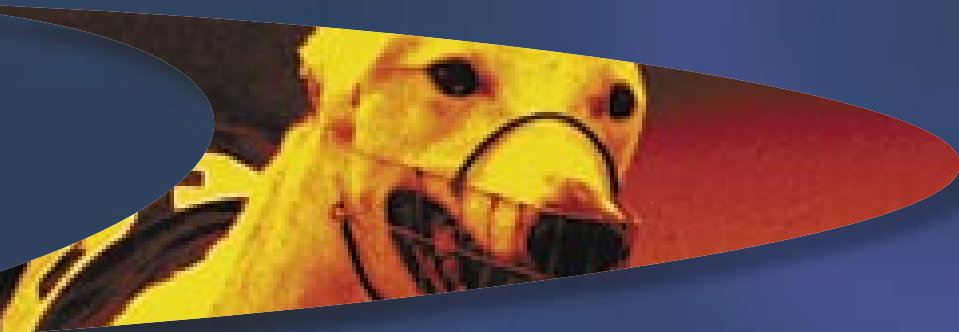
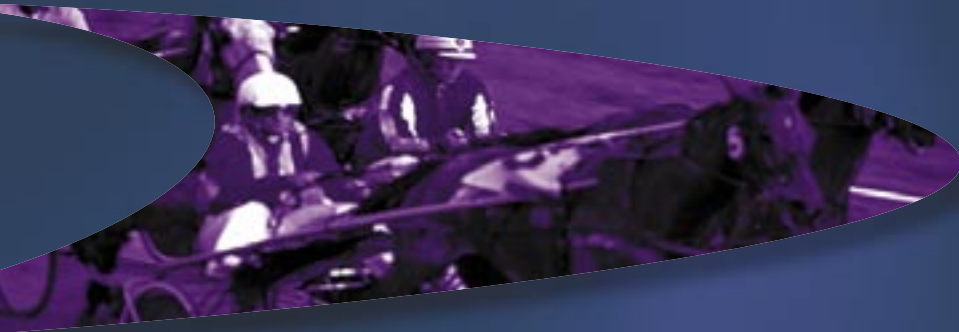
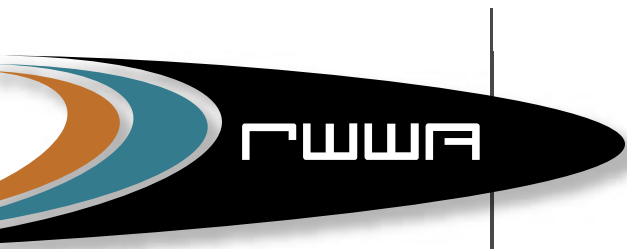


2004 ANNUAL REPORT



RACING AND WAGERING
WESTERN AUSTRALIA



MINISTER FOR RACING AND GAMING

I hereby submit for your information and presentation to Parliament, the Annual Report of Racing and Wagering Western Australia for the year ended 31 July, 2004, which has been prepared in accordance with the provisions of the Financial Administration and Audit Act 1985.

Ross Bowe
Chairman

Racing and Wagering Western Australia

14 Hasler Road
Osborne Park
Western Australia 6017
ABN: 21 347 055 603

TABLE OF CONTENTS

Mission Statement	2
Chairman's Report	3
CEO's Report	5
CEO's Statement of Compliance	18
The Act and Compliance with Relevant Written Laws	20
Financial Statements	26
Opinion of the Auditor General (Financial Statements)	45
Performance Indicators	46
Opinion of the Auditor General (Performance Indicators)	48



MISSION STATEMENT

To provide strategic direction and leadership in the development, integrity and welfare of the racing industry in Western Australia, ensuring its competitiveness and long-term commercial viability for the benefit of industry stakeholders.

To position RWWA as a competitive and responsible gambling organisation providing a major source of funding for the development of racing and sports in Western Australia.

RWWA's Core Values and Supporting Behaviours underpin all of our interactions both internally and externally. They have been derived from staff input and continue to be monitored to ensure a work environment which is beneficial to all.

The Core Values are:

- * Teamwork
- * Customer Focus
- * Professionalism



ROSS BOWE

CHAIRMAN'S REPORT

I am pleased to present the first Racing and Wagering Western Australia, (RWWA) Annual Report.

It is easy to forget that a little more than two years ago, RWWA was only a concept and it has been barely a year since we were established to integrate the controlling authority functions of three racing codes and the wagering arm of the WATAB. In that short time, and faced with significant challenges and the growing pains of a new organisation, RWWA has produced an impressive first year's result.

RWWA provides the first real opportunity for the racing industry to work in harmony to secure the long-term future of the three codes. To ensure this process is soundly based and to achieve the best possible results for all participants and stakeholders, RWWA commissioned the most far-reaching review of the Western Australia racing industry ever undertaken. The review will be completed in late 2004, with the resultant strategies providing a blueprint for the organisation and the racing codes going forward and working in partnership.

Clearly it is the revenue from wagering that will underpin future racing industry prosperity and, at the end of January 2004, the activities of the Totalisator Agency Board (TAB) were integrated into RWWA's Operations division. Annual turnover of the combined TAB/RWWA wagering business exceeded \$1 billion for the first time in 2003/2004 and represented a growth rate of over 8%. The Chief Executive Officer, Mr. Ray Bennett, his executive management and staff should be commended for their efforts in remaining focused on the business and achieving such a healthy result during a time of great organisational change.

In the months following the abolition of the TAB, many racing code staff members were engaged by RWWA to meet transferred responsibilities, swelling staff numbers significantly. The cooperation and support of the Clubs in making the difficult transition as seamless as it turned out to be is appreciated.

In May, the Board was delighted to announce a significant boost to racing industry funding of \$7 million for the 2004/05 operating year. The new distribution model on which the funding injection was based, will see significant increases in stake-money, improved infrastructure and reduced costs imposed on race clubs.



CHAIRMAN'S REPORT

Despite the maturity of the wagering and racing industries the market was dynamic with Victoria's TABCorp staging a successful takeover of New South Wales' TAB Limited, and Kerry Packer's PBL firming up plans to cooperate with Britain's well publicised betting exchange. The Board believes that a wagering system which enables customers to bet on losing outcomes, poses serious problems for the integrity of racing. RWWA is aware of such problems in other jurisdictions where betting exchanges operate, and is mindful of the negative impact on racing industry funding that would stem from the operation of these exchanges in Australia.

The Board and management continue to seek out the opportunities and minimise the threats these new market dynamics present.

The commitment and cooperation of all RWWA staff and racing industry stakeholders have contributed to an extremely pleasing foundation year. I am particularly grateful and indebted to the RWWA executive team, especially the CEO, Ray Bennett, and to my fellow Board members.

Ross Bowe
Chairman



RAY BENNETT

CEO'S REPORT

The Western Australian racing industry entered a major period of change on 1 August, 2003 when the establishment of Racing and Wagering Western Australia brought together as one, the previous three separate code regulatory and control functions, with those of the Totalisator Agency Board of WA.

This change involved the transfer of code personnel responsible for the administration and control of racing and, together with the TAB, a combined new governance structure for the administration of racing and wagering in this state.

To enable the new entity to develop strategies to best drive the industry forward, secondments took place in a staged manner. Understandably, the recruitment process for senior personnel and indeed, the transfer of TAB and code staff to become RWWA employees, and having their duties and responsibilities defined, was quite complex. Regular reviews of the appropriate organisational structure took place to best position the business for the future.

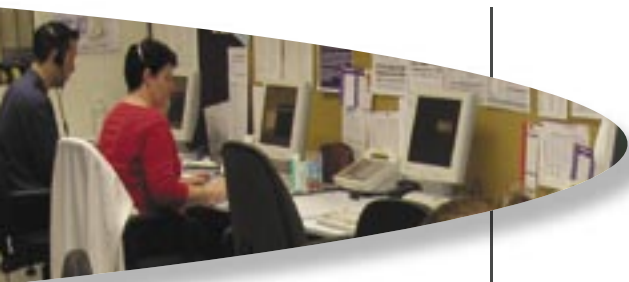
As the year unfolded, the principles required to deliver the best strategy for RWWA going forward, became clearer for the Board. In terms of racing and wagering in an operational sense, it was decided that these two separate divisions should be amalgamated as one jurisdiction titled, 'Operations'.

With the decision taken early in the period under review to embark upon an economic analysis of the racing industry in Western Australia, the early findings of that review provided a need for the creation of a Strategic Development and Planning Division.

This report provides an overview of the activities of RWWA and records the initiatives and achievements during RWWA's first year of operation.

I am indebted to the management and staff of RWWA and the management of the three metropolitan clubs, for their co-operation and support in establishing RWWA as an operating entity in such a short period of time.

Ray Bennett
Chief Executive Officer



THE YEAR IN REVIEW

RWWA commenced operations on 1 August, 2003, but the off-course wagering activities of the former Totalisator Agency Board assumed from 30 January, 2004. The statutory compliance reporting requirements for the TAB were included in the final TAB report and are not reported again in this RWWA annual report. However the commentary on the year's achievements covers the combined operations of both RWWA and the TAB.

OPERATIONS

The RWWA Act requires the Board to establish procedures for consulting with prescribed racing bodies (clubs/association of clubs) and other organisations which have an interest in the racing industry (industry associations).

The Consultation Plan approved by the Board, saw the creation of code-specific Consultation Groups for greyhound, harness and thoroughbred racing, each of which would meet with RWWA representatives on a quarterly basis. The composition of these groups included nominated representatives of the racing clubs, industry associations and industry participant groups.

These forums have provided a vital and effective link between the industry and RWWA Board members and senior executives and allow the dissemination of a range of information and ideas, both locally and on a national basis.

In assuming the regulatory and controlling authority functions, RWWA became the prescribed member of each of the three, national peak bodies for racing, The Australian Racing Board, Greyhounds Australasia Limited and the Australian Harness Racing Council. Many of the national racing issues of interest to WA participants are provided to the Consultative Groups.

Betting Exchanges, protection of racing's intellectual property, Group and Listed races and bookmaker product fees continued to dominate the discussion at the national level.

During the year, the three code breeding incentive schemes were reviewed by way of the consultation process. This will continue to occur annually so as to ensure that the benefits of these schemes can be regularly reviewed so as to grow financially, and reward the providers of WA product.



The responsibility for industry publications was taken over by RWWA during the year and the dissemination of racing information, programmes, rule amendments, policies and the like were provided in a regular and timely manner.

Fixture allocation, all pre-race meeting activities, including nominations, handicapping, acceptances, preparation of race fields and associated tasks, vision coverage, licensing and registration of clubs and animals, were the primary functions of the department during this period.

Highlights from each of the code activities are included below.



GREYHOUNDS

Significant activities involving RWWA in greyhound racing include;

- An extremely successful Autumn Chasing Carnival conducted by Greyhounds WA, with strong interstate interest, media coverage and a dual track record finals night on 20 March 2004. RWWA supports the Carnival by the promotion and encouragement of the three week event to the connections of interstate greyhounds and through the media Australia-wide. The ACC feature, the Be Active Perth Cup, was won by Victorian raider, Kilby Supreme.
- The City of Mandurah gave its development approval for the construction of a new kennel building at that venue, which will have the capacity to house sufficient greyhounds to have 15 races on a program and a separate swabbing bay. This new block will be the forerunner to the establishment of a brand new 603m circumference track, at Mandurah, which will be of a world class standard. Planning approval is currently underway.



- Mandatory inoculations against the three major epidemics in canines, were introduced for all greyhounds racing in Western Australia.
- The leading WA trainer for 2003 (Calendar Year Award) was Linda Britton.
- \$163,000 was paid through the Breeders & Owners Incentive Scheme, which is fully funded by RWWA.



HARNESS RACING

Highlights of the harness racing year included;

- In December 2003 RWWA, after consulting with the harness racing industry, introduced a training track levy fund to address the financial aspects associated with the training of horses and the maintenance of harness racing tracks, including official and private training tracks used by industry participants. This interim measure was superseded by the new RWWA Distribution model announced for 2004/2005, which provided 'free' racing for harness owners.
- Races for trotters, as distinct from pacers, made a return to WA in September, after an absence of more than 40 years. The number of trotters in WA amounts to approximately 30. RWWA has indicated that it will review the previous decision of the WATA in October 2004.
- Agreement was reached with Sky Channel to provide Tuesday harness racing vision coverage through the twilight period on WA product. This complements the contracted arrangements for Pinjarra and Gloucester Park race meetings on Mondays and Fridays.



- In addition to the quarterly Consultation Group sessions with the prescribed industry bodies, RWWA maintained regular dialogue and effective communication with many other industry groups, clubs and individuals. RWWA now chairs the Harness Racing and Programming Sub-Committee through elected harness Board member, Ross Cooper.
- WA metropolitan harness trainer and driver awards for 2003/2004 were won by Carol Warwick and Chris Lewis respectively.
- The hosting by the WATA of the Ross North sponsored \$500,000 Inter Dominion Series 2004 at Gloucester Park was a huge success with the Grand Final won by NSW pacer Jofess, trained and driven by Darren Hancock.



THOROUGHBRED RACING

The major issues for the thoroughbred code during the review period were as follows;

- RWWA negotiated a successful arrangement on behalf of the Thoroughbred Provincial Clubs, with Sky Channel to secure a long term agreement and financial support for the ten provincial clubs. The agreement will provide national vision coverage for more than 90 race meetings during the 2004/2005 season and complements the WATC signing with Sky, for its meetings at Ascot and Belmont.
- An apprentices' wage and conditions review was undertaken during the year, with RWWA providing administrative and financial subsidies to assist apprentice jockeys. A complete review of the Apprentice Scheme in WA, and industry training, will be undertaken during the forthcoming season.



- Nominations received for the very successful Westspeed Scheme for 2004/2005 increased by 31% on the previous season. Total funds distributed in 2003/2004 amounted to \$1.033m.
- Leading metropolitan trainer for the year was Neville Parnham who recorded his sixth successive victory for the award.
- Paul Harvey was the Leading Metropolitan Rider for the eighth time.
- William Pike was the season's leading apprentice.

WA Racing Statistics 2003/2004

Code	Course Class	No. of Race Meetings Held	No. of Races Held	No. of Starters	Average No. of Starters per Race	Individual Horses / Greyhounds that Raced
Greyhounds						
		260	2,856	22,395	7.8	1,595
	Metro	95	1,035	8,051	7.8	
	Provincial	143	1,560	12,296	7.8	
	Country	22	261	2,048	7.9	
Harness						
		275	2,241	21,903	9.8	2,038
	Metro	86	806	8,250	10.2	
	Country	189	1,435	13,653	9.5	
Thoroughbreds						
		295	2,152	21,957	10.2	3,298
	Metro	90	727	8,254	11.4	
	Provincial	67	528	6,262	11.9	
	Country	138	897	7,441	8.3	
All Codes		830	7,249	66,255	9.1	6,931

WAGERING

The TAB generated record turnover and profit growth during 2003/2004. Corporate turnover of \$1.063 billion was achieved, representing growth over the previous period of \$80 million or 8.16%. A key growth driver for the year was the contribution from fixed odds sports betting, which grew by 52%. Racing also made a strong contribution to growth, supported by an additional 791 races, generating growth of 7.36% over the previous year.

Bets processed during the year jumped to a record 170 million, with significant gains in the pubTAB network and via the RWWA internet betting service www.tabozbet.com.au

The wagering revenue margin exceeded the budget forecast largely due to the solid performance of Trifecta betting and the full impact of the Quaddie over the twelve months, especially through the electronic channels.



RWWA undertook a number of important wagering development initiatives during the year, including:

- The implementation of sweeping changes to the organisation's retail distribution channels which will deliver improved profitability through the closure of 19 low-turnover, full-time services and the replacement of the services with PubTAB services.
- Completion of a major tender for the delivery of agency tickets and printer paper and the subsequent appointment of a Western Australian firm to manage this critical function for RWWA over the next three years.
- The acquisition of SKY Channel's commercial rights in Western Australia and the successful roll-out of the RWWA managed service during the past twelve months.
- The development of the Responsible Wagering Code of Practice and associated training programme for all RWWA staff and agents.
- The Implementation of a centralised customer service Help Desk system to enable the efficient logging, tracking and escalation of customer queries and complaints.
- The approval for a pilot of Easy Bet terminals designed to improve service delivery throughout the retail network.
- The annual Customer Satisfaction Monitor, surveying customer satisfaction levels with the retail and electronic distribution channels and the delivery of support services such as Racing Radio, was undertaken. The results were very gratifying in that all the channels of distribution scored well and the organisation achieved an overall very satisfactory rating.

Other key projects which were initiated during the period included; the introduction of TAB account deposits via credit cards, and the ongoing improvement to existing TAB sports and racing products.

Ken Norquay
General Manager Operations



STRATEGIC PLANNING & DEVELOPMENT

PLANNING & DEVELOPMENT

The focus during the year was the development and implementation of strategies designed to facilitate the smooth integration of the controlling authority and wagering arms of the racing industry within the new controlling authority, Racing and Wagering Western Australia.

The successful implementation of the strategies saw the smooth transition of the racing industry controlling authority functions to RWWA on 1 August, 2003. Additionally, considerable work was undertaken to facilitate the smooth transition of the wagering functions, controlled by the Totalisator Agency Board, to RWWA, on the 30 January, 2004.

The division was responsible for the oversight of the Racing Industry Economic Review, the most comprehensive review of the Western Australian racing industry.

The appointment of three leading consultancies, IER Pty Ltd, Allen Consulting and The Marketing Centre enabled the Board and RWWA management to gain a better appreciation of issues impacting on industry participants such as owners, trainers and breeders.

Details of the review scope and results to date can be found on the RWWA web site at www.rwwa.com.au

The coordination of the development of the five-year outlook for wagering and racing in Western Australia will be a major task for the division during the next 12 months.

MARKETING & COMMUNICATIONS

These business units are responsible for the ongoing development of product and service delivery to the racing and wagering sectors. During the past twelve months, significant improvements have been made to streamline the delivery of Fixed Odds Betting information into agencies. Additionally, the past twelve months have witnessed a significant improvement in the coverage of racing by mainstream media, giving the racing industry and wagering an improved profile within the general community.

A highlight was the record-breaking 2003 Melbourne Cup with some \$14.2 Million wagered on the day, supported by the contribution of five special promotional TABs operating in the metropolitan area.

Ric Wimmer

General Manager Strategic Planning and Development



CORPORATE SERVICES

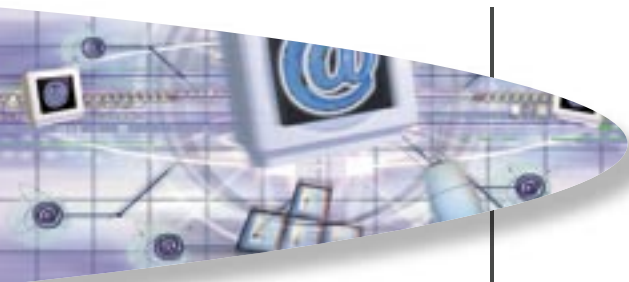
RWWA's new responsibilities have imposed considerable change on the division during the year, with the formation of a Racing Accounting branch comprising eight former racing club staff members responsible for a range of financial and administrative services provided by RWWA to racing participants. In addition, a new Government Liaison branch has been created encompassing Government liaison, legislative and legal affairs and an enhanced wagering compliance function.

The ability to pay stakes and subsidies through the RWWA financial management system, was achieved by the end of the year. Further improvements to streamline the process will continue. Management of the controlling authority service charges during the year worked well, thanks to good support from the racing clubs involved. However, with the transfer of all major functions to RWWA, the controlling authority agreements have not been extended beyond July 2004.

Preparation of the first RWWA Strategic Development Plan and budget was completed on schedule, despite considerable challenge given the new responsibilities. However, the outcome has provided a sound base upon which to move forward. It is likely that the completion of RWWA's industry economic review will require a substantial revision to these documents.

RWWA has made good progress in establishing a working protocol with the Gaming Commission in relation to wagering compliance, and the nomination of a central liaison officer within RWWA to manage this relationship, will ensure excellent standards of communication and cooperation are maintained.

Julian Hilton-Barber
General Manager Corporate Services



INFORMATION SERVICES

A number of key activities undertaken by the Information Services Division during the 2003/2004 financial year included:

- Identifying and transferring responsibility for Code-based RWWA staff and systems.
- Upgrading the wagering mainframe computer to a current Z-series model.
- Implementing an intranet to provide a central repository of corporate information.
- Improving key administrative functions of the Fixed Odds Betting system.
- Implementing the RWWA web site to assist communication with industry stakeholders.
- Implementing a mid-week Favourite Numbers wagering product.

Work also continued on the strategic wagering technology options available to RWWA and any IT Alliance opportunities to assist with the implementation of this technology. Although the progress of this review was delayed slightly due to the TAB merger activities on the eastern seaboard, a high-level technology strategy was agreed by the Board and pilot projects for the implementation of Self-Service and Customer Information terminals are expected to commence in the 2004/2005 year.

CORPORATE INFORMATION

There was continued growth in demand for information and related support services during the 2003/2004 year, including the RWWA Intranet and customer contact management software for the retail network and SKY customers. There was a significant increase in the demand for information specifically related to the Racing Industry, mostly in support of the Industry Economic Review, and specialised mapping software was used to assist with geographical analysis of various aspects of the industry.

PROJECT OFFICE

The delivery of the RWWA Program of Works progressed well, with the implementation of more than twenty projects during the year. Some of the key deliverables for 2003/2004 are listed above, however the make-up of the Program of Works for 2004/2005 will be shifting its focus to activities supporting the Racing Industry and the strategic direction of the Wagering Division.



INFORMATION SERVICES

INFORMATION SYSTEMS

The existing wagering information systems continued to perform well throughout the year. However, all software and hardware modifications were undertaken with a minimalist approach to support the longer term system replacement strategy.

INFORMATION SECURITY

In response to the global increase in attempts at site hacking and virus dissemination during the year, RWWA increased its focus on information security through upgrades of security software and the engagement of third party security professionals to assist with the identification of potential threats to RWWA's information and systems.

Glen Fee

Chief Information Officer





INTEGRITY AND ASSURANCE

The major focus of the Integrity and Assurance division in RWWA's inaugural year was to concentrate on the successful establishment of the Integrity and Assurance Committee (IAC) to deal with operational racing issues such as licensing, rule formation and amendments, handicapping, laboratory policy and general Stewards issues. The IAC has functioned efficiently throughout the year, dealing with significant racing issues.

Other key projects undertaken were:

- Formulation of Rules of Racing of Thoroughbred, Harness and Greyhound codes, with consistent, common Local Rules across the three codes. This was completed successfully with the Board subsequently adopting these Rules as the Official RWWA Rules of Racing.
- Stewards' Department recruitment and restructure.
Changes included the appointment of a Provincial Chief Steward (Harness) consistent with the Thoroughbred code and recruitment of a panel Stipendiary Steward.
Appointment of a Cadet Steward to each code, highlighting RWWA's commitment to training and development of Stewards.
- Appointments of a Principal Investigator and Assistant Investigator to service the three codes.
- The position of an Official RWWA Veterinarian was established and filled to focus on swabbing standards and procedures across the three codes and prioritise the welfare of the racing animal.
- Successful cross-coding of Stewards.

Racing and Wagering Western Australia is committed to uphold the integrity and maintain the public confidence in racing in Western Australia. I am confident that with the current Stewards panels this will be achieved.

John Zucal
Chairman of Stewards



HUMAN RESOURCES

The Human Resources activities during the reporting period focused predominantly on the establishment of appropriate terms and conditions of employment and remuneration strategies for the new RWWA organisation. Appropriate policies and guidelines have also been developed and will continue to be developed to cover the ongoing management of RWWA staff.

In addition, systems were developed and implemented to facilitate the effective consolidation of both management and staff from each of the industry identified staff at the Thoroughbred, Harness, Greyhound racing codes and the previous Totalisator Agency Board of Western Australia.

All staff members were employed by the RWWA organisation on a progressive basis during the period January 2004 to May 2004 and are now consolidated within a single HR and payroll system.

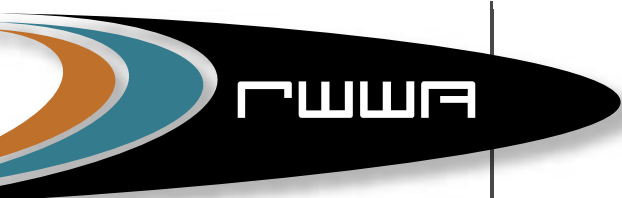
A revised performance management and professional development system has been implemented for the 2004/2005 financial year, which provides for the establishment of individual staff goals and initiatives which will closely align to the overall strategic direction and operational plan of the organisation.

Other HR activities including recruitment, training and development, occupational safety and health policy review, have continued to address the needs of the organisation.

A new Racing Radio Employees General Agreement 2003 was negotiated with Racing Radio staff and the Media Entertainment and Arts Alliance Union to cover Tote Callers and Announcers at Racing Radio.

Eric Baines

Executive Manager Human Resources



CEO'S STATEMENT OF COMPLIANCE

Human Resources

RWWA's full-time equivalent (FTE) staffing including full-time, part-time and casual employees at the end of the reporting year was 257.

Equal Employment Opportunity

Equal Employment Opportunity (EEO) principles were applied in the advertising and selection of staff for the filling of vacant positions and in the implementation of human resource management practices. In addition, objectives of the Equity and Diversity Management Plan have been progressed during this reporting period.

Disability Services Plan

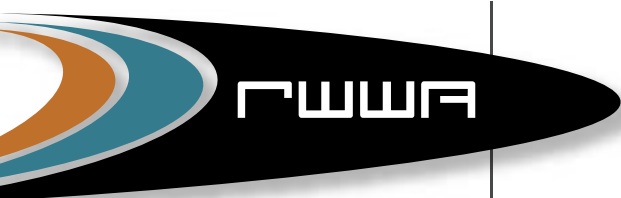
Objectives of RWWA's Disability Services Plan have been continued during this reporting period. Consideration of the needs of people with disabilities continues in the distribution of services and design of RWWA facilities.

Occupational Safety and Health

RWWA's Occupational Safety and Health Advisory Committee continues to examine and address a variety of organisational issues including ergonomic assessments, personal security of staff and RWWA vehicles, standards of the working environment for staff, and bomb threat and emergency evacuation procedures. The Committee also monitors the reporting process, implementation of OSH Plans, and the working conditions of RWWA staff located at the Code locations.

Employee Relations

Revised terms and conditions of employment, together with an appropriate remuneration strategy, have been developed and implemented as part of the establishment of RWWA. The majority of RWWA staff are employed under Common Law Contracts of Employment, with a small number of staff electing to remain on the GOSAC Award and GOSAC General Agreement conditions.



CEO'S STATEMENT OF COMPLIANCE

Workers' Compensation and Rehabilitation

During the reporting period nil claims were made under the Workers' Compensation and Rehabilitation Act.

The following table outlines the indicators as required by the Treasurer's Instruction 903(4)(vii)c:

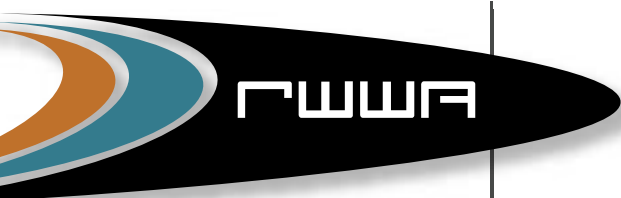
Item	31/01/2004 - 31/07/2004
Total number of claims	0
Frequency Rate	0
Estimated cost of claims per \$100 of payroll (includes ongoing claims from 2000/03)	1.6
Premium rate	.63
Rehabilitation success rate	0.5

(Two ongoing claims from the previous TAB organisation.)

Marketing Expenditure

Advertising Agencies	Bowtell Clarke & Yole	\$204,121
Advertising Agencies	Total	\$204,121
Market Research Organisations	Media Monitors (WA)	\$7,698
Market Research Organisations	Research Solutions	\$52,396
Market Research Organisations	Total	\$60,094
Media Advertising Organisations	Southern Cross Broadcasting	\$30,380
Media Advertising Organisations	West Australian Newspapers Ltd	\$541,422
Media Advertising Organisations	Total	\$571,802
Media Agencies	Media Decisions WA	\$541,127
Media Agencies	Total	\$541,127

NB: \$438,516 Media Expenditure with West Australian Newspapers Ltd is for the production of TABForm.



THE ACT AND COMPLIANCE WITH THE WRITTEN LAW

RWWA commenced operations on 1 August, 2003 upon the promulgation of the Racing and Wagering Western Australia Act 2003. The Act established RWWA as the controlling authority for thoroughbred, harness and greyhound racing in Western Australia, together with responsibility for off-course TAB wagering.

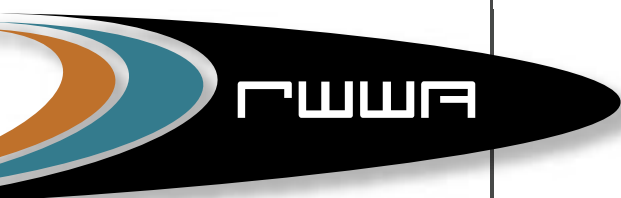
Implementation of RWWA's responsibilities occurred in two stages. Effective 1 August, 2003, RWWA assumed the principal club/controlling authority responsibilities of The Western Australian Turf Club, Western Australian Trotting Association and Western Australian Greyhound Racing Authority.

On 30 January, 2004, the Totalisator Agency Board Betting Act 1960 was repealed and RWWA assumed responsibility for the conduct of off-course TAB wagering.

The Racing and Wagering Western Australia Regulations 2003 were enacted to establish key employee licensing procedures relating to RWWA's wagering activities and to include those provisions of the Totalisator Agency Board (Betting) Regulations 1988 needed to control RWWA wagering activities.

To complement the formation of RWWA, the Betting Control Board, established under the Betting Control Act 1954, was abolished and its functions transferred to the Gaming Commission of Western Australia, which was re-titled the Gaming and Wagering Commission of Western Australia. Hence, RWWA's gambling activities are now regulated by the Gaming and Wagering Commission, under the Gaming and Wagering Commission Act 1987.

As part of the legislative package to establish RWWA, the Totalisator Agency Board Betting Tax Act 1960 was repealed and replaced by the Racing and Wagering Western Australia Tax Act 2003; and the Racing Restriction Act 1917 was repealed and replaced by the Racing Restriction Act 2003. Under the Racing Restriction Act 2003, no thoroughbred, harness or greyhound race for prize or reward (exceeding \$50 in value) may be held without a licence from RWWA.



THE ACT AND COMPLIANCE WITH THE WRITTEN LAW

Enabling Legislation

The principle legislation governing RWWA is:

- Racing and Wagering Western Australia Act 2003
- Racing and Wagering Western Australia Tax Act 2003
- Racing Restriction Act 2003
- Gaming and Wagering Commission Act 1987
- Betting Control Act 1954

Other legislation to which RWWA must comply, includes the following. The list is not exhaustive but represents the legislation which impacts on the general operation of RWWA.

Anti-corruption Commission Act 1988

Clerks (Racing Industry Betting) Award 1978

Electoral Act 1907

Equal Opportunity Act 1984

Financial Administration and Audit Act 1985

Financial Transaction Reports Act 1988 (Cwth)

Freedom of Information Act 1992

Gaming and Betting (Contract and Securities) Act 1985

Government Officers' Salaries, Allowances and Conditions Award
1989 Industrial Relations Act 1979

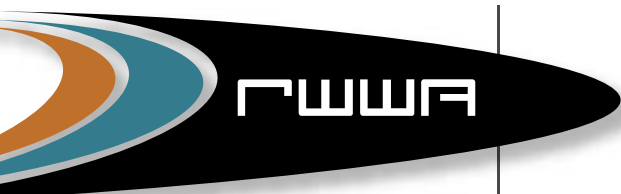
Occupational Safety and Health Act 1984

Unclaimed Money Act 1990

Workers Compensation and Assistance 1981

Workplace Agreements Act 1993 (Cwth)

Legislation, together with commercial principles, therefore governs the operation of RWWA.

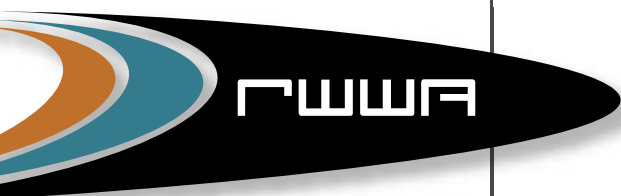


MEMBERS OF THE BOARD OF RACING AND WAGERING WESTERN AUSTRALIA

Back row,
Michael Ryan
Ian Taylor
Robert Pearson
Geoffrey Martin
Ronald McFarlane



Front row,
James Freemantle - Deputy Chairman
Ross Bowe - Chairman
Ross Cooper



BOARD MEMBERS DETAILS

MR. ROSS GREGORY BOWE

(CHAIRMAN) - First appointed 01.08.03

Retired.

Is a former Under Treasurer of Western Australia and is currently a board member of Landcorp. Chairman of the Metropolitan Cemeteries Board and member of the City Rail Development Committee. Has had extensive high level experience in financial administration particularly in the State Government sector. Is a previous Chairman of the WA Treasury Corporation and Bankwest Holdings and has held board appointments on Gold Corporation, the SGIC, the WA Coastal Shipping Commission and the West Coast Eagles Football Club. Chairman TAB (2003-04).

MR. ROSS ALAN COOPER - First appointed 01.08.03

Retired.

Was a Form Analyst with the Western Australian Trotting Association providing analytical assessment of race performance and assisting in maintaining confidence and integrity in the conduct of racing. Was a licensed bookmaker at thoroughbred, harness and greyhound race meetings in WA (1976-2001). Is a life member of the WA Bookmakers' Association. Was a delegate to both the WA Thoroughbred Racing Industry Council and Harness Racing Industry Council. Was a member of the Betting Control Board (1994-98) and TAB board member (2001-04).

MR. JAMES MALCOLM FREEMANTLE

(DEPUTY CHAIRMAN) - First appointed 01.08.03

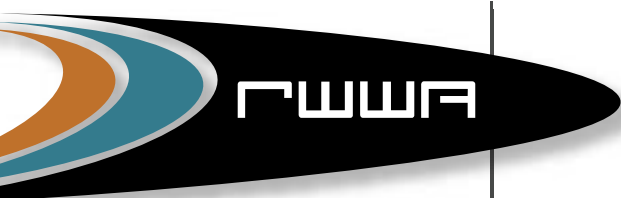
Company Director.

Formerly CEO of Home Building Society Ltd following more than 30 years in banking in Australia and overseas. Consultant to various land development companies associated with Home and to organisations in the banking and finance sector. Director of a number of public and private companies. TAB board member (2003-04).

MR. GEOFFREY ALFRED MARTIN - First appointed 01.08.03

Semi-retired.

Majority of working life spent with family company as a director of Archie Martin and Sons (Holdings) Ltd. Director of companies associated with Archie Martin and Sons and boards and committees pertaining to the electrical retailing industry. Board member of WAGRA 2001-2002 and Chairman 2002-2003. TAB board member (2003-04).



BOARD MEMBERS DETAILS

MR RONALD JAMES MCFARLANE, MBA

- First appointed 01.08.03

Business Consultant.

Has over 30 years of experience as a Senior Manager, Director and Principal Consultant in Communications, Research and Business Consultancies. Has worked on a large range of human communications, consulting and research projects in Education, Training/Human Resources, Innovation, Financial Services and Utilities. Is currently Chief Executive of Transnational Information Services Pty Ltd; Principal Consultant – Executive Intelligence Pty Ltd; Director-Executive Intelligence Management Associates Pty Ltd; Director – TransGlobal Consulting Pty Ltd. Previous Fellow Australian Institute of Company Directors, Sydney.

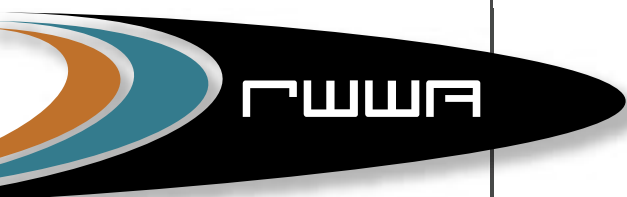
MR. ROBERT CHARLES PEARSON - First appointed 01.08.03

Chairperson and Managing Director Statewide Oil Distributors since 1985. Extensive involvement in the Oil Industry particularly for logistical and marketing of lubricants throughout WA. Currently a Vice Patron of East Perth Football Club. Previous President East Perth Football Club (1990-1992), Committee WATC (1992-1994), Betting Control Board member (1993-1994), board member WA Swimming Association (2000-2002). TAB board member (2003-04). Owner/part owner of a number of thoroughbred horses in WA and Eastern States.

MR. MICHAEL JAMES RYAN - First appointed 01.08.03 Retired.

Has had over 25 years experience as a Manager in the Information & Communications Technology Industries and has had a wide and current range of contacts at senior level in the Western Australian and Australian Corporate and Government marketplace. TAB board member (2001-04).

MR IAN FREDERICK TAYLOR - First appointed 01.08.03 Economist. Currently self employed in the Abalone Industry and various consultancies. MLA for Kalgoorlie 1981-1996. Minister in a range of portfolios 1986-1993 including Health, Conservation, Police and State Development, Deputy Premier and Leader of the Opposition. Past Patron Kalgoorlie Boulder Racing Club. TAB board member (2003-04).



ANNUAL REPORT 2004 FINANCIAL STATEMENTS

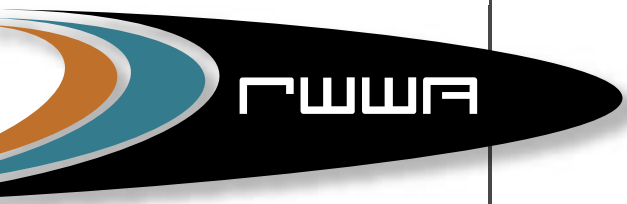
FINANCIAL STATEMENTS

Statement of Financial Performance.....	26
Statement of Financial Position	27
Statement of Cash Flow	28
Notes to the Account	29
Certification of Financial Statements.....	44
Opinion of the Auditor General	45

PERFORMANCE INDICATORS

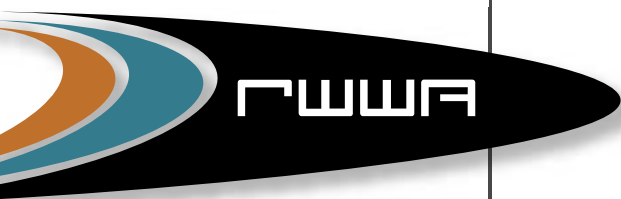
Performance Indicators	46
Certification of Performance Indicators	47
Opinion of the Auditor General	48





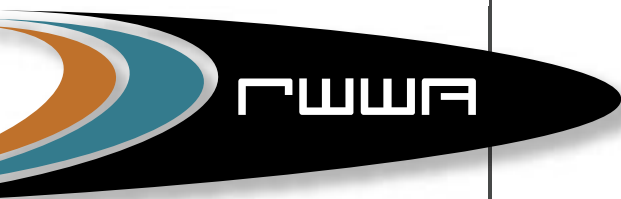
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 JULY 2004

	Notes	2004 (\$'000)
Revenue		
Revenue from ordinary activities		
Trading profit	2(a)	66,557
Interest revenue		1,578
Proceeds on disposal of non-current assets		1,592
Other revenue	2(b)	43,433
Total Revenue from ordinary activities		113,160
Expenses		
Expenses from ordinary Activities		
Racing Services	8(b)	12,918
Wagering Services	8(b)	25,238
Support Services	3	11,123
Total expenses from ordinary activities before project expenses and distributions		49,279
Projects		1,713
Total expenses from ordinary activities after project expenses and before distributions		50,992
Distribution to racing and sports industries	8(a)	57,643
Total Expenses from Ordinary Activities		108,635
Net Profit		4,525
Total changes in Equity other than those resulting from transactions with owners as owners		4,525



STATEMENT OF FINANCIAL POSITION AS AT 31 JULY 2004

	Notes	2004 (\$'000)
Current Assets		
Cash Assets	10	54,017
Receivables	13	3,825
Prepayments		256
Inventories	12	1,541
Total Current Assets		59,639
Non-Current Assets		
Property, Plant & Equipment	11	24,718
Capital Work-in-progress		953
Investments	9	352
Total Non-Current Assets		26,023
Total Assets		85,662
Current Liabilities		
Payables	14	17,183
Provisions	15	2,205
Total Current Liabilities		19,388
Non-Current Liabilities		
Payables	14	328
Provisions	15	537
Total Non-Current Liabilities		865
Total Liabilities		20,253
Net Assets		65,409
Equity		
Contributed Equity	20	60,884
General reserve	5	4,525
Retained Profits	5	0
Total Equity		65,409



STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2004

	Notes	2004 (\$000)
		Inflows (Outflows)
Cash Flows from Operating Activities		
Receipts		
Receipts from customers		570,287
Interest received		1,578
Payments		
Payments to customers, creditors and employees		(504,925)
Amount distributed		(57,643)
Interest paid	3	(16)
Net Cash provided by Operating Activities	6	9,281
Cash Flows from Investing Activities		
Payments for Land, Improvements, Equipment & Fittings		(2,960)
Payments for unlisted shares		(352)
Proceeds from Land, Improvements, Equipment & Fittings		1,592
Net cash (used in)/ provided by Investing Activities		(1,720)
Net increase in cash held		7,561
Cash Assets at the beginning of the financial year	20	3,217
Cash assets transferred from other sources	20	43,239
Cash Assets at the End of the Financial Year	7	54,017



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2004

1. ACCOUNTING POLICIES

a. Basis of Accounting

The financial statements are prepared in accordance with the Financial Administration and Audit Act 1985. Subject to the exceptions noted in these accounting policies, the financial statements have been drawn up on the basis of historical cost principles. The accrual basis of accounting has been applied.

The financial statements constitute a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and UIG Consensus Views as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording. The Financial Administration and Audit Act 1985 and the Treasurer's Instructions are legislative provisions governing preparation of financial statements and take precedence over Australian Accounting Standards and UIG Consensus Views. The modifications are intended to fulfil the requirements of general application to the public sector, together with the need for greater disclosure and also to satisfy accountability requirements. If any such modification has a material or significant financial effect upon the reported results, details of that modification and where practicable, the resulting financial effect are disclosed in individual notes to these financial statements.

b. Allocation of funds of RWWA

Section 105 of the Racing and Wagering Western Australia Act 2003, provides for the balance of funds remaining, after deductions covered by Section 105 (1) (a) to (i), which includes transfer of funds to reserve accounts and payments to the thoroughbred racing clubs, harness racing clubs and to WAGRA as prescribed. Section 107 deals with the allocation of funds from sporting events.

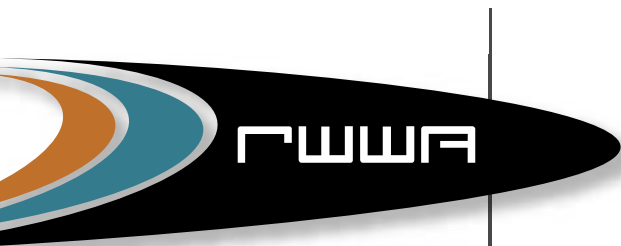
c. Changes in Comparative Figures

This is the first year of operation of RWWA. Therefore the comparative figures for 2003 are not applicable. Refer Note 20 for details.

d. Depreciation and Amortisation

Depreciation is calculated on a straight line basis over the estimated life of each asset and is charged to the Statement of Financial Performance to conform with standard accounting practice. It is current policy to write-off in-house software development costs at source. Useful lives for each class of depreciable assets are:

Buildings	10 to 40 years
Equipment & Fittings	5 to 15 years
Leasehold Improvements	5 to 15 years
Purchased Software	5 to 15 years



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS, CONTINUED, FOR THE YEAR ENDED 31 JULY 2004

e. Accrued Employee Benefits

Annual Leave

This benefit is recognised at the reporting date in respect of employees' services up to that date and is measured at the nominal amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provisions for employee benefits, and is measured at the nominal amounts expected to be paid when the liability is settled. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provisions for the employee benefits and is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given, when assessing expected future payments, to expected future wage and salary levels including relevant on costs, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

f. Receivables, Payables, Accrued Salaries

Accounts Receivable are recognised at the amounts receivable and are due for settlement no more than 30 days from the date of recognition. Agents settle on a weekly basis.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectables are written off. A provision for doubtful debts is raised where some doubts as to collection exists.

Accounts Payable, including accruals not yet billed, are recognised when RWWA becomes obliged to make future payments as a result of a purchase of assets or services.

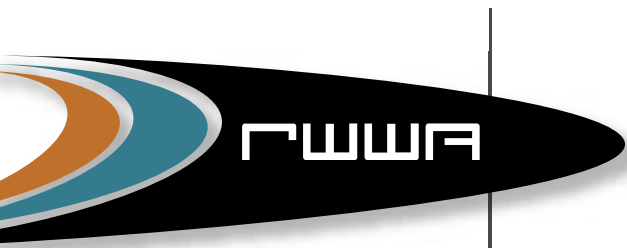
Accounts payable are generally settled within 30 days.

Accrued salaries represent the amount due to staff but unpaid at the end of the financial year as the end of the last pay period for that financial year does not coincide with the end of the financial year. RWWA considers the carrying amount approximates net fair value.

g. Superannuation

Government Employees Superannuation

Staff may contribute to the Gold State Superannuation Scheme, a defined benefit and lump sum scheme now closed to new members. All staff who do not contribute to this scheme become



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS, CONTINUED, FOR THE YEAR ENDED 31 JULY 2004

non-contributory members of the West State Superannuation Scheme, an accumulation fund complying with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992.

The liability for superannuation charges under the Gold State Superannuation Scheme and West State Superannuation Scheme are extinguished by quarterly payment of employer contributions to the Government Employees Superannuation Board.

The note disclosure required by paragraph 6.10 of AASB 1028 (being the employer's share of the difference between employees' accrued superannuation benefits and the attributable net market value of plan assets) has not been provided. State scheme deficiencies are recognised by the State in its whole of government reporting. The Government Employees Superannuation Board's records are not structured to provide the information for RWWA. Accordingly, deriving the information for RWWA is impractical under current arrangements, and thus any benefits thereof would be exceeded by the cost of obtaining the information.

Racing Industry Superannuation Fund

This is an accumulated fund for casual staff, managed by Government Insurance Office (GIO).

h. Net Fair Values of Financial Assets and Liabilities

Monetary financial assets and liabilities not traded in an organised financial market are determined on the cost basis of carrying amounts of accounts receivables, accounts payable and accruals (which approximates net market value).

i. Inventories

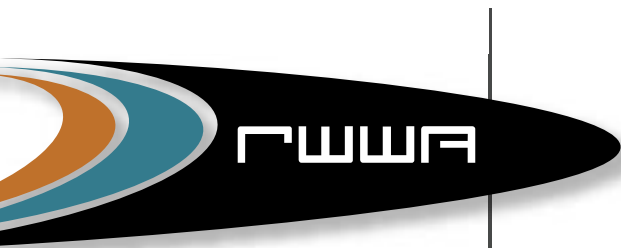
Stocks are valued at the lower of cost and net realisable value.

j. Operating Leases

The operating leases are for buildings and office equipment where the lessor effectively retains all of the risks and benefits incident to ownership of the items held under the operating leases. Equal instalments of the lease payments are charged to the operating statements over the lease terms, as this is representative of the pattern of benefits to be derived from the leased property.

k. Revenue

Sales revenue represents revenue earned from the sale of goods and services net of returns, allowances and duties and taxes paid. Betting receipts are only recognised as revenue when the events to which they relate are finalised. Other revenue is fully described in the operating statement.



**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS, CONTINUED,
FOR THE YEAR ENDED 31 JULY 2004**

l. Deferred Expenses

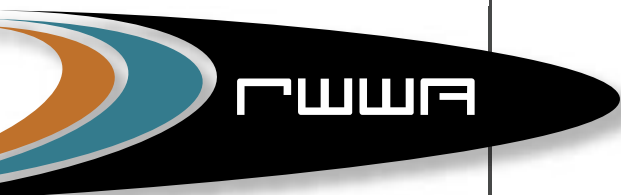
Expenses are deferred where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover those deferred costs. The amount of expenditure carried forward is reviewed each year.

m. Unclaimed Dividends

Betting dividends are deducted from turnover to arrive at the commission on turnover. The dividends not claimed within seven months are included as income under other revenue in accordance with section 104 of the RWWA Act 2003.

n. Commission on Turnover

Commission on turnover is the commission accruing to RWWA from 30 January 2004 to 31 July 2004 (the period for which RWWA had assumed responsibility for the off course wagering activities from the Totalisator Agency Board). Prior to 30 January, RWWA was funded from distributions paid by the TAB covering the period 1 August 2003 to 29 January 2004.



**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS, CONTINUED,
FOR THE YEAR ENDED 31 JULY 2004**

	Notes	2004 (\$000)
2(a) Trading Profit		
Commission on Turnover		89,605
Tax on turn-over	4	(23,048)
	1 (n)	66,557

2(b) Other Revenue		
External settlement recoup		788
Distribution from TAB (from 1/8/03 to 29/1/04) 1 (n)		33,449
Recoup accounts		9,196
Total other revenue		43,433

3. Expenses from Ordinary Activities

This includes:

Interest expense	16
Write-off of bad debts	3
Cost of disposal of non-current assets	1,242
Depreciation	1,593

4. Tax on Turnover

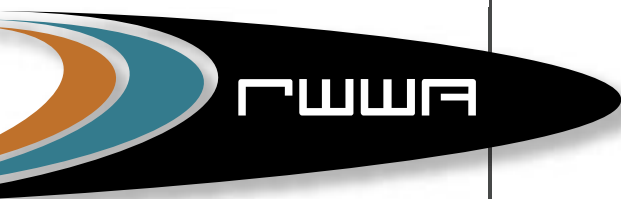
Section 102 of the Racing and Wagering Western Australia Act 2003 requires RWAA to pay tax in respect of bets at the rate imposed by Sections 4 & 5 of the Racing and Wagering Western Australia Tax Act 2003. The tax rate for tote turnover was 5%.

Turnover Tax Payable to Consolidated revenue	25,588
--	---------------

Tax Rebate

Turnover Tax Rebate received/ receivable from Department of Racing, Gaming & Liquor	(2,540)
	23,048

In February 2001 the State Government announced its intention to reduce the tax on tote (excluding sports) Turnover (Betting Tax) to 4.5%. The above rebate of 0.5% is an interim arrangement between the Department of Racing, Gaming & Liquor and the Treasury Department.



**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS, CONTINUED,
FOR THE YEAR ENDED 31 JULY 2004**

**2004
(\$000)**

5. Retained Profit & General Reserve

Retained Profit

Opening balance	0
Net profit	4,525
Transfer to reserve	(4,525)
Closing balance	0

General Reserve

Opening balance	0
Transfer from retained profits	4,525
Closing balance	4,525

**6. Reconciliation of Net Cash Provided By
Operating Activities to Operating Profit**

Operating profit-net of distribution	4,525
(Less) items classified as investing/financing activities:	

Gain on sale of assets	(350)
Add non-cash items:	
Depreciation and amortisation	1,593
Provision for annual leave and long service	1,329

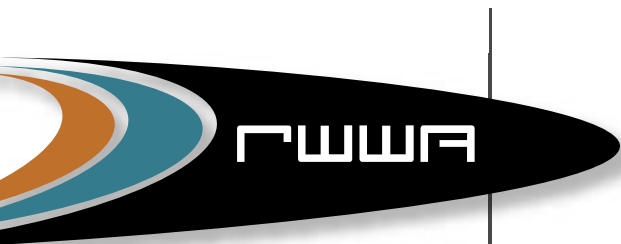
Net cash provided by operating activities before	
Change in Assets and liabilities	7,097
- Changes in assets and liabilities	
Decrease in accounts receivables	685
Decrease in accrued income/prepayments	317
Decrease in inventories	(114)
Increase in trade creditors	351
Increase in other creditors	945
Net cash provided by operating activities	9,281

7. Reconciliation of Cash

Cash at the end of the financial year as shown
in the Statement of Cash flow is reconciled to the
related items in the Statement of Financial Position as follows:

Cash and short term deposits	(Note 10)	54,017
------------------------------	-----------	---------------

For the purpose of the statement of cash
flows, cash includes cash on hand, at bank and at agencies.



**NOTES TO AND FORMING PART OF THE
ACCOUNTS, CONTINUED,
FOR THE YEAR ENDED 31 JULY 2004**

	2004
	(\$000)
8(a) Amount Distributed	
Thoroughbreds	31,935
Harness	16,739
Greyhounds	8,194
Sports	775
Total	57,643
8(b) Other Industry Funding	
Grants (Included under Racing Services expenses)	2,482
Other subsidies (Included under Wagering Services expenses)	709
Total	3,191
9. Investments	
Non-current	
Unlisted shares at cost	352
10. Cash Assets	
Cash at bank	2,833
Other short term investments	51,184
Total	54,017

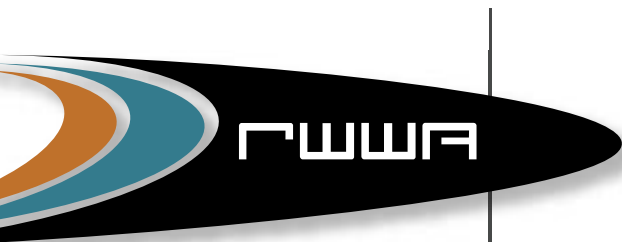
Note: This balance includes \$3,217,000
taken over from RDT on 01 August 2003.

Interest rates at 31 July 04:

Cash accounts – Between 4.75% and 5.10%

Short term investments – Between 5.02% and 5.54%
(maturing within 91 days).

Credit risk and interest rate risk are minimised as all short term
deposits are held with large banks which have acceptable credit
ratings.



**NOTES TO AND FORMING PART OF THE
ACCOUNTS, CONTINUED,
FOR THE YEAR ENDED 31 JULY 2004**

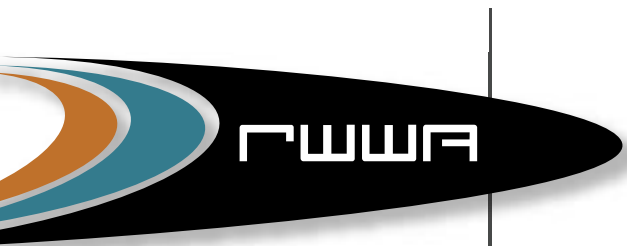
	2004
	(\$000)
11. Property, Plant and Equipment	
Land (at fair value)	<u>12,670</u>
Buildings (at fair value)	5,023
Less accumulated depreciation	<u>(226)</u>
	<u>4,797</u>
Leasehold improvements (at cost)	4,162
Less accumulated amortisation	<u>(276)</u>
	<u>3,886</u>
Software (at cost)	755
Less accumulated amortisation	<u>(139)</u>
	<u>616</u>
Equipment & Fittings (at cost)	3,999
Less accumulated depreciation	<u>(650)</u>
	<u>2,749</u>
Total	<u>24,718</u>

Reconciliation of opening and closing balances

	Land	Buildings	Leasehold	Software	Equipments & Fittings
Carrying amount at start of the year	-	-	-	-	-
Additions	13,474	5,246	4,300	755	3,729
Transfer	-	-	-	-	-
Disposals	(804)	(209)	(138)	-	(41)
Depreciation	-	(240)	(276)	(139)	(939)
Carrying amount at end of the year	<u>12,670</u>	<u>4,797</u>	<u>3,886</u>	<u>616</u>	<u>2,749</u>

The revaluation of freehold land, land improvements and buildings was performed on 28 January, 2004, in accordance with an independent valuation by Valuer General's Office. Fair value has been determined on the basis of current market buying values.

	2004
	(\$000)
12. Inventories	
Tickets in agencies	319
Tickets in store	833
Terminal parts	439
Provision for slow moving terminal parts	<u>(50)</u>
Total	<u>1,541</u>



**NOTES TO AND FORMING PART OF THE
ACCOUNTS, CONTINUED,
FOR THE YEAR ENDED 31 JULY 2004**

**2004
(\$000)**

13. Receivables

Current

Accounts receivable - agent's settlement	3,561
- others	269
Provision for doubtful debts	(5)
	<u>3,825</u>

a. Credit Risk Exposure – RWWA has minimal credit risk since its business is predominantly cash based.

Weekly settlements are due from agents in the normal course of business. RWWA does not have any significant exposure to any individual customer or counterparty.

b. Other receivables and prepayments are non interest bearing.

c. RWWA considers the carrying amounts of receivables represents RWWA's maximum exposure to credit risk in relation to those assets.

14. Payables

Current

Account Betting deposits	3,115
Accounts Payable	2,250
Accrued expenditure	7,887
Unclaimed dividends & refunds	3,183
Agent's deposits & property bonds	748
Total	<u>17,183</u>

Non-Current

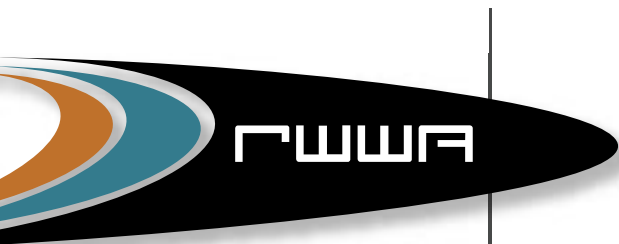
Accounts payable – others	<u>328</u>
---------------------------	-------------------

All financial liabilities are unsecured

a. Agents deposits and property bonds attract interest at the rate of 5.25% and these amounts are repayable at end of the contract.

b. All other creditors, accruals and other payables are non interest bearing.

c. RWWA considers the carrying amounts of creditors, accruals and other payable represents RWWA's maximum exposure to credit risk in relation to those liabilities.



**NOTES TO AND FORMING PART OF THE
ACCOUNTS, CONTINUED,
FOR THE YEAR ENDED 31 JULY 2004**

**2004
(\$000)**

15. Provisions

a. Current	- Long service leave	793
	- Annual leave	1,412
		2,205

b. Non-current – Long service leave **537**

16. Leases – Operating Lease Commitments

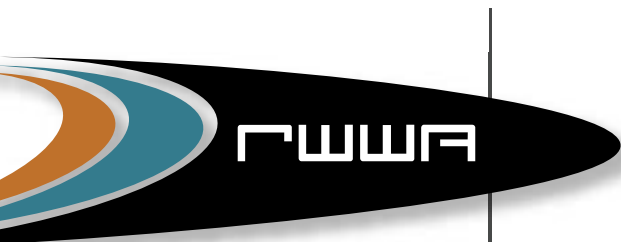
Commitments payable

- within one year	2,051
- later than one year and not later than two years	1,393
- later than two year and not later than five years	2,302
- later than five years	1,112

Rentals charged to operating results during the year **1,737**

17. Segment Reporting

	Racing 2004	Wagering 2004	Eliminations 2004	Consolidated 2004
Operating revenue				
Trading profit from customers outside the consolidated entity	0	66,557	0	66,557
Other revenue from customers outside the consolidated entity	72,181	6,618	(32,196)	46,603
Total revenue	72,181	73,175	(32,196)	113,160
Segment results before Distributions	58,489	35,875	(32,196)	62,168
Distributions	57,643	32,196	(32,196)	57,643
Segment results				4,525
Segment assets				
Total unallocated assets				85,662



**NOTES TO AND FORMING PART OF THE
ACCOUNTS, CONTINUED,
FOR THE YEAR ENDED 31 JULY 2004**

**2004
(\$000)**

18. Remuneration of Accountable Authority and Senior Officers

The total fees, salaries, superannuation and other benefits received or due and receivable for the financial year, by members of the Accountable Authority, from the statutory authority or any related body.

208

The total of fees, salaries, superannuation and other benefits received or due and receivable for the financial year by Senior Officers other than members of the Accountable Authority, from the statutory authority or any related body.

818

The number of members of the Accountable Authority whose total of fees, salaries, superannuation and other benefits received or due and receivable for the financial year, falls within the following bands:

\$20,000 - \$30,000

No.

7

\$40,000 - \$50,000

1

The number of Senior Officers other than members of the Accountable Authority, whose total of fees, salaries, superannuation and other benefits received or due and receivable for the financial year, falls within the following bands:

\$60,000 - \$70,000

1

\$80,000 - \$90,000

2

\$90,000 - \$100,000

1

\$110,000 - \$120,000

1

\$120,000 - \$130,000

1

\$250,000 - \$260,000

1

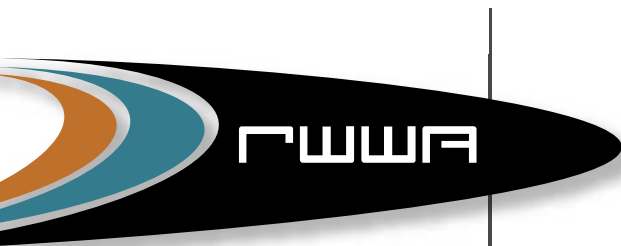
19. Remuneration of Auditor

**2004
(\$000)**

The total of fees paid or due and payable for the financial year.

Fees for external audit – Auditor General

60



**NOTES TO AND FORMING PART OF THE
ACCOUNTS, CONTINUED,
FOR THE YEAR ENDED 31 JULY 2004**

**2004
(\$'000)**

20. Contributed Equity

RWWA was incorporated on 01 August 2003. On this day RWWA took over the assets and liabilities of Racecourse Development Trust (RDT). Further on 29 January 2004, the assets and liabilities of the TAB were taken over by RWWA.

Net assets taken over from RDT	3,456
Net assets taken over from TAB	57,428
	<u>60,884</u>

Schedule of assets and liabilities taken over

	RDT	TAB	Total
Cash assets	3,217	43,239	46,456
Receivables	239	4,243	4,482
Prepayment		603	603
Inventories		1,425	1,425
Property, Plant and Equipment		25,226	25,226
Capital Work-in-progress		320	320
Payables		(16,215)	(16,215)
Provisions		(1,413)	(1,413)
Net Assets	3,456	57,428	60,884

21. Related Party Transactions

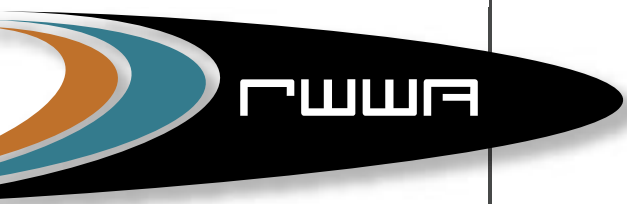
None

22. Commitments

Outstanding approved Projects at the end of financial year was \$4,689,342

23. Contingent Liability

RWWA, from time to time, receives claims concerning betting disputes in the normal course of its operations. One legal claim totalling \$5.9 million which was served on the TAB by solicitors acting on behalf of a customer, has been taken over by RWWA. A legal opinion obtained by RWWA from Queens Counsel regards RWWA as having reasonable prospects of not being found liable and RWWA will vigorously defend the claim. Another claim totalling \$0.22 million was served on RWWA. RWWA strongly believes that RWWA will not be liable.



**NOTES TO AND FORMING PART OF THE
ACCOUNTS, CONTINUED,
FOR THE YEAR ENDED 31 JULY 2004**

24. Variations between Actuals and Budgets

	2003/04 Actual (\$000)	2003/04 Budget (\$000)
Revenue		
Commission on turnover	89,605	85,822
Less tax on turn over	(23,048)	(22,189)
Trading profit	66,557	63,633
Other Revenue		
Interest	1,578	993
Profit on sale of fixed assets	1,592	0
Other	43,433	44,856
Total – Other Revenue	46,603	45,849
Less: Expenses		
Racing Services	(12,918)	(11,014)
Wagering Services	(25,238)	(26,858)
Support Services	(11,123)	(10,248)
Projects	(1,713)	(3,564)
Total expenses before Distribution	(50,992)	(51,684)
Distribution	(57,643)	(57,026)
Total Expenses From Ordinary Activities	(108,635)	(108,710)
Net Profit	4,525	772

Comment

Turnover increased by \$20.97 million (4.15%) over the budget. The increased growth was achieved across all the codes.

Commission on turnover and Tax on turnover are directly linked to turnover. Turnover Tax rate for Tote was at 5% and a rebate of ½% of Racing turnover was deducted from gross turnover tax. Turnover Tax rates for Fixed Odds Betting were 0.5% for Sports and 2% for Racing.

The increase in interest income is mainly due to the increase in the cash holding.

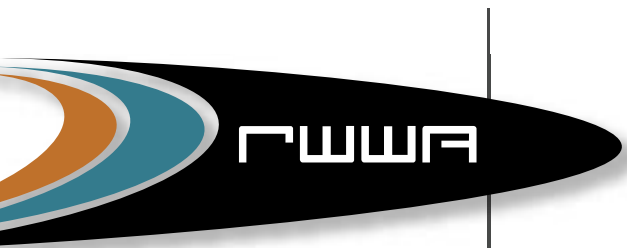
Some major projects were deferred until the alliance strategy is finalised

The increase in direct wagering costs (Agency commission, Ticket cost and casual wages) from the increase in turnover was offset by savings in indirect costs, resulting in \$1.2 million savings in the total cost.

The increase in cost relating to Racing Services is mainly due to the increase in salary and salary on cost (leave provision) relating to the new industry staff.

The increase in cost for Support Services is mainly due to the increase in software upgrade cost & IT contract cost, (mainframe upgrades), legal cost relating to additional services and rent for new accommodation.

Distribution to the industry was based on the budget, except the distribution to Sports, which was based on 25% of Net Revenue after tax.



**NOTES TO AND FORMING PART OF THE
ACCOUNTS, CONTINUED,
FOR THE YEAR ENDED 31 JULY 2004**

**25. Impact of Adopting Australian Equivalents to International
Financial Reporting Standards (IFRS).**

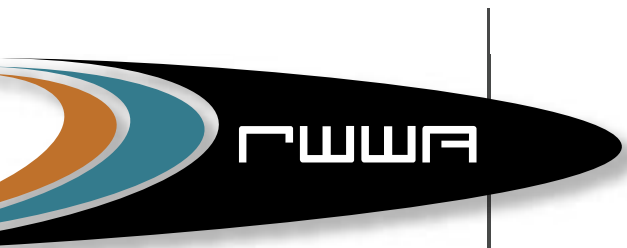
RWWA established a working group comprising the Principal Accounting Officer and senior finance staff, who are responsible for the financial reporting and development of accounting policies, in compliance with the Australian Accounting Standards. The working group members attended IFRS seminars, conducted by the professional accounting firms and the Department of Treasury and Finance. A professional accounting firm was appointed to assist in the evaluation of the IFRS impact.

There are expected to be no significant impacts to RWWA's financial reporting and changes to accounting policies in regards to the adoption of the 'International Financial Reporting Standards'. The changes that are required as a result of the adoption of the IFRS are summarised as follows:

- AASB 1 – First-time adoption of Australian Equivalent to International Financial Reporting Standards
This requires preparation of an opening Balance Sheet at 1 August 2004 and also disclosure of 2004/05 financial report comparatives.
- AASB 140 – Investment Properties
This requires that properties held to earn rentals should be treated separately from the properties held for own use.
- AASB 136 – Impairment of Assets
This requires all material assets, whether current or non-current asset, to be reviewed for impairment. As a result, RWWA will need to identify all cash generating units and adjust the asset values accordingly.
- AASB 138 – Intangible Assets
According to this standard, acquired intangible assets should initially be recognised at cost. Where an asset is acquired at no cost or for a nominal cost, the fair value of the intangible asset at the date of acquisition must be disclosed.

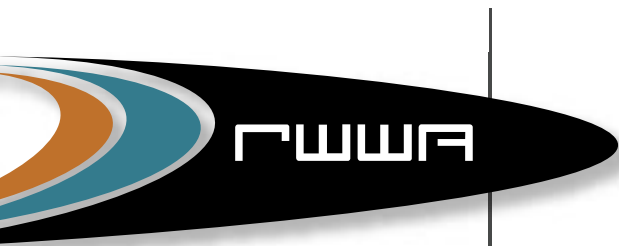
The changes that may be required as a result of the adoption of the IFRS are summarised as follows:

- AASB – 139 Financial Instruments: Recognition and Measurement (Embedded Derivatives)
This requires embedded derivatives to include purchase contracts where the purchase price is indexed to a multiple of CPI.



**NOTES TO AND FORMING PART OF THE
ACCOUNTS, CONTINUED,
FOR THE YEAR ENDED 31 JULY 2004**

- **AASB 116 – Property Plant and Equipment**
This requires Property Plant and Equipment to initially be recognised at cost and subsequently RWWA may elect to measure at cost or fair value. In accordance with Treasurer's Instructions, TI 954, land and buildings are required to be measured at fair value. RWWA currently states all the land and buildings at fair value, as per the Valuer General's valuation.
- **AASB 137 – Provisions, Contingent Liabilities and Contingent Assets**
Where a lease agreement creates an obligation on RWWA to restore or make good a leased premise on the termination of a lease, RWWA will be required to recognise a provision.
- **AASB 117 – Leases**
This requires that any service and outsourcing arrangement that conveys the right to use an asset must be accounted for separately.
- **AASB 119 – Superannuation**
This requires RWWA to recognise the assets and liabilities of the defined benefit component of RWWA's superannuation scheme.



CERTIFICATION OF FINANCIAL STATEMENTS

The accompanying financial statements of Racing and Wagering Western Australia have been prepared in compliance with the provisions of the Financial Administration and Audit Act 1985 from proper accounts and records to present fairly the financial transactions for the year ended 31 July 2004 and the financial position as at 31 July 2004.

At the date of signing we are not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.


ROSS GREGORY BOWE

Chairman

Date 27.9.04



JAMES MALCOLM FREEMANTLE

Member

Date 27.9.04



JULIAN HILTON-BARBER

General Manager Corporate Services and Principal Accounting Officer

Date 27.9.04

OPINION OF THE AUDITOR GENERAL (FINANCIAL)



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

RACING AND WAGERING WESTERN AUSTRALIA FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2004

Audit Opinion

In my opinion,

- (i) the controls exercised by Racing and Wagering Western Australia provide reasonable assurance that the receipt, expenditure and investment of moneys, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (ii) the financial statements are based on proper accounts and present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions, the financial position of Racing and Wagering Western Australia at July 31, 2004 and its financial performance and cash flows for the year ended on that date.

Scope

The Board's Role

The Board is responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing the financial statements, and complying with the Financial Administration and Audit Act 1985 (the Act) and other relevant written law.

The financial statements consist of the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and the Notes to the Financial Statements.

Summary of my Role

As required by the Act, I have independently audited the accounts and financial statements to express an opinion on the controls and financial statements. This was done by looking at a sample of the evidence.

An audit does not guarantee that every amount and disclosure in the financial statements is error free. The term "reasonable assurance" recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial statements.

D D R PEARSON
AUDITOR GENERAL
September 28, 2004

PERFORMANCE INDICATORS

In accordance with Section 66(1) of the Financial Administration and Audit Act 1985, the following performance indicators have been developed as a measure of efficiency and effectiveness in pursuit of RWWA's aims.

OUTCOME

To provide an efficient, competitive and responsible betting service for Western Australia.

To achieve optimum level of funding to the racing industry and for sports.

To efficiently administer, and to provide effective leadership in the development, integrity and welfare of the racing and wagering industry in Western Australia.

	Note			2004
1.	Commission on Turnover		\$000	89,605
2.	Number of Bet Processed		'000	84,697
3.	Operating Profit (excluding the profit from sale of assets) before distribution to codes.		\$000	61,818
4.	Distribution to Industry		\$000	57,643
5.	Grants to Industry	(a)	\$000	2,482
	Number of Clubs & allied bodies assisted		No.	41
6.	% of Winners Swabbed/Returned	(b)		
	Negative			
	Thoroughbreds		%	99.9
	Harness		%	99.9
	Greyhounds		%	99.7
	Average number of starters in WA races	(c)		
	Thoroughbreds		No.	10
	Harness		No.	9
	Greyhounds		No.	8
7.	Staff (FTE)	(d)	No.	257
8.	Commission on turnover per employee		\$000	349
9.	Profit per employee		\$000	241
10.	Return on assets (Operating profit as a percentage of total assets)		%	72.2
11.	Primary Betting System availability (A major Telstra Communication Network outage adversely affected the availability)		%	99.97

Above performance indicators are grouped as follows:

Efficient indicators	3,7,8,9&10
Effective indicators	2,4,5,6,7&11
Accessibility indicators	2&11
Service oriented indicators	4,5,6,&11
Profitability indicators	3,8,9&10

Note

(a) This indicator addresses the development aspect of the racing industry

(b) This indicator addresses the integrity aspect of the racing industry

(c) This indicator addresses the welfare aspect of the racing industry

(d) During the first year of operation, the staff numbers (FTE) at end of the financial year has been taken to represent the full year.



CERTIFICATION OF PERFORMANCE INDICATORS

We hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the performance of Racing and Wagering Western Australia (RWWA) and fairly represents the performance of RWWA for the financial year ended 31 July 2004.



ROSS GREGORY BOWE
Chairman

Date 27.9.04



JAMES MALCOLM FREEMANTLE
Member

Date 27.9.04

OPINION OF THE AUDITOR GENERAL (PERFORMANCE INDICATORS)



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

**RACING AND WAGERING WESTERN AUSTRALIA
PERFORMANCE INDICATORS FOR THE YEAR ENDED JULY 31, 2004**

Audit Opinion

In my opinion, the key effectiveness and efficiency performance indicators of Racing and Wagering Western Australia are relevant and appropriate to help users assess Racing and Wagering Western Australia's performance and fairly represent the indicated performance for the year ended July 31, 2004.

Scope

The Board's Role

The Board is responsible for developing and maintaining proper records and systems for preparing performance indicators.

The performance indicators consist of key indicators of effectiveness and efficiency.

Summary of my Role

As required by the Financial Administration and Audit Act 1985, I have independently audited the performance indicators to express an opinion on them. This was done by looking at a sample of the evidence.

An audit does not guarantee that every amount and disclosure in the performance indicators is error free, nor does it examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the performance indicators.



D D R PEARSON
AUDITOR GENERAL
September 28, 2004