



Rockhampton Jockey Club & Queensland Racing Limited

Meeting

January 28, 2010

4:30pm

Rockhampton Jockey Club

Purpose of the Presentation

- To discuss options regarding the future ownership and management of Callaghan Park, Rockhampton
- To discuss entering into a agreement to progress QRL and the RJC entering into a partnership for the ownership of Callaghan Park
- To agree the next steps

Steps taken to date

- QRL officials and Committee Members of the RJC met on 21 October 2009, to discuss options regarding the future ownership & management of Callaghan Park

Queensland Racing Limited Position

- QRL must have greater control of investments where industry funding is utilised
- The racing industry should be responsible for the costs associated with providing quality racing and training facilities
- Race Clubs need to focus their resources to improve racings diminishing market share within the competitive leisure and wagering sectors
- On-course facilities need to be dramatically improved if racing is to regain lost market share in areas mentioned above, as well as enabling facilities to be exploited for non-racing relating activities
- Under the current model there is very little opportunity for the RJC to improve its on-course facilities
- Significant economies of scale can be achieved by QRL through the management of racing and training facilities throughout the State

Queensland Racing Limited Position

- QRL has incurred costs of \$6.5m in renovating racing and training facilities at Callaghan Park
- Subsequent to the commencement of the works at Callaghan Park, the board of QRL took the decision to no longer provide grants to clubs, but to use industry funds to partner with clubs on initiatives that provide increased benefits to the racing industry.
- Although this was not officially communicated to the Board of the RJC, QRL is looking to introduce this model at Callaghan Park.
- As outlined above all future investment by QRL at licensed venues will be undertaken under the above model
- This model is already in place at Corbould Park, Caloundra and QRL is in discussions with the Committee's in Toowoomba, Gold Coast, Mackay and Beaudesert

Queensland Racing Limited Proposal

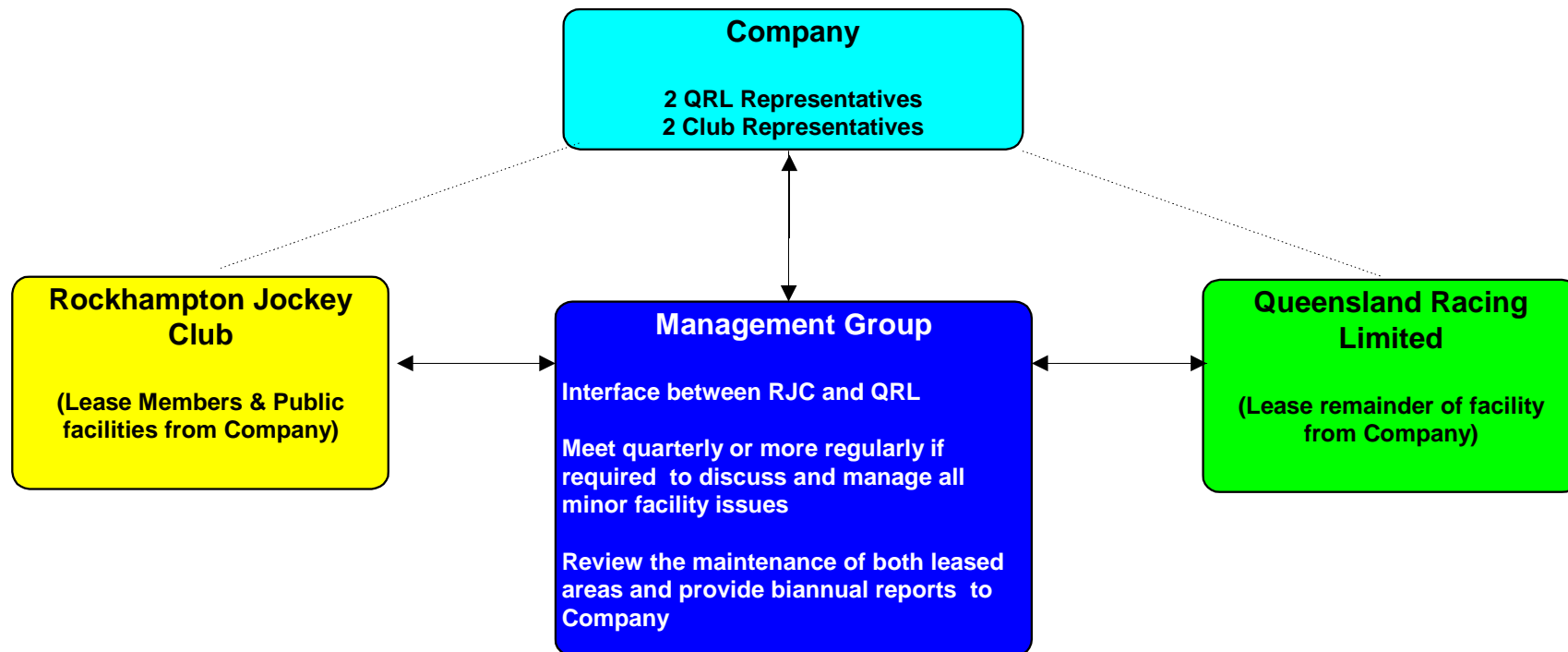
- QRL and the RJC to partner in the development of a company that will own Callaghan Park and the existing infrastructure.
- The company will be responsible for depreciating existing infrastructure
- Company to have four (4) Directors:
 - Two (2) from the RJC
 - Two (2) from QRL
- The RJC to be given a 99 year lease over the public and members facilities, with the following key principles:
 - RJC responsible for all repairs and maintenance within the leased area
 - RJC able to undertake capital investment within leased area
 - RJC to control all activities within the leased area

Queensland Racing Limited Proposal

- QRL to be given a 99 year lease over the remainder of the facility, with the following key principles:
 - QRL responsible for all repairs and maintenance within the leased area
 - QRL able to undertake capital investment within the leased area
 - QRL to control all activities within the leased area
- Prior to QRL or the RJC undertaking capital investment within their leased area, they will be required to seek Company approval
- Any new capital investment by QRL or the RJC will be at the relevant entities expense, with the asset residing on its books
- Depreciation of any new capital investment will be the responsibility of the relevant entity

Queensland Racing Limited Proposal

Facility Management



Queensland Racing Limited Proposal



- QRL and the RJC will be required to develop an asset management plan in consultation with the management group for their leased area, which will then be submitted to the company for approval
- Both QRL and the RJC will be responsible for compliance with Statutory Mandate, such as WH&S, Liquor Licensing, Fire Safety, Food Safety, etc. within their leased area
- Areas required by the RJC for the conduct of race meetings and functions that fall within the QRL leased area, will be managed under license to the RJC
- Areas required by QRL for the conduct of race meetings, barrier trials and jumpouts that fall within the RJC leased area, will be managed under license to QRL
- As each entity will be responsible for repairs and maintenance within its leased area, it is proposed that the lease amount payable by both entities be 50% of the outgoings payable by the Company

Queensland Racing Limited Proposal



Map Showing Indicative RJC leased area



Queensland Racing Limited Proposal

RJC Responsibilities

- Maintain public and member facilities
- Maintain and clean grounds and gardens within RJC leased area
- Conduct the race meetings
- Sponsorship
- Marketing and promotion
- Sky Channel revenue
- Bar, catering, bookmakers, totalisators
- Membership
- Agreements with tenant clubs
- Race books
- Oncourse patrons
- Signage inside leased area

Queensland Racing Limited Proposal



RJC Responsibilities continued

- Pay and provide the following services on racedays
 - Horse gate and mounting yard attendants
 - Assistant Judge
 - Race caller
 - Fluctuation room staff

Queensland Racing Limited Proposal



QRL Responsibilities

- Maintain course proper, training tracks, tie up stalls and swab stalls
- Maintain and clean grounds and car parks within QRL leased area
- Manage track work sessions, jumpouts, barrier trials
- Manage training approvals, setting and collection of training fees
- Maintain stables, horse walker, equine pool, and set and collect fees
- Pay and provide the following services on racedays previously provided by the RJC
 - Starter, Assistant Starter and Barrier Staff
 - Clerk of Course, Veterinarian, Farrier and Ambulance
 - Jockey Room Attendant, Price Assessor and Judge
- Signage within leased area:- existing RJC agreements to be honoured, all new agreements split 50/50 between QRL and RJC

Queensland Racing Limited Proposal



Financial Overview of Proposal

- QRL to pay the RJC \$1.550M which includes the following:-
 - QRL to purchase stables from RJC for \$830K (QRL Asset)
 - QRL to pay out loans and leases \$350K (QRL to convert to units)
 - QRL to purchase Track Repairs and Maintenance Machinery \$370K (QRL Asset)
- QRL to position the RJC to return a surplus after depreciation of \$100K, this is based on previous years financial results and doesn't include any upside as per slide 16 of this presentation
- RJC liquidity will improve from \$200k to \$1.5M, improving borrowing capacity
- If required QRL will assist RJC in securing a loan to assist with capital development within the RJC leased area

Queensland Racing Limited Proposal



Conversion of Assets to Company Equity

Equity Interests		Proposal	
QRL		6,849,000	65.6%
RJC		3,591,000	34.4%
Total		10,440,000	100%
RJC Equity interest based on market value per Aon Valuation 30 June 2009			
Land		1,150,000	
Infrastructure **		2,790,000	
Land & Infrastructure Acquisition Price Market Value		3,940,000	
Cash consideration from QRL		349,000	
Unit consideration RJC		3,591,000	
** Previous grass track disposed and \$831k for stables transferred to QRL			
QRL Investment in Company			
Track		6,500,000	
Cash Consideration		349,000	
Total QRL Investment		6,849,000	
Depreciation			40 yrs
Annual Depreciation		162,500	
Depreciation Rate			2.5%

Queensland Racing Limited Proposal



<i>Profit & Loss Summary - Rockhampton JC</i>						
	FY05/06	FY06/07	FY07/08	FY08/09	QRL Proposal	Forecast FY10/11 No Change
Racing Income	1,017,117	1,168,430	1,214,492	1,340,090	1,268,591	1,340,090
Racing Expenditure	845,220	876,639	877,452	983,283	756,514	983,283
Racing Profit/Loss()	171,897	291,791	337,040	356,807	512,076	356,807
Other Operating/Admin Income	221,095	299,036	305,294	299,691	98,637	300,000
Other Operating/Admin Expenditure	393,803	478,103	465,908	527,253	480,774	600,000
Other Operating/Admin Profit/Loss()	(172,708)	(179,067)	(160,614)	(227,562)	(382,136)	(300,000)
Course & Facilities Repairs & Maint	(493,511)	(583,514)	(641,824)	(665,854)	(48,581)	(678,000)
Operating Profit/Loss()	(494,322)	(470,790)	(465,398)	(536,609)	81,359	(621,193)
Grants and Subsidies Income						
Operational Subsidy from Qld Racing	620,000	620,000	597,000	598,200	226,200	598,200
Grants/subsidies - Revenue	117,882	114,257	162,962	112,855	-	120,000
Profit/Loss() before Depreciation	243,560	263,467	294,564	174,446	307,559	97,007
Depreciation	(120,307)	(185,195)	(323,145)	(320,276)	(60,110)	(482,500)
Abnormal Items (Loss on disposal of assets/flood damage)	(16,835)	-	(41,067)	(24,798)	-	-
Share in Holding Company Under QRL Proposal					(147,389)	
Profit/Loss() after Depreciation & Abnormals	106,418	78,272	(69,648)	(170,628)	100,059	(385,493)
<i>* Figures exclude Grants/Subsidies - Capital</i>						

Queensland Racing Limited Proposal



Below are the assumptions utilised to prepare the financial outcomes, these do not include any upside from the redirection of RJC resources from the management of the entire facility to concentrating on promotional and marketing opportunities

- Very conservative estimates based on history and FY 0910 budget
- Based on 40 meetings per annum
- No CPI adjustment – 3%
- Attendance of 25,000 per annum
- No Increase in revenue i.e. sponsorship, broadcast rights and membership subscriptions
- No increase in non racing related revenue made possible by capital improvements to facilities
- Removal of major cost centre in repairs and maintenance of the non leased area, a saving of \$550K per annum

Queensland Racing Limited Proposal



Areas of additional QRL expenditure if agreement reached with RJC

- Undertake a review of the necessity for additional on-course stabling, should there be a need for additional stabling QRL will fund the new stables
- Purchase of a new tractor
- Installation of a new barrier shed
- Purchase of a new set of barrier stalls
- Purchase of a horse ambulance

No Agreement between QRL and RJC

- The Board of QRL to consider how it will treat the \$6.5M investment at Callaghan Park
- RJC to have an annual deficit of approximately \$350k to \$400k per annum after depreciation
- Depreciation at 100% not at % holding of investment of company
- \$6.5M upgrade works to be depreciation at \$162k per annum over 40 years
- Poor liquidity with no partnership with QRL to secure the RJC future
- Limited opportunity to improve non racing related revenue with no major investment in member and public facilities

No Agreement between QRL and RJC

- QRL will develop a Service Level Agreement with the RJC for the maintenance of its \$6.5M investment
- It is expected that to appropriately maintain the new course proper it will require the employment of a minimum of one (1) additional staff member and considerably greater expenditure on fertilisers and pesticides
- QRL will also provide a rail movement plan that will be required to be adhered to by the RJC, the increased number of rail movements will also increase labour costs at the facility
- QRL will invoice the RJC for any works undertaken within the \$6.5M upgrade that fell outside the initial scope of works and directly benefited the RJC

No Agreement between QRL and RJC

<i>Profit & Loss Summary - Rockhampton JC</i>		
	FY08/09	Forecast FY10/11 No Change
Racing Income	1,340,090	1,340,090
Racing Expenditure	983,283	983,283
Racing Profit/Loss()	356,807	356,807
Other Operating/Admin Income	299,691	300,000
Other Operating/Admin Expenditure	527,253	600,000
Other Operating/Admin Profit/Loss()	(227,562)	(300,000)
Course & Facilities Repairs & Maint	(665,854)	(678,000)
Operating Profit/Loss()	(536,609)	(621,193)
Grants and Subsidies Income		
Operational Subsidy from Qld Racing	598,200	598,200
Grants/subsidies - Revenue	112,855	120,000
Profit/Loss() before Depreciation	174,446	97,007
Depreciation	(320,276)	(482,500)
Abnormal Items (Loss on disposal of assets/flood damage)	(24,798)	-
Share in Holding Company Under QRL Proposal		
Profit/Loss() after Depreciation & Abnormals	(170,628)	(385,493)
<i>* Figures exclude Grants/Subsidies - Capital</i>		

Next Steps



- Should QRL and the RJC agree on the company structure
 - QRL and RJC to enter into an agreement to progress this initiative
 - Agree working party to progress initiative
 - Working party to develop project plan with timelines
 - Working party to report to QRL and RJC on progress by February 28, 2010
 - Working party to aim to achieve outcomes by not later than April 1, 2010
- Should the RJC decide not to participate in a company with QRL
 - QRL will be required to consider how they treat the \$6.5M investment
 - QRL to develop a Service Level Agreement with the RJC to ensure the track is maintained in an acceptable manner

Key principles to be addressed in the “Agreement”



-
- Agreement for RJC to transfer existing land and building assets in exchange for equity
 - Agreement for \$6.85M contributed by QRL to be converted to equity in company
 - Agreement by RJC and QRL to undertake capital investment
 - Understanding of roles and responsibilities and revenues and expenditures
 - Identification of items to be included in a lease agreement
 - Agreement as to the target date for completion