



27th November, 2009

Ms Maree Blake
Queensland Regional Commissioner
Australian Securities and Investments Commission
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BY COURIER

Dear Ms Blake

Private and confidential.

Corporations Act 2001 – Investigation

I am the Chairman of the Board of Directors of Queensland Racing Limited (QRL). It is a public company under the provisions of the Corporations Act. The liability of members is limited by guarantee. Despite being a public company QRL is also the control body of the Thoroughbred Racing Industry in Queensland under the Racing Act (Qld) 2002. In that respect it is in a somewhat unique position in that it has important statutory obligations which it is required to fulfil and, at the same time, the directors are obliged to comply with the obligations imposed upon all directors of public companies.

Certain events have occurred which *may* raise important corporate governance issues and the ability of one of the directors of QRL, being William Bernard Andrews, to continue to fulfil his function as a director of QRL.

1. Mr Andrews has been a director of QRL since its incorporation in March 2006.
2. Recently, Mr Andrews gave evidence in the Supreme Court of Queensland in a matter concerning himself and QRL. A trial was held on 21 and 22 October before Justice Wilson.
3. Essentially, the action of Mr Andrews related to the director selection process of QRL. Mr Andrews is a director who is retiring at the 2009 AGM and is seeking to be re-elected.
4. Mr Andrews, in his evidence, admitted before the Court that he received funding from several people to assist him in the litigation. Three of those people are currently officeholders of Class 'A' Members of the company. They are:
 - (a) Mr Bob Frappell, who is the President of the Thoroughbred Breeders Queensland Association and is its Class 'A' Member Representative.
 - (b) Mr Basil Nolan, who is the Vice-President of the Thoroughbred Breeders Queensland Association.
 - (c) Mr Kevin Dixon, who is the Chairman of Brisbane Racing Club Limited (BRC). He is the Class 'A' Member Representative of BRC.

It is not known whether the payments were made by the individuals on their own behalf or whether those individuals were conduits for their respective organizations or others.

A copy of the relevant page of the transcript is **attached**.

5. Since the occurrence of the trial and Mr Andrews giving his evidence, the Board met on 3 November 2009 and again on 17 November 2009. At neither meeting did Mr Andrews disclose his interest in the funds received from persons mentioned above. No statement has been made to the Board as to the source of the funds, the amounts of money involved or the terms on which the funds were advanced.
 - In the case of Mr Dixon it is to be noted that he is the chairman of the major metropolitan club, the Brisbane Racing Club and a voting 'A' Class shareholder. The Brisbane Racing Club is a club directly controlled and licensed by QRL.
 - In the case of Mr Frappell and Mr Nolan they are the President and Vice President respectively of the Thoroughbred Breeders Association. That Association is not licensed by QRL but is nonetheless an 'A' Class member with voting rights under the Constitution. The Board of QRL, as a control body for racing, allocates a net contribution in excess of approximately \$5 million annually to a Thoroughbred Breeders' Incentive Scheme. This scheme gives Queensland Breeders a decisive selling advantage for their stock at sale. The scheme is administered by the Board of QRL with considerable input from the Thoroughbred Breeders' Association of which Mr Frappell and Mr Nolan are the principal officers.
6. As the Chairman of QRL, I am concerned that one of the directors of QRL has obtained money from persons who hold senior positions in the industry which QRL regulates. As neither I nor, to my knowledge, the other directors (save for Mr Andrews) are privy to the circumstances in which the payments to Mr Andrews were made nor the conditions, if any, attaching to the payments, it is not possible to know whether or not Mr Andrews will, in fact, be influenced in his decision-making as a result of the receipt of the identified payments. Nevertheless, the evidence given by Mr Andrews in the Supreme Court on 21 October 2009 raises issues as to whether Mr Andrews is able to continue to perform his duties as director given the obligations of QRL as a control body. Whether that is so or not would depend on the circumstances of the receipt of money by Mr Andrews. Unfortunately, QRL has neither the coercive nor the investigative powers (with the attendant protections connected to those powers) with which to probe into this matter.
7. I want to make it abundantly clear that neither I nor anyone else is suggesting that there *has* been or will be any breach of the Corporations Act or any other law of the Commonwealth. Nevertheless, the circumstances as they have been revealed seem to fall within the wide scope of the powers given to ASIC under s.13 of the Australian Securities and Investment Commission Act to conduct an investigation.
8. As QRL is a control body under the Racing Act, it is bound to proceed with the utmost caution so that it maintains integrity in the industry and the confidence of the public. Specifically, the purposes of the Racing Act include the maintenance of public confidence in the racing of animals in Queensland for which betting is lawful and the ensuring the integrity of all persons involved with racing or betting under the Act. I would not be fulfilling my duties as a director of QRL to ensure that public confidence is maintained in the thoroughbred racing industry were I to ignore the fact that one of the directors of QRL has received funds from persons who hold positions of power and influence in bodies which are significant stakeholders in the industry which QRL regulates.

9. I formally ask you to exercise your investigative powers relating to this matter. QRL will be happy to give you any further information it has available.

I would appreciate your response as soon as possible.

Yours faithfully

A handwritten signature in black ink, appearing to read 'R.G. Bentley', written in a cursive style.

R.G.BENTLEY
Chairman

27/11/09

