last year that it was undertaking a comprehensive study of the options for the re-development of the metropolitan racing facilities, including an assessment of the master planning work previously undertaken by the two clubs, the economic viability of these plans, and the prospect of developing a new facility on a greenfields site to meet the demands of our industry and service our customers into the future.



A concept drawing of the proposed super track



In March, consulting architects Bligh Voller Nield made a presentation to the Board and the Queensland and Brisbane Turf Clubs on its evaluation of a number of site options for development of one consolidated metropolitan racing facility. Bligh Voller Nield presented preliminary concept drawings for the further consideration by the clubs, and viewing by other industry stakeholders and the general public.

The Board is committed to the development of our metropolitan racing facilities and will pursue this during the course of 2003-04 in consultation with all stakeholders.

It is critical to the future of our industry that we address the state of our metropolitan facilities, and the fact that the existing racecourse assets could realise up to \$270 million if sold, which provides an opportunity to develop a new world-class racing and training complex that would herald unprecedented growth in the racing industry in this State. Certainly no Government will look seriously at investing in racing unless we have comprehensively evaluated this possibility.

New administration centre at Deagon

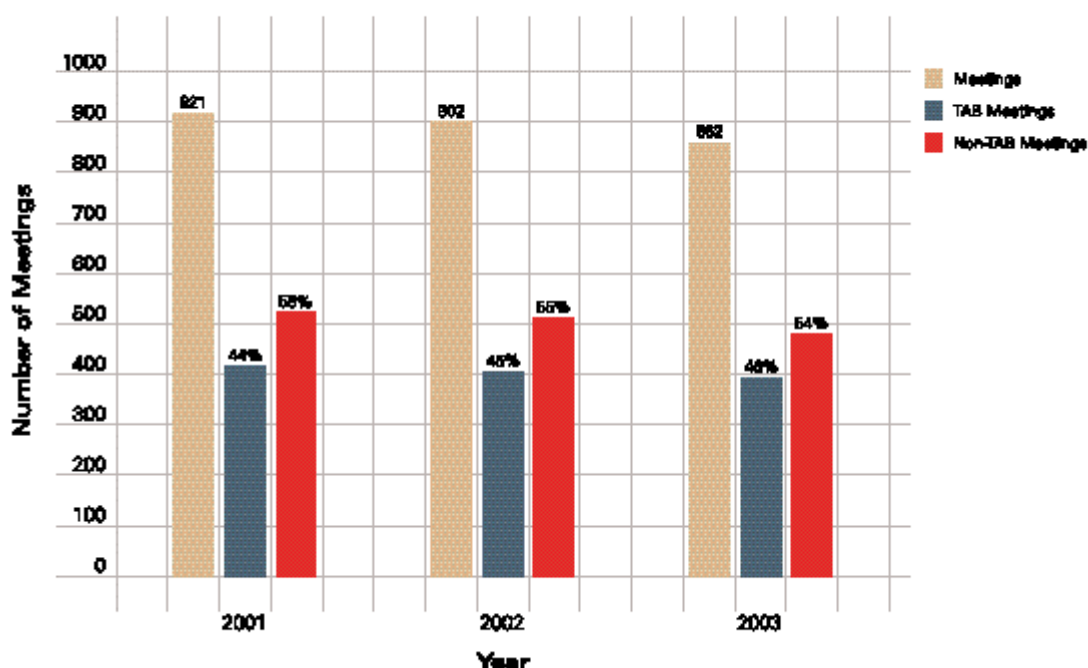
In a move to reduce costs and improve efficiency, a new

administration centre was developed on industry-owned land at Deagon, to which Queensland Racing relocated from Newstead in September 2003. The decision to build on industry-owned land was clearly the most cost-effective option for the Board and will generate long-term benefits for the organisation and the industry.

Restructure of the racing programs

Major strategic changes to the TAB racing program, designed to deliver significant wagering growth, were announced for the 2003-04 season following a comprehensive process of review.

Numbers of Meetings Conducted - TAB vs Non-TAB



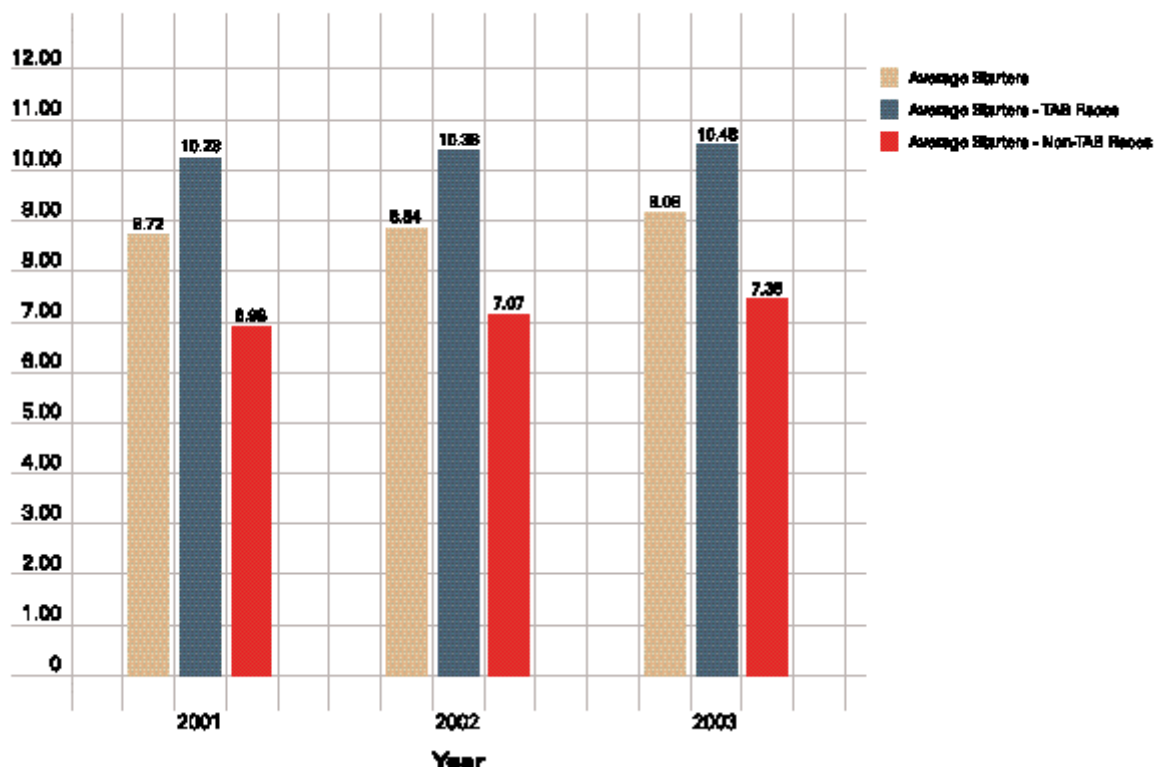
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Chairman's Report continued...

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Average Starters Per Race



The streamlined program will ensure that we improve our net return from the product agreement with UNITAB and better utilise our major venues, while ensuring the racing industry in Queensland remains a significant contributor to the national TAB product.

A major component of the restructured program is the transfer of Friday meetings to metropolitan and provincial tracks in recognition of the increasing significance of Friday to turnover outcomes. The early results would indicate that this initiative has been an outstanding success.

A new Non-TAB program for season 2003-04 was approved,

again after a comprehensive review and consultation process, targeted at ensuring a sustainable future for country racing in Queensland.

While the new Non-TAB program comprises fewer race meetings, it has been restructured to deliver better prizemoney, more competitive racing and a higher quality, more attractive product. Significantly, the restructured Non-TAB program will also better support the revenue producing wagering program rather than compete with it. While many within the media and industry have expressed concern about the reduction in meetings, there was clear need to address an imbalance in the ratio of Non-TAB meetings to

TAB meetings. The restructure will mean that 45 per cent of meetings in Queensland during 2003-04 will not be covered by the TAB, down from 54 per cent in 2002-03, which is still substantially higher than New South Wales (35 per cent) and Victoria (12 per cent).

The Board is committed to enhancing the quality of TAB and non-TAB racing product. Prizemoney levels, averaged across all levels of racing, have stagnated over the last four years and are the lowest in Australia. Average starters per race remain at levels that are unacceptable, and average turnover on Queensland thoroughbred race meetings has improved only marginally.



The reforms that Queensland Racing has instigated through the restructure of our racing programs are designed to address these important performance indicators for the benefit of all stakeholders and participants.

Operational Review and Restructure

The Board completed a comprehensive review and agreed upon a major internal administrative restructure. This will save in excess of \$2 million annually in operating costs, building on the \$1 million shaved off the budget after we were appointed in 2002. The Board addressed the indulgences of past administrations, which had seen operating costs soar from \$4.01 million in 1997 to \$10.72 million in 2002, an increase of 167 per cent.

Chief Executive appointment

The Board appointed Mr Jeremy Turner as Chief Executive Officer of Queensland Racing in September 2002. After a three-month nationwide search by a consulting recruitment company, the Board found the man for the job was in its own backyard. What set Mr Turner apart was his understanding of the important issues confronting the industry here and interstate.

More hard decisions ahead

The Queensland Racing Board's number one priority is to develop a commercially viable business model to drive the industry

forward and make us competitive in the growing leisure market.

We have made significant progress down this path in the short life of the new Board. Some of the tough decisions taken were questioned by sections of the industry and media. It is disappointing that some of our critics, especially those in the media, continue to focus on negatives even when we produce positive results that demonstrate why those hard decisions were taken. That is something beyond our control. We will let time and the industry judge our performance. But I must repeat that the job is far from complete and that there are more hard decisions ahead.

That is why we are still not strategically placed to take a strong case for additional funding to the State Government. The case for Government support needs to be made on the back of substantial progress towards change and restructuring. The Board has to show that the industry is cohesive and efficient, and that any investment by the Government will be used effectively to generate an economic return, not only to the industry, but to Queensland as well, through jobs and wagering growth. While there are a number of significant issues that remain to be tackled by the Board, without doubt the most significant is our current metropolitan racing facilities.

I have discussed briefly the work that was undertaken during the financial year in progressing the redevelopment of the facilities in

Brisbane. I believe very strongly that the industry cannot meet its full potential until we can provide our customers and our participants with a world-class racing and training facility, and we have an opportunity to achieve that over the next five years if the key stakeholders are prepared to put the interests of the industry beyond their own.

Thanks for the team effort

The major internal restructure that occurred within the administration of Queensland Racing during the year did not make the job of our executive staff any easier.

I would like to record my thanks to fellow Board members, including Wally Tutt, who was appointed following the untimely death of George Pippas.

But the Board wishes to especially pay a tribute to Jeremy Turner and his hard-working team for their dedication under many trying circumstances during the past year. They can feel proud of their achievements during an extremely difficult time for the organisation. I can also assure the industry that the team we now have in place is well prepared to drive racing in Queensland to a level of stability and competitiveness that it has never before experienced.

Bob Bentley
Chairman

CHIEF EXECUTIVE'S YEAR IN REVIEW

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Chief Executive Officer Jeremy Turner

As the Chairman has outlined it has been a year of reform and progress that is unprecedented in thoroughbred racing in Queensland and, as a result of the significant decisions taken by the Board, the industry is well positioned to achieve strong growth and development in the coming years.

The Chairman has outlined in brief the reform agenda pursued by the Board during the year. Without covering the same ground I will address some other key strategic issues that were progressed that are of importance to the racing industry both nationally and for this state, and highlight the operating outcomes of Queensland Racing.

Finance

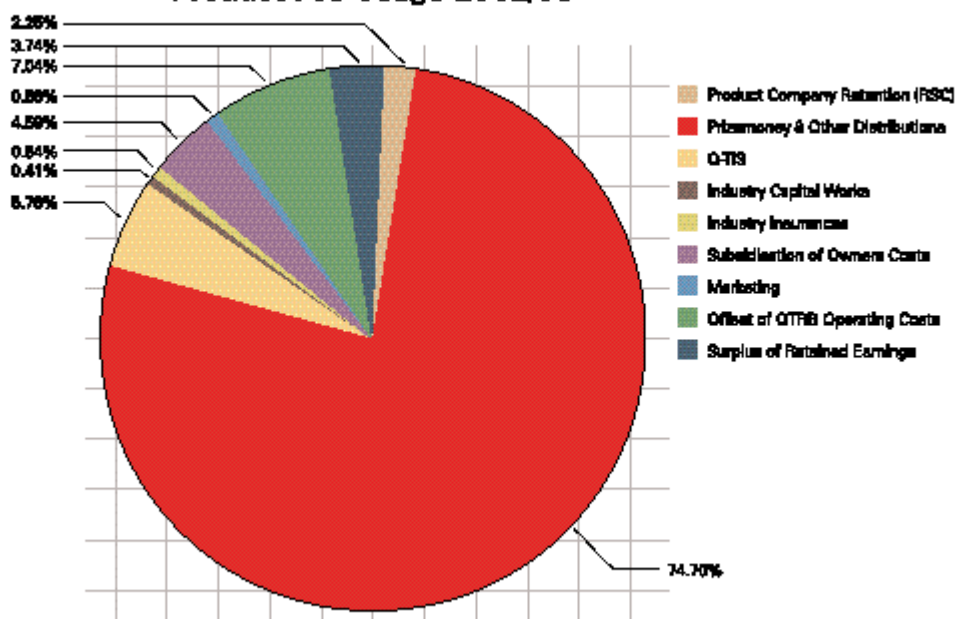
Queensland Racing has reported an operating surplus of \$2.261 million for the 2002/03 year, with a consolidated result, including the controlled entities of Queensland Race Product Company Ltd and Queensland Race Training Pty Ltd, of \$2.024 million. The Queensland Racing result represents a significant improvement on the surplus of \$0.134 million reported for 2001/02, and a loss of \$2.7 million in 2000/01.

The increased surplus is attributable to the cost cutting measures pursued by the Board, and stronger than anticipated wagering turnover and product fee outcomes.

In relation to cost cutting, the major organisational restructure that was completed by the Board in May 2003 will see substantial cost savings flow in 2003/04. There were a number of positions within the organisation that were abolished prior to the major review being completed in May, such as the five positions within the former marketing department. However, the benefits of these were offset by the redundancy costs that followed the decisions taken by the Board later in the year.

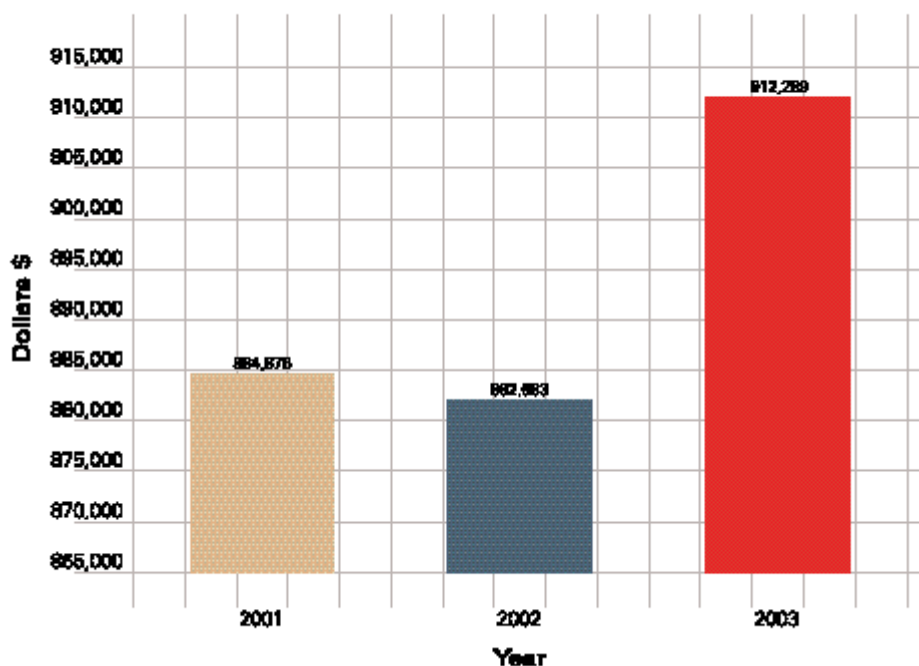
Factoring in the impact of the redundancies following the organisational restructure, the cost of salaries and associated costs, and administration in 2002/03 was \$9.639 million. The budgeted

Product Fee Usage 2002/03





Average Turnover per TAB Meeting



expense for these items in 2003/04 is \$6.626 million. Expenditure on marketing reduced by \$1.546 million, including the salaries and administrative costs of the five positions that were abolished.

Product fee returns for the year at \$78.246 million (thoroughbred share after deductions for Racing Science Centre costs) were \$1.7 million above budget expectations as a result of strong wagering turnover growth in 2002/03. UNiTAB has announced that it achieved wagering revenue growth on Australian racing in the order of 6 per cent, and the three codes of racing in Queensland benefited considerably from this.

The strong turnover growth in 2002/03 was largely due to increased wagering on interstate and other-code racing, with turnover on Queensland thoroughbred racing up by just 1.05 per cent, although with a small drop in the number of TAB meetings conducted the average per meeting increased by 3.35 per cent.

The figures reinforce the potential for further wagering growth through reform of our own product, and the Board has actively pursued this through the restructured wagering program that commenced on July 1, 2003. Average turnover per TAB meeting well in excess of \$1 million has been targeted for 2003/04.

In last year's report I made mention of the prospect that industry revenues could fall by up to \$1.5 million when the product fee formula specified in the commercial agreement with UNiTAB changes in November 2003, the commencement of year five of the fifteen year deal.

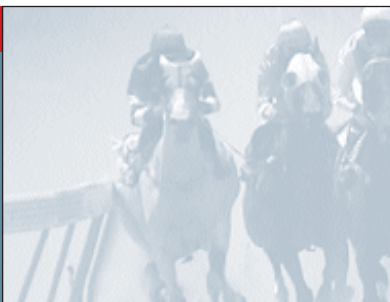
This expectation was based on the loss of the fixed component of the product fee and introduction of a fully variable rate of 39 per cent of wagering revenue, factoring in modest growth in turnover during 2002/03.

The fact that wagering growth exceeded expectations will mean that when the product fee formula changes, industry revenue will remain constant.

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Year in Review continued...

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Significantly, however, the strong turnover outcomes and the move to a fully variable rate in November 2003 places the industry in a strong position to benefit from growth in wagering achieved in the future.

The Statement of Financial Performance indicates an increase in Product and Program fee revenue from \$74.648 million to \$78.246 million. This is somewhat misleading due to the changes in accounting for revenue that flowed to Queensland Racing from Product Company in 2002-03, with a portion (\$1.35 million) of the product fee not separately allocated to the marketing account, as was the case in 2001-02. The actual increase in product fee revenue was \$2.25 million.

While Queensland Racing is in the business of maximising returns to owners and other participants, and not generating profits, the surplus that was achieved for the year has strengthened the balance sheet and put the organisation in a position where it can aggressively pursue prizemoney increases and encourage investment in the industry. It has provided protection in the event that wagering growth stagnates again.

Organisational restructure

As the Chairman has mentioned, the Board implemented a major organisational restructure in May 2003.

This decision followed a comprehensive process of review that targeted three key objectives:

- To ensure the organisation was appropriately structured in terms of cost efficiency and effectiveness;
- To ensure the organisational structure was appropriate in terms of the obligations imposed on the control body by the *Racing Act 2002*; and
- To ensure the organisational structure was best suited to the achievement of the desired strategic direction of the Board.

The review report identified that substantial scope for cost and operational efficiency existed (particularly within the stewarding, regional operations and business management functions) the structure was not properly aligned to the business and regulatory requirements of the organisation, and considerable change to the executive team was required to ensure cost effectiveness and to align the structure to key organisational objectives.

In considering the conclusions of the review report, the Board approved a major restructure across all departments of the organisation and, in total, eleven positions were abolished and annual savings in administrative costs in the order of \$2 million delivered.

The executive team was reduced from seven members to four with three distinct departmental functions established - Racing Services, Integrity Services, and Corporate Services. This simplified

and cost effective operating structure positions the organisation to better respond to the strategic direction set by the Board.

The cost savings achieved, together with the reduction in full-time permanent positions that had been achieved prior to the major review commencing, contributed significantly to the funding initiatives announced by the Chairman in August 2003.

Race Club distributions

While the Board has made significant progress in reducing the operating costs of Queensland Racing for the benefit of the industry, it has identified the performance of race clubs in optimising returns to owners by increasing the ratio of club funding distributions made by Queensland Racing from product fee revenue to prizemoney paid as a major issue to be addressed in 2003/04.

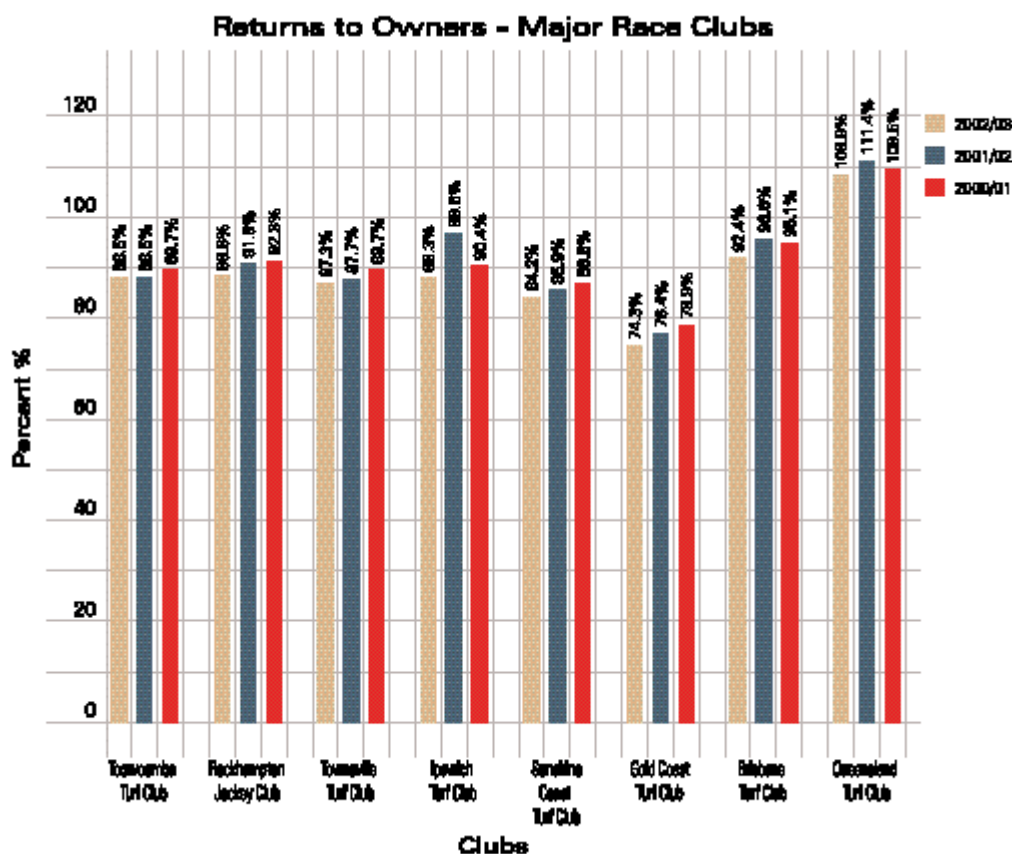
The introduction of a new race club distribution system from July 2003, which has seen the number of different funding streams reduced and a more accountable process of identifying the application of industry funds by race clubs established, will assist in the process of assessing where efficiency measures should be targeted.

An examination of the performance of our major race clubs in relation to the ratio of funding distributions to prizemoney paid is of interest.

Major Race Club Distributions and Prizemoney Paid

Race Club	2000/01				2001/02				2002/03			
	Distributions	Prizemoney Money	Leakage	Return to Owners	Distributions	Prizemoney Money	Leakage	Return to Owners	Distributions	Prizemoney Money	Leakage	Return to Owners
Queensland Turf Club	11,063,292	12,109,700	-1,046,408	109.46%	10,822,646	12,052,900	-1,230,254	111.37%	10,737,862	11,693,650	-955,788	108.90%
Brisbane Turf Club	9,373,619	8,917,000	456,619	95.13%	9,272,736	8,959,200	313,536	96.62%	9,395,585	8,686,000	709,585	92.45%
Gold Coast Turf Club	6,648,174	5,245,500	1,402,974	78.90%	6,530,980	4,989,920	1,541,060	76.40%	6,595,752	4,898,560	1,697,192	74.27%
Sunshine Coast Turf Club	4,478,836	3,887,720	591,116	86.80%	4,456,853	3,829,750	627,103	85.93%	4,587,603	3,864,551	723,052	84.24%
Ipswich Turf Club	3,440,946	3,112,000	328,946	90.44%	3,621,869	3,570,000	51,869	98.57%	3,420,536	3,020,000	400,536	88.29%
Toowoomba Turf Club	3,758,746	3,371,250	387,496	89.69%	3,701,945	3,274,876	427,069	88.46%	3,708,267	3,281,252	427,015	88.48%
Rockhampton Jockey Club	2,776,250	2,562,400	213,850	92.30%	2,744,652	2,514,950	229,702	91.63%	2,912,108	2,581,550	330,558	88.65%
Townsville Turf Club	2,630,895	2,360,760	270,135	89.73%	2,685,753	2,355,700	330,053	87.71%	2,666,980	2,328,200	338,780	87.30%
	44,170,758	41,566,030	2,604,728	94.10%	43,837,434	41,547,296	2,290,138	94.78%	44,024,693	40,353,763	3,670,930	91.66%

NOTE: The prizemoney paid figures for the Gold Coast Turf Club exclude 80 percent of the contributions to prizemoney paid out on Magic Millions day made by the Magic Millions Company, on the basis that clubs, on average generate sponsorship levels of about 20 percent for feature races. Distributions include all payments made to clubs from product fee revenue by Queensland Racing.



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Year in Review continued...

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The table above highlights how the clubs have performed over the last three years and indicates that the average return to owners across the eight clubs has fallen from 94.1 per cent to 91.66 per cent, which represents an increase in the leakage of funding from \$2.605 million to \$3.671 million.

The performance of every one of the eight clubs has declined over the three-year period, and it is worth noting that in 2002/03, a number of clubs that reported increases in their profitability also returned substantially less to racehorse owners.

Racing Information Services Australia Pty Ltd

Perhaps the most significant initiative that has been pursued on a national level by the racing industry through the Australian Racing Board is the establishment of Racing Information Services Australia Pty Ltd (RISA).

The company, which was ultimately incorporated in August 2003, was established with all eight principal racing authorities in Australia as shareholders following an enormous amount of work undertaken during the year by a working party set up by the ARB.

The primary objectives of RISA are to streamline the collection, storage and usage of racing information across Australia

through the "one-process, one-system" concept, to better protect the intellectual property associated with this information, and to exploit the intellectual property on a truly commercial basis for the benefit of the industry nationally.

Significantly, the establishment of RISA will enable the racing industry to pursue copyright in its racing information, and this will represent an important mechanism in protecting the industry from the continued assault by the "free riders" that are currently exploiting our product without contributing to the industry.

Queensland Racing has played a major role in the genesis and development of the RISA concept through its membership on the working party, and is a major equity holder in the business.

Broadcast Rights Agreements

A considerable amount of work, in conjunction with those Queensland race clubs that will contribute to the wagering program in 2003-04, was undertaken in developing new broadcast rights agreements with Sky Channel during the course of the year.

As the clubs involved are well aware, the negotiations involved consideration of many complex aspects of contract and trade practices law, and while the initial objective of establishing a

standard contractual document between individual clubs and Sky could not be achieved due to trade practices issues, the global financial package ultimately agreed was well in excess of initial expectations.

As part of the funding initiatives announced by Queensland Racing in August 2003, an additional funding stream of \$1.35 million to compensate clubs for the reduction in broadcast rights revenues as a result of the new agreements will ensure that base prizemoney levels offered by clubs in 2003/04 will not be affected.

Racing Act 2002

The passing of the *Racing Bill 2002* through Parliament in December 2002, and the subsequent proclamation of the *Racing Act 2002* in late June 2003, have significant implications for the way racing is governed in Queensland and much work in response to the new legislation was undertaken during the year.

The Act introduces a new licensing framework for the control bodies of the codes of racing, and requires Queensland Racing to make the transition from a statutory authority to an "eligible corporation" as defined in the Act before making a formal application for a license to be the control body for thoroughbred racing into the future. The Act also requires that Queensland Racing prepare a comprehensive plan to govern the

industry, incorporating the development and implementation of a range of policies.

The Board has responded positively to the new Act, and the process of policy development was commenced in earnest prior to the end of the year. Considerable work was undertaken on the documentation of a set of "principles" that would underpin a new corporate governance structure for thoroughbred racing, and a paper in relation to this was submitted to the Minister in May 2003.

In accordance with the Act, the Board must report to the Minister in October 2003 on how Queensland Racing will meet the requirements of the Act in respect of the transition to a corporation

and the license process, including a detailed plan for the development of the policies mandated by the Act, the establishment of an effective corporate governance framework, and the stakeholder consultation process it will pursue.

Deagon development

The Chairman has touched on the relocation of Queensland Racing to a new administration complex on the grounds of the Deagon racecourse that was largely designed and developed during the year.

The move to Deagon provides the dual benefits of consolidating all elements of the organisation at one purpose designed and built facility, and makes better commercial use of an existing industry-owned asset. It was

clearly the most cost effective option in providing Queensland Racing with a suitable facility to meet its operational needs.

The construction of the building at Deagon has been largely funded by the sale of Queensland Racing's existing premises at Newstead. The sale of this building realised \$1.6 million, which was slightly in excess of the amount that was projected in undertaking the financial analysis of the various accommodation options by the Board during 2002.

I would like to take this opportunity to thank the project manager of the Deagon development, the Carson Group, for ensuring the project was delivered efficiently, on time and on budget.



All of the Brisbane-based staff of Queensland Racing are now housed under the one roof following the opening in September of the new Deagon headquarters

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Year in Review continued...

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Cross-border betting

One of the major issues tackled on a national basis by the industry, through the Australian Racing Board (ARB), was cross-border betting by corporate bookmakers.

The Principal Racing Authorities, including Queensland Racing, participated with government officials in a Task Force that was commissioned by the Conference of Australasian Racing Ministers in May 2002 to assess the impact that these bookmakers were having, and to make recommendations in that regard.

The report subsequently prepared by the Task Force, which was considered by the Conference of Ministers in November 2002, made a number of recommendations that included, most significantly, the establishment of a uniform product fee regime for corporate bookmakers across Australia.

In considering the report the Ministers agreed that the ARB, in conjunction with the other two codes of racing, should develop an implementation plan for the product fee scheme and the other recommendations made. An implementation plan was subsequently prepared by the ARB prior to the scheduled meeting of the Ministers in February 2003, however, that meeting did not proceed, and indeed the Ministers did not meet prior to the end of the financial year.

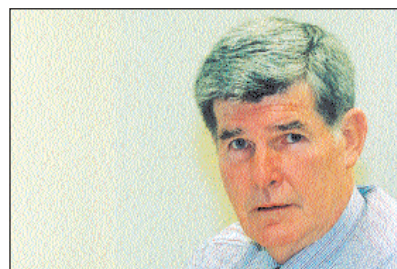
The move of the British betting exchange provider, Betfair, to begin operations off-shore on Australian racing during the second half of the year has created a deal of concern throughout the industry, and prompted the Ministers to establish their own Betting Exchange Task Force to consider the issue.

This Task Force reported back to the Ministers in early July 2003, recommending a common approach to the Commonwealth Government for a legislated prohibition on betting exchanges through the *Interactive Gambling Act*. While the Ministers are not due to meet again until late October 2003, it does not appear that a common position was agreed in respect to the Task Force's recommendations on an approach to the Commonwealth Government in relation to legislative amendment.

The emergence of betting exchanges has taken the focus somewhat away from the need to establish an appropriate product fee structure to ensure that corporate bookmakers operating across borders within Australia are paying for the product that they are accessing. The ARB will continue to pursue this matter, which is of great significance to the Australian racing industry, during 2003/04.

Restructure of integrity services

A significant element of the organisational restructure that was approved by the Board in May 2003 was the move to enhance accountability and regulation through the establishment of a new role of Integrity Services Manager.



Integrity Services Manager, Dr Bob Mason

The position was created to ensure that the range of integrity related responsibilities that Queensland Racing has, including policy development, stewarding, drug control, wagering, workplace health and safety, animal welfare, industry training and licensing, are appropriately managed, and to create a separation of responsibility between the management of these functions and the role of an operational steward.

Following a national employment search, Dr Bob Mason, former Executive Director of the Racing Division in the Department of Tourism, Racing and Fair Trading, was appointed to the newly created role in early July 2003.



Dr Mason has had a long association with equine welfare, drug testing and veterinary practice, and his experience at senior levels of Government will be a great advantage to Queensland Racing, as will his knowledge of the Rules of Racing.

The restructure of integrity related services within Queensland Racing also saw the establishment of new Chief Steward positions and the transfer of responsibility for management of regional administrative functions to these new roles. Following a recruitment exercise the successful applicants for the Chief Steward positions were:

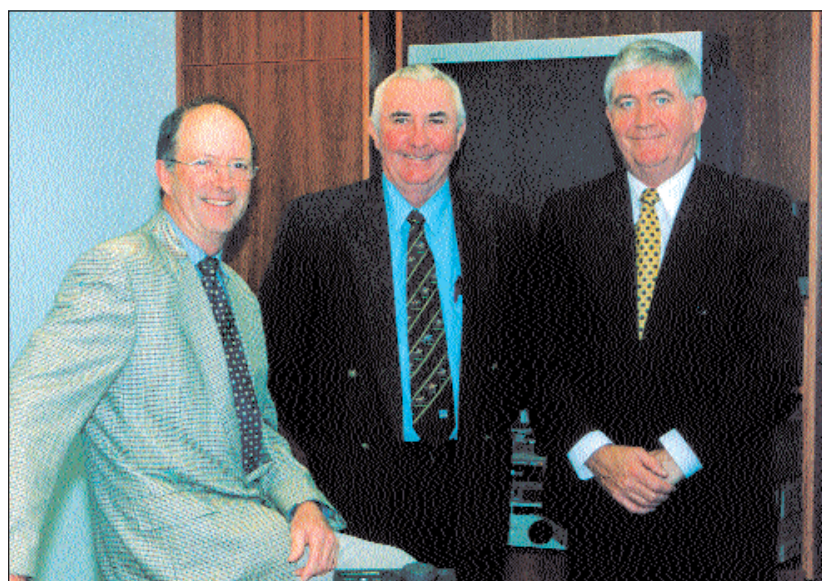
- Mr Allan Reardon
(Metropolitan Chief Steward);
- Mr John Hackett
(Deputy Metropolitan Chief Steward);
- Mr Steve Rowe
(Chief Steward, Downs and South West Region);
- Mr John Wallis
(Chief Steward, Capricornia Region);
- Mr Patrick Cooper
(Chief Steward, Northern Region);
- Mr Reid Sanders
(Senior Steward, Central West).

New First Level Appeals Panels Appointed

The Board appointed two new panels to hear first level appeals by licensees from the start of July in accordance with the requirements of the *Racing Act 2002*.

The panels members were appointed following a public expression of interest exercise, and were selected on the basis of their legal qualifications, experience in the administration of racing, and knowledge of the Rules of Racing as required by the Act.

The Brisbane-based panel consists of Bill Andrews, Peter Bredhauer, Tony Fitzgerald and Sean Fox. The Townsville-based panel is Alexander Baxter, Pamela Goodman, William Moss and Barry Taylor.



The first of the new Appeals Panels to officiate included, from left: Dr Tony Fitzgerald, Mr Peter Bredhauer and Mr Bill Andrews

Queensland Winter Racing Carnival

Great weather, good prizemoney, quality horses and competitive racing were all ingredients that resulted in one of the most successful Queensland Winter Carnivals in the past decade.

The carnival again ran for three months, but this year the promotion was focussed on three and a half weeks of Group 1 racing from the Doomben 10,000 through to Stradbroke-Brisbane Cup weekend.

One of the hardest markers in the racing business, UNiTAB Chief Executive Dick McIlwain declared this year's carnival "a winner." His judgement was based on statistics comparing TAB betting on the major carnival meetings from late April through to early June. Mr McIlwain said

continued over . . .

Year in Review continued...

3



Ipswich Cup day attracted the biggest crowd of the Queensland Winter Carnival, well in excess of 20,000 racegoers

this winter had attracted the strongest off-course betting turnover on the TAB in Queensland for almost a decade.

During that period off-course punters in Queensland bet \$32.9 million on carnival racing, which was as good as the TAB had held since the 'big' years of 1992-93. Mr McIlwain described it as "a great performance, certainly better than the last eight years and the best since 2001 when the turnover was \$32.7 million."

Most major clubs in the metropolitan area reported bonanza carnival results in attendances and turnover. It was a similar story in the country, especially at Cup days in Townsville and Cairns.

Summer Racing Spectacular

The Queensland Summer Racing Spectacular continues to gain momentum, spearheaded by a Magic Millions carnival that attracts the national spotlight. Indeed, the potential of summer racing at the height of the holiday and tourist season has encouraged the Board to further develop the program in 2003-04.

The Toowoomba Cup has been transferred from its traditional timeslot at Weetwood carnival time and will be run in late October as a Queensland Cup lead-up. This means the next Summer Racing Spectacular will flow from Toowoomba to Eagle Farm, then Doomben for the popular Triple Crown Series, before heading to

the Gold Coast and culminating with the Summer Cup at the Sunshine Coast.

The Gold Coast Turf Club continues to build on its Magic Millions carnival, with associated yearling sales, which draws racegoers and buyers from all parts of the world.

Regimental Gal, the boom filly from the Shaun Dwyer stable at Toowoomba, provided the home state with a giant-killing win in the Magic Millions Two-Year-Old Classic last January. She has built on that reputation as a three-year-old and has proven a great flag-bearer for the Queensland Thoroughbred Investment Scheme, along with Picaday and Clangalang, two Group 1 winners of the past season.



Star apprentice Michael Rodd salutes the crowd after winning the Gold Coast Magic Millions Classic on Regimental Gal

Communications playing an important role in racing

The Board is extremely conscious of the need to communicate its message and ensure industry stakeholders are fully informed on matters of significance. During the course of the year a number of initiatives were pursued by the Board to enhance communication within the industry. The first of these was the creation of a Communications Manager position within Queensland Racing, and the

recruitment of John Lingard, a highly experienced racing journalist and enthusiast.

Upon commencing work with Queensland Racing Mr Lingard immediately set about the task of upgrading and re-launching the former *Queensland Racing Calendar* as the *Queensland Racing Magazine* late last year.

The new-look publication, which has grown considerably in size, has been well received by all sections of the industry. There are now a number of prominent Queensland racing writers used as contributors. Apart from the programs and industry notice sections, the magazine provides a comprehensive racing coverage from the city to the bush.

Also, the Queensland Racing website has been redeveloped to include greater information and an industry noticeboard, and the news section was updated on a daily basis during the three months of the winter carnival. The popularity of the website can best be gauged by the increasing number of hits that it enjoys on a weekly basis. It proved extremely popular during the voting process for the Hall of Fame inductees.

Group 1 Success for QTIS Graduates a Major Boost for Scheme

For almost a decade QRIS, Super QRIS and now QTIS has played a key role in the promotion of our homegrown product. Queensland-bred horses, once



The Bruce McLachlan-trained Picaday (Scott Seamer up) after his win in the Group 1 T J Smith at Eagle Farm in June

the poor relation of those in the southern states, have come into their own and there is no better advertisement than the results of the past season.

Group One success was enjoyed by QTIS graduates Clangalang (in the AJC Derby at Randwick) and Picaday (T J Smith at Eagle Farm), while the Gold Coast Magic Millions winner, Regimental Gal, has commenced the new season with Group wins against the best three-year-olds in Sydney.

Letter Class Racing reintroduced in country

In a decision that was welcomed by the industry in country centres the Board approved the reintroduction of Letter Class Racing, subject to certain conditions, from the start of July 2003. Under these conditions up to

continued over . . .

Year in Review continued...

3



two letter class races per meeting could be run by Non-TAB clubs that are located more than 300km from TAB clubs. Other Non-TAB venues will be able to conduct one letter class race per meeting.

The move was prompted by feedback received during meetings with race clubs and regional associations late last year conducted as part of the consultative process during the race program review exercise. Those meetings delivered a strong message that the reintroduction of Letter Class Racing would greatly benefit the industry in country Queensland, and the Board has responded.

Major sponsorship for country racing series

Queensland Racing secured a major sponsorship deal for country racing series that has provided another significant boost for country racing across the state.

Studmasters Stan Johnston and Gary Turkington, of Craiglea and Wattle Brae Studs, joined Ian Baxter, principal of QBBS, to share naming rights to six separate race series with prizemoney of \$450,000, conducted across Queensland.

The series include the Matilda Highway (run at tracks in the Downs, Central West and North Queensland regions), Burnett to Beach (South-East Queensland), Fossil Trail (North Queensland), Callide-Curtis (Capricornia) and Eastern Downs (Downs and South West).

The naming rights deal represented a sponsorship of more than \$30,000 in the first year with an option for a further two years.

The aim of these feature series is to improve the number and quality of horses racing at participating country race meetings, as well as encouraging the social race goes to sample a high standard social event.

The best example in recent times is the Matilda Highway Series, which has become extremely popular with local communities and visitors along the route.

Government backs community social race days

The State Government announced during the year the introduction of the Community Racing Program from July 1, 2003, after considerable discussion between Queensland Racing and the Queensland Events Corporation.

The Program involves the allocation of \$200,000 in annual funding by the Government through Queensland Events for the conduct of picnic style race days by licensed race clubs that have been allocated



Bush racing in the Central West region of the state

three or less industry-funded meetings by Queensland Racing in a racing season.

Through the Program race clubs are able to make application for up to \$5,000 in grant funding to hold a community race day, on the basis that they can demonstrate that a level of sponsorship through local community support can be achieved. Prizemoney at these meetings is capped to ensure that they do not compete for horses with the professional racing circuit.

The Program has been met with a positive response from a number of local communities seeking to establish race dates in 2003-04 with the first meeting scheduled to be conducted at Morven during October.

National Captive Insurance Fund

In June 2002 the Australian Racing Board engaged AoN Partners to undertake a report examining the feasibility of alternate approaches to financing the liability risks of the Principal Racing Authorities, including Queensland Racing.

The Board's objectives in commissioning the report were to ensure that the insurance arrangements for the liability exposures of the racing industry were non-speculative and provided a prudent level of protection from financial loss, and to ensure some protection against ongoing rising liability insurance costs.

In October 2002 AoN Partners provided a report entitled Captive Feasibility Study to the Australian Racing Board. The report suggested the industry give consideration to the establishment of a national risk retention scheme where the industry establishes a captive fund to operate as a self-insurance fund for claims up to a certain level of risk.

Following the preparation of that report, the NSW, Victoria and Queensland control bodies undertook significant consultation on the merits of a captive fund, and the Board of Queensland Racing subsequently agreed to participate on the basis that it would provide a level of certainty in relation to our public liability insurance arrangements into the future, allow for an increase in coverage from \$30 million to \$100 million at less cost, and is consistent with our goal of partnering with the other states in important national strategic initiatives.

The captive fund became operational in July 2003 providing public liability insurance coverage for race clubs. Queensland Racing, in partnership with the New South Wales and Victoria governing bodies, will look to expand the fund to take in other major risk areas for the 2004/05 year.

Thanks for a job well done

In closing, I would like to pay tribute to all Queensland Racing staff for their commitment and hard work over the past year. It was certainly

the most significant of my six years at Queensland Racing with a reforming Board that challenged the management team and staff to achieve in a far more cost effective way. The outcomes that are highlighted in this report demonstrate how the staff responded to this challenge.

I would also like to express my personal gratitude to Mr Bentley and the other Board members for the support that they provided me throughout the year.

J/T

Jeremy Turner
Chief Executive Officer



Racing Services Manager, Mr Malcolm Tuttle



Corporate Services Manager, Mr Ken Gibson

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2003

4

PURPOSE AND SCOPE

The Queensland Thoroughbred Racing Board is constituted under the provisions of the Racing and Betting Act 1980 and is a Statutory Body within the meaning given in the Financial Administration and Audit Act 1977.

In accordance with the provisions of the Financial Administration and Audit Act 1977 and other prescribed requirements these statements have been prepared –

- to provide an accounting for the custody and management of moneys and resources under the control of the Board; and
- to disclose the results of operations of the Board during the year and to indicate the financial position of the Board at the close of the year.

The Statements are general purpose in nature and reflect the whole of the financial consolidated activities of the Board.

STATEMENT OF FINANCIAL PERFORMANCE

YEAR ENDED 30 JUNE 2003

	Consolidated		Queensland Thoroughbred Racing Board	
Note	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
REVENUE FROM ORDINARY ACTIVITIES				
Club Levies	1,033	863	1,033	863
Course Fees	1,079	940	–	–
Grants	930	773	860	773
Licence and Registration Fees	1,547	746	1,547	746
Racing Fees	6,606	6,706	6,606	6,706
Interest	538	385	479	365
Product & Program Fee	105,335	107,746	78,246	74,648
Marketing Income	68	2,513	68	2,513
Other	1,342	1,008	1,301	966
TOTAL REVENUE FROM ORDINARY ACTIVITIES	118,478	121,680	90,140	87,580
EXPENSES FROM ORDINARY ACTIVITIES				
Salaries, Wages and Associated Costs	7,141	6,177	6,470	5,523
Administration	3,508	2,753	3,169	2,472
Depreciation	426	433	394	382
Committee/Board Expenses	316	165	312	165
Motor Vehicle and Travel Expenses	288	295	232	232
Product and Program Fee	27,141	33,130	–	–
Prize money & Other Distributions	59,801	61,051	59,801	61,051
Racing Expenses	10,611	10,447	10,611	10,447
Super QTIS Prize money	4,608	3,561	4,608	3,561
Grant – Training Track Subsidy	773	773	773	773
Auditor's Remuneration	30	28	23	23
Marketing Expenditure	694	2,240	694	2,240
Other	937	696	792	577
TOTAL EXPENDITURE FROM ORDINARY ACTIVITIES	116,274	121,749	87,879	87,446

	Note	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
PROFIT/(LOSS) BEFORE RELATED INCOME TAX		2,204	(69)	2,261	134
INCOME TAX BENEFIT	8	—	58	—	—
WRITE DOWN OF DEFERRED TAX ASSET		180	—	—	—
NET PROFIT/(LOSS) AFTER RELATED INCOME TAX		2,024	(11)	2,261	134
NET PROFIT/(LOSS) ATTRIBUTABLE TO OUTSIDE EQUITY INTERESTS		(40)	(25)	—	—
NET PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		2,064	14	2,261	134
NET INCREASE/(DECREASE) IN ASSET REVALUATION RESERVE		—	154	—	154
INCREASE/(DECREASE) IN RETAINED PROFITS ON ADOPTION OF REVISED ACCOUNTING STANDARD		(14)	—	(14)	—
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		2,010	143	2,247	288

The accompanying Notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

YEAR ENDED 30 JUNE 2003

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		Consolidated		Queensland Thoroughbred Racing Board	
	Note	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
CURRENT ASSETS					
Cash Assets	2	3,981	1,534	3,323	1,003
Receivables	3	19,149	20,361	17,194	18,458
Other	4	282	375	202	326
TOTAL CURRENT ASSETS		23,412	22,270	20,719	19,787
NON-CURRENT ASSETS					
Property, Plant and Equipment	5	10,961	10,281	10,935	10,219
Deferred Tax Assets		27	207	—	—
TOTAL NON-CURRENT ASSETS		10,988	10,488	10,935	10,219
TOTAL ASSETS		34,400	32,758	31,654	30,006
CURRENT LIABILITIES					
Payables	6	10,825	11,195	8,112	8,760
Provisions	9	514	298	493	276
Fees in Advance		766	717	385	295
TOTAL CURRENT LIABILITIES		12,105	12,210	8,990	9,331
NON-CURRENT LIABILITIES					
Provisions	9	615	879	585	843
Interest Bearing Liability		42	42	—	—
Deferred Tax Liabilities		2	2	—	—
TOTAL NON-CURRENT LIABILITIES		659	923	585	843
TOTAL LIABILITIES		12,764	13,133	9,575	10,174
NET ASSETS		21,635	19,625	22,079	19,832
EQUITY PARENT ENTITY					
Retained Profits	7A	20,752	6,541	21,120	6,713
Asset Revaluation Reserve	7B	959	959	959	959
Capital Reserve		—	12,160	—	12,160
OUTSIDE EQUITY INTERESTS					
Retained Profits	7A & 11	(76)	(35)	—	—
TOTAL EQUITY		21,635	19,625	22,079	19,832

The accompanying Notes form part of these financial statements.

STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2003

	Consolidated		Queensland Thoroughbred Racing Board	
Note	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts from Operations	119,532	119,042	91,261	85,191
Payments to Suppliers and Employees	(115,420)	(119,537)	(87,005)	(85,745)
Interest Received	544	377	484	361
GST Input Tax Credit	18,280	17,671	7,792	7,569
GST Remitted to ATO	(19,375)	(18,468)	(8,845)	(8,343)
NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES	(A) 3,561	(915)	3,687	(967)
CASH FLOW FROM INVESTING ACTIVITIES				
Payments for Property, Plant and Equipment	(1,447)	(1,024)	(1,443)	(1,015)
Proceeds from Sale of Plant and Equipment	333	445	326	444
NET CASH USED IN INVESTING ACTIVITIES	(1,114)	(579)	(1,117)	(571)
CASH FLOW FROM FINANCING ACTIVITIES				
Loan to Queensland Race Training	—	—	(250)	—
NET CASH USED IN FINANCING ACTIVITIES	—	—	(250)	—
NET INCREASE/(DECREASE) IN CASH HELD	2,447	(1,494)	2,320	(1,538)
CASH AT THE BEGINNING OF THE REPORTING PERIOD	1,534	3,028	1,003	2,541
CASH AT THE END OF THE REPORTING PERIOD	(B) 3,981	1,534	3,323	1,003

NOTES TO THE STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2003

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	Consolidated		Queensland Thoroughbred Racing Board	
Note	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
(A) Reconciliation of Profit/(Loss) to Net Cash provided by / (used in) ordinary activities				
Profit/(Loss) from ordinary activities after related income tax	2,023	(11)	2,261	134
Depreciation	426	433	394	382
(Profit)/Loss on Sale of Non-Current Assets	9	59	8	55
Income Tax Benefit	—	(52)	—	—
Deferred Tax Asset	180	—	—	—
Changes in Assets and Liabilities exclusive of Non-Operating Activities –				
(Increase) Decrease in Trade Debtors	8,308	5,188	1,957	(1,179)
(Increase) Decrease in Accrued Interest	(4)	20	(4)	20
(Increase) Decrease in Race Club Advance	(443)	(359)	(443)	(359)
(Increase) Decrease in Prepayments	46	(54)	73	(88)
(Decrease) Increase in Creditors	(6,929)	(6,181)	(550)	33
(Decrease) Increase in Provisions	(108)	158	(101)	167
(Decrease) Increase in Unearned Income	53	(117)	93	(133)
Net Cash provided by / (used in) Operating Activities	3,561	(915)	3,687	(967)

(B) Reconciliation of Cash

For the purpose of the Statement of Cash Flows and statement of financial position, cash comprises Cash on Hand and at Bank, net of outstanding bank overdrafts, and liquid investments.

NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2003

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted in the preparation of these Statements, are as follows:

(a) Basis of Preparation of the Accounts

The financial report is a general purpose financial report and has been prepared on an accrual accounting basis and in accordance with the historical cost convention and does not take into account changing money values or, except where otherwise stated, current valuations of non-current assets.

Accounting policies adopted comply with the requirements of the Queensland Treasury Department, Financial Management Standard, Statements of Accounting Concepts and applicable Australian Accounting Standards.

(b) Principles of Consolidation

The consolidated financial statements of the entity include the financial statements of the Queensland Thoroughbred Racing Board, being the parent entity, and its controlled entities being Queensland Race Product Co Ltd and Queensland Race Training Pty Ltd ("the consolidated entity").

The balances, and effects of transactions, between controlled entities included in the consolidated financial statements have been eliminated.

(c) Valuation of other financial assets, Property, Plant and Equipment

Land and buildings are measured using "fair values" principles in accordance with AASB 1041 Revaluation of Non-Current Assets and Queensland Treasury's Non Current Asset Accounting Guidelines for the Queensland Public Sector. Non-current physical assets measured at fair values are comprehensively revalued at least once every five years with interim valuations, using appropriate indices, being otherwise performed on an annual basis, where the change would be material to that class of assets.

As at 30 June 2002, Land and the building at 161 Breakfast Creek Rd, Newstead was revalued at fair market value by a management valuation. An independent valuer valued other "building assets"

Livestock is valued at market value.

All other assets are measured at cost.

As a general policy, only assets with a value of \$500 or more are capitalised. Items under this value are being charged as an expense in the year of purchase.

(d) Depreciation Rates

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

	Queensland Thoroughbred Racing Board	Queensland Race Training Pty Ltd
Buildings & Improvements	2%-7%	—
Furniture & Fittings	6%-24%	25%
Motor Vehicles	15%	22.5%
Computer Equipment	10%-25%	40%
Plant	5%-20%	10-40%

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

Notes to & Forming Part of the Financial Statements

Year ended 30 June 2003

4

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued...

(e) Employee Benefits

Provision is made for annual leave and long service leave entitlements. Liabilities arising in respect of annual leave and long service leave expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates, which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. The Board contributes to various accumulating Employee Superannuation Plans.

The number of full time employees at June 30 2003 is 58. (2002: 77)

(f) Unearned Income

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

(g) Apprentice Jockeys' Trust Fund

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

(h) Comparatives

Where changes have occurred in the presentation of the Financial Statements, prior year figures have been reclassified for comparative purposes.

(i) Taxation

The consolidated entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought into account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain. The tax effects of capital losses are not recorded unless realisation is virtually certain.

The Queensland Thoroughbred Racing Board is exempt from income tax under the provisions of section 50-45 of the Income Tax Assessment Act 1997.

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

Input tax credits receivable and goods and services tax payable from/ to the Australian taxation Office are recognised and accrued.

Notes to & Forming Part of the Financial Statements
Year ended 30 June 2003

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued...

(j) Revenue Recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST). Exchanges of goods or services of the same nature and value without any consideration are valued using reasonable methods to derive market value and are recognised in the Statement of Financial Performance. Amounts, where market value is yet to be confirmed at balance date, are shown separately in a note to the financial statements.

Revenue is recognised when Product and Program Fee monies are due and payable from TABQ. Interest income is recognised as it accrues.

(k) Receivables

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

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

Loan and advances are recognised at their face values.

(l) Payables

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

(m) Change in Accounting Policy

The Board has adopted the revised Accounting Standard AASB 1028 "Employee Benefits", which has resulted in a change in the accounting policy for the measurement of employee annual leave liability. Previously, the Board measured the provision for annual leave based on remuneration rates at the date of recognition of the liability. In accordance with the requirements of the revised Standard, the provision for annual leave is now measured based on the remuneration rates expected to be paid when the liability is settled. The effect of the revised policy has increased the provision for annual leave by \$ 90,961 made up of an adjustment to opening retained earnings of \$14,276 and an expense for the current year of \$76,685.

(n) Rounding

Unless otherwise stated amounts in the report have been rounded to the nearest thousand dollars and as such totals may not add.

Notes to & Forming Part of the Financial Statements
Year ended 30 June 2003

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2. CASH

	Consolidated		Queensland Thoroughbred Racing Board	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Queensland Thoroughbred Racing Board	3,139	880	3,137	881
Apprentice Trust *	186	122	186	122
Queensland Race Training Pty Ltd	338	244	—	—
Queensland Race Product Co	319	288	—	—
	3,981	1,534	3,323	1,003

* Queensland Thoroughbred Racing Board holds in trust the earnings of Apprentice Jockeys.

3. RECEIVABLES

	Consolidated		Queensland Thoroughbred Racing Board	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Current				
Trade Debtors	11,760	11,485	2,977	2,721
Sundry Debtors	7,037	8,450	13,403	15,101
Loan to controlled entity	—	—	462	212
Less Provision for Doubtful Debts	(525)	(4)	(525)	(4)
	18,272	19,931	16,317	18,030
Accrued Interest	34	31	34	29
Race Club Advance	843	399	843	399
	19,149	20,361	17,194	18,458

4. OTHER CURRENT ASSETS

Prepayments	150	29	128	24
GST Receivable	117	333	71	289
Accrued revenue	12	—	—	—
Withholding Receivable	3	13	3	13
	282	375	202	326

Notes to & Forming Part of the Financial Statements
Year ended 30 June 2003

	Consolidated		Queensland Thoroughbred Racing Board	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
5. PROPERTY, PLANT AND EQUIPMENT				
Land				
Valuation Prior to June 2002	5,038	5,038	5,038	5,038
Valuation June 2002	950	950	950	950
Net Book Value	5,988	5,988	5,988	5,988
Buildings & Improvements				
Valuation Prior to June 2002	1,643	1,641	1,643	1,641
Valuation June 2002	627	627	627	627
	2,270	2,268	2,270	2,268
Accumulated Depreciation	(354)	(285)	(354)	(285)
Net Book Value	1,916	1,983	1,916	1,983
Furniture & Fittings				
Cost	799	753	782	737
Accumulated Depreciation	(517)	(451)	(505)	(444)
Net Book Value	282	302	277	293
Motor Vehicles				
Cost	291	747	291	729
Accumulated Depreciation	(78)	(101)	(78)	(93)
Net Book Value	213	646	213	636
Computer Equipment				
Cost	1,196	1,140	1,112	1,060
Accumulated Depreciation	(463)	(333)	(384)	(273)
Net Book Value	733	807	728	787
Plant				
Cost	855	823	824	792
Accumulated Depreciation	(365)	(301)	(338)	(281)
Net Book Value	490	522	486	511
Work In Progress				
Cost	1,328	21	1,328	21
Net Book Value	1,328	21	1,328	21
Livestock				
Valuation June 2002	11	12	—	—
Net Book Value	11	12	—	—
Total Net Book Value	10,961	10,281	10,935	10,219

Notes to & Forming Part of the Financial Statements
Year ended 30 June 2003
5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)
Queensland Thoroughbred Racing Board

Asset Name	Opening Amount (\$'000)	Additions (\$'000)	Revaluation (\$'000)	Deletions (\$'000)	Depreciation Amount (\$'000)	2003 Net Book Value (\$'000)	2002 Net Book Value (\$'000)
Building & Improvements	1,983	1	—	0	(69)	1,915	1,983
Computer Equipment	787	53	—	0	(112)	728	787
Furniture & Fittings	293	45	—	0	(61)	277	293
Land	5,988	0	—	0	0	5,988	5,988
Motor Vehicles	636	0	—	(331)	(91)	213	636
Plant & Equipment	511	37	—	(3)	(59)	486	511
Work in Progress	21	1,307	—	0	0	1,328	21
	10,219	1,443	—	(334)	(394)	10,935	10,219

Consolidated Entity

Asset Name	Opening Amount (\$'000)	Additions (\$'000)	Revaluation (\$'000)	Deletions (\$'000)	Depreciation Amount (\$'000)	2003 Net Book Value (\$'000)	2002 Net Book Value (\$'000)
Building & Improvements	1,983	1	—	0	(69)	1,915	1,983
Computer Equipment	807	56	—	(1)	(130)	733	807
Furniture & Fittings	302	45	—	0	(61)	278	302
Land	5,988	0	—	0	0	5,988	5,988
Motor Vehicles	646	0	—	(338)	(94)	214	646
Plant & Equipment	522	38	—	(3)	(70)	494	522
Work in Progress	21	1,307	—	0	0	1,328	21
Livestock	12	0	—	(1)	0	11	12
	10,281	1,446	—	(343)	(426)	10,961	10,281

6. PAYABLES

	Consolidated		Queensland Thoroughbred Racing Board	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Trade Creditors & Accrued Expenses	10,818	8,818	8,105	8,752
Product and Program Fee	—	1,974	—	—
Other	7	403	7	8
	10,825	11,195	8,112	8,760

7. EQUITY
(A) RETAINED PROFITS / (LOSSES)

	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Retained Profits / (Losses) at the beginning of the year	6,506	6,517	6,713	6,579
Increase/(Decrease) in retained Profits on adoption of revised accounting Standard	(14)	—	(14)	—
Net Profits / (Losses) attributable to members of the parent equity and outside equity interests	2,100	(11)	2,261	134
Transfer From Capital Reserves	12,160	—	12,160	—
Retained Profits/(Losses) at the end of the year	20,752	6,506	21,120	6,713

Notes to & Forming Part of the Financial Statements
Year ended 30 June 2003

	Consolidated		Queensland Thoroughbred Racing Board	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
(B) ASSET REVALUATION				
Opening balance	959	821	959	821
Revaluation Amount	—	138	—	138
Ending balance	959	959	959	959

The asset revaluation reserve is used to record increments and decrements in the value of non-current assets.

(C) CAPITAL RESERVES

Capital reserves were established from the receipt of funds in 1999/00 from the Racing Development Fund (\$4.56M) and a capital grant from Government on privatisation of the Totalisator Administration Board of Queensland (\$7.6M). This balance was transferred to retained profits/(losses) in 2002/03.

	Consolidated		Queensland Thoroughbred Racing Board	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
8. TAXATION				
Prima facie income tax benefit calculated At 30% (2002: 30%)	(17)	(61)	—	—
Decrease in income tax benefit due to :				
Non Deductible Expenditure		3		
Timing differences for provisions for annual leave and long service leave	(2)		—	—
Income tax benefit relating to ordinary activities	(19)	(58)	—	—
Tax benefits not brought to account	(19)	—	—	—
Total income tax attributable to profit on ordinary Activities.	—	(58)	—	—
Income tax expense/ (credit) attributable to loss is made up of:				
Deferred income tax provision	2	2	—	—
Future income tax benefit	(2)	(1)	—	—
Future income tax benefit (tax loss)	(27)	(206)	—	—
	(27)	(205)	—	—

Write Down of Tax Benefit

The prima facie tax benefit attributable to prior year tax losses and timing differences on controlled entity Queensland Race Training Pty Ltd is \$223,792. During the financial year \$180,000 has been written down on the basis that the realisation of the benefit is not virtually certain. This figure has been calculated as follows:

Tax Benefit Attributable to this year's operating loss	18,979
Tax Benefit Attributable to prior year's losses	161,021
	180,000

Notes to & Forming Part of the Financial Statements
Year ended 30 June 2003

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9. PROVISIONS
Employee Entitlements – Long Service Leave

	Consolidated		Queensland Thoroughbred Racing Board	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Balance at the beginning of the reporting period	694	556	673	523
Provision for Period	267	188	258	181
	961	744	931	704
Payments for Period	(346)	(31)	(346)	(31)
Transfers to Government	–	(19)	–	–
Balance 30 June	615	694	585	673
Current	–	–	–	–
Non-Current	615	694	585	673
Total Long Service Leave	615	694	585	673
Annual Leave				
Balance at the beginning of the reporting period	483	464	446	429
Provision for Period	393	377	355	336
	876	841	801	765
Payments for Period	(409)	(358)	(355)	(319)
Balance 30 June	467	483	446	446
Current	467	298	446	276
Non-Current	–	185	–	170
Total Annual Leave	467	483	446	446
Total Provisions				
Total Current	467	298	446	276
Total Non-Current	615	879	585	843
Total	1,082	1,177	1,031	1,119

Notes to & Forming Part of the Financial Statements
Year ended 30 June 2003

	Consolidated		Queensland Thoroughbred Racing Board	
Note	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
10. CONTROLLED ENTITIES				
Particulars in relation to controlled entities:	%	%	%	%
Queensland Thoroughbred Racing Board				
Controlled entities:				
Queensland Race Training Pty Ltd	83	83	—	—
Queensland Race Product Co Ltd	66	66	—	—
11. OUTSIDE EQUITY INTERESTS				
Outside equity interests in controlled entities:				
Interest in retained profits at the beginning of the financial year after adjusting for acquisitions of share capital during the financial year	(35)	(10)	—	—
Interest in operating profit/(loss) after income tax	(40)	(25)	—	—
Interest in retained profits at the end of the financial year	(76)	(35)	—	—

12. CONSULTING AND OVERSEAS TRAVEL COSTS

Consulting fees

Accounting & Finance	88
Human Resources & Recruitment	164
Information Technology	31
Legal	172
Property Consulting	92
Public Relations & Marketing	145

Total Consultancies

692

Overseas travel

J.Turner (<i>Chief Executive Officer</i>)	Auckland New Zealand – Asian Racing Conference	2
M.Tuttle (<i>Racing Manager</i>)	Auckland New Zealand – Asian Racing Conference	2
S.Barrett (<i>Business Manager</i>)	Auckland New Zealand – Asian Racing Conference	2

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Notes to & Forming Part of the Financial Statements

Year ended 30 June 2003

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13. FINANCIAL INSTRUMENTS

TERMS, CONDITIONS AND ACCOUNTING POLICIES

Interest Rate Risk

The Consolidated entity is exposed to interest rate risk through its investments in the Queensland Treasury Corporation (QTC) Cash Fund, which is managed around a 45 day duration benchmark. Cash Fund earnings are credited daily based on the market value of the Cash Fund. At balance date the annual effective interest rate was 5.03% (2002: 4.72%) after administration fees, however the rate changes daily based on the change in market yields.

Financial Instrument	Weighted Average interest rate		Floating interest rate		Fixed interest rate maturing in :						Non interest bearing		Carrying amount as per Financial Position	
	2003	2002	2003	2002	<=1yr	<=1yr	1-5yrs	1-5yrs	>5yrs	>5yrs	2003	2002	2003	2002
	%	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets														
Cash	5.03	4.72	(3,881)	(4,545)									(3,881)	(4,545)
Receivables	—	—	—	—	—	—	—	—	—	—	19,149	20,361	19,149	20,361
Investments	5.03	4.72	7,863	6,079	—	—	—	—	—	—	—	—	7,863	6,079
Financial Liabilities														
Interest Bearing Liabilities		8.00					42	42					42	42
Payables				—	—	—	—	—	—	—	11,591	11,872	11,591	11,872
Apprentice Jockey's Trust Fund	5.03	4.72	185	116	—	—	—	—	—	—	—	—	185	116

CREDIT RISK

The Consolidated entity is not exposed to credit risk through its investments in the Queensland Treasury Corporation (QTC) Cash Fund as all deposits are capital guaranteed by the QTC. The capital guarantee is equivalent to the Queensland Government's AAA rating.

The maximum exposure to credit risk at balance date in respect of receivables is the carrying amount, net of any provision for doubtful debts, as disclosed in the Statement of Financial Position. There are no material credit risk exposures to any single debtor at balance date.

NET FAIR VALUE

The carrying amount of financial assets and financial liabilities approximates net fair value.

14. SEGMENT REPORTING

The Board operates primarily within the racing industry in Queensland.

15. BOARD MEMBERS REMUNERATION

Board members income

The number of board members of the Queensland Thoroughbred Racing Board whose income falls within the following bands:

	2003 Number	2002 Number
\$0 - \$9,999	1	3
\$10,000 - \$19,999	1	1
\$30,000 - \$39,999	4	—

Notes to & Forming Part of the Financial Statements
Year ended 30 June 2003

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

Consolidated		Queensland Thoroughbred Racing Board	
2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
160	35	160	35

The Chairman, Mr Robert Bentley is a director of UNITAB Limited and receives directors fees from that company in that capacity. UNITAB Limited distributes revenue as Product & Program fees under agreement with Queensland Racing. Mr Bentley has not provided any other services to UNITAB Ltd, which relate to the consolidated entity.

The Deputy Chairman, Mr Stephen Lonie, retired as a partner of the accounting firm KPMG Chartered Accountants on 29 March 2002 and now operates as an independent management consultant. In the course of his normal business activities, he provided professional management consulting services to KPMG Chartered Accountants and McCullough Robertson Lawyers, both of which firms rendered professional services to the consolidated entity in the ordinary course of business. He has not provided any services to either of these firms in relation to the consolidated entity.

16. PROFIT / (LOSS) ON SALE OF NON CURRENT ASSETS

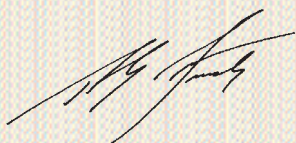
Proceeds from sale	334	445	326	444
Less Book value	(343)	(504)	(334)	(499)
Gain (Loss) on Sale	(9)	(59)	(8)	(55)

CERTIFICATE OF THE QUEENSLAND THOROUGHBRED RACING BOARD

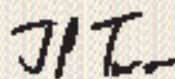
The foregoing annual financial statements have been prepared pursuant to the provisions of the *Financial Administration and Audit Act 1977* and other prescribed requirements.

We certify that:-

- (a) the foregoing financial statements and notes to and forming part thereof are in agreement with the accounts and records of the Queensland Thoroughbred Racing Board and the consolidated entity;
- (b) in our opinion –
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the foregoing financial statements have been drawn up so as to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Board for the period 1 July, 2002, to 30 June, 2003, and of the financial position as at the close of that year.



ROBERT BENTLEY
Chairman



JEREMY TURNER
Chief Executive Officer

Date: 30/09/2003

INDEPENDENT AUDIT REPORT

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To the Board of the Queensland Thoroughbred Racing Board

Scope

The financial statements

The financial statements of the Queensland Thoroughbred Racing Board include the consolidated financial statements of the consolidated entity comprising Queensland Thoroughbred Racing Board and the entities it controlled at the end of the year or from time to time during the year. The financial statements consist of the statement of financial performance, statement of financial position, statement of cash flows, notes to and forming part of the financial statements and certificates given by the board and officer responsible for the financial administration of the Queensland Thoroughbred Racing Board, for the year ended 30 June, 2003.

The Board's responsibility

The Board is responsible for the preparation and true and fair presentation of the financial statements, the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

Audit approach

As required by law, an independent audit was conducted in accordance with QAO Auditing Standards to enable me to provide an independent opinion whether in all material respects the financial statements present fairly, in accordance with the prescribed requirements, including any mandatory financial reporting requirements as approved by the Treasurer for application in Queensland.

Audit procedures included –

- Examining information on a test/sample basis to provide evidence supporting the amounts and disclosures in the financial statements,
- Assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Board,
- Obtaining written confirmation regarding the material representations made in conjunction with the audit, and
- Reviewing the overall presentation of information in the financial statements.

Independence

The *Financial Administration and Audit Act 1977* promotes the independence of the Auditor-General and QAO authorised auditors.

The Auditor-General is the auditor of all public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which powers are to be exercised.

The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters, which in the Auditor-General's opinion are significant.

Audit Opinion

In accordance with section 46G of the *Financial Administration and Audit Act 1977* –

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the statements have been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards of the transactions of the Queensland Thoroughbred Racing Board and the consolidated entity for the financial year 1 July, 2002, to 30 June, 2003, and of the financial position as at the end of that year.



O C CLARE, FCPA
as Delegate of the Auditor-General of Queensland

Queensland Audit Office, Brisbane

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