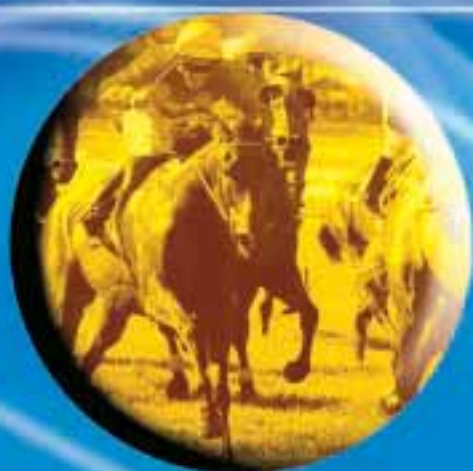




**TAB** ANNUAL REPORT

**2003**



# MINISTER FOR RACING AND GAMING

I hereby submit for your information and presentation to Parliament, the Annual Report of the Totalisator Agency Board of Western Australia (TAB) for the year ended 31 July, 2003, which has been prepared in accordance with the provisions of the Financial Administration and Audit Act 1985.

Ray Walker AM.  
**Chairman**

## MISSION STATEMENT

To position the TAB as a competitive and responsible community organisation in the wagering and gaming industry, providing the major source of funding for the development of racing and sports in Western Australia.

### Totalisator Agency Board of W.A.

14 Hasler Road  
 Osborne Park  
 Western Australia 6017

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## 1. CHAIRMAN'S REPORT

This is the last full period annual report of the Western Australian TAB before the introduction of the new authority, Racing and Wagering Western Australia. It is an important change in the control of the industry and will improve its future in a very competitive environment. In 1961, the first year of operation of the TAB, the turnover was \$1 million. In 1992-3, after 33 years of operation the annual turnover was \$500 million and turnover will reach \$1 billion in 2003-4 after only 11 years.

The first year of the new authority will see a turnover of over \$1 billion, a solid base upon which to begin their new responsibilities. Therefore it is with pleasure that I report on another year of growth for 2002/2003. Turnover was increased to \$983 million, up 8.75% from last year and distribution to the racing codes, including subsidies was \$64.2million, up 10.4%. The contribution to the community through taxation was \$43.5 million, an increase of 8.5%. The return to customers was 83% of funds invested.

Growth was underpinned by good performances from all sectors. The agency network performed extremely well with a turnover of \$874.2 million representing 88.9% of total turnover. Although from a low base, fixed Odds Betting performed very well with an increase of 27%, reaching a turnover for the year of over \$20 million.

Electronic betting, including call centre, internet and interactive voice response achieved a turnover of over \$109 million.

Administrative expenses continue to be scrutinised carefully. In order to ensure an efficient system, important development projects required significant funding and this will continue to be necessary. Total costs, excluding direct operating costs and project costs for the year was \$30 million, which is only 2.0% above last year.

Racing vision is an important ingredient in service to customers and the TAB has reached agreement with Sky Channel to become the sole agent for the distribution of commercial racing vision in Western Australia.

The performance of the TAB in the last five years has been excellent. It is an efficient Western Australian organisation and an important part of the racing industry. There has been good dialogue with the racing codes and excellent growth in turnover has been achieved.

Much credit for this success is due to a dedicated management team led by the Chief Executive Officer, Mr Ray Bennett. On behalf of the Board I would like to thank him for his leadership and commitment. I would also like to congratulate him on his appointment as interim Chief Executive Officer to Racing and Wagering Western Australia where his ability and knowledge will be important in the challenges ahead.

The staff and agents of the TAB have played a significant role in the achievement of the organisation and the Board expresses appreciation for their efforts.

Finally, I would like to thank my fellow Board members for their valuable contribution to the strategies and governance of a successful Western Australian organization. It is pleasing that two members, Mr Mike Ryan and Mr Ross Cooper will be on the new authority, Racing and Wagering Western Australia.

On behalf of the Board I commend the State Government and in particular the Minister for Racing and Gaming, The Hon. Nick Griffiths for implementing a historic change to the conduct and control of racing in Western Australia.

I extend my best wishes to Racing and Wagering Western Australia and I am confident that there will be a better future for the industry.

Ray Walker AM.

**Chairman**



## 2. CHIEF EXECUTIVE OFFICER'S REPORT

The TAB continued its strong performance during 2002/2003, achieving new record sales in both racing and sports with growth rates of 8.62% in racing and 15.72% in sports, despite the huge impact of World Cup Soccer during the previous year.

Distributions to the Racing and Sports industries were at an all time high with \$64.4 million, including industry subsidies being distributed from TAB profits and a further \$3.5 million by way of unclaimed dividends.

The most significant event of the period was the passing of the Racing and Wagering Western Australia Act 2003 and the creation of a new racing industry body, Racing and Wagering Western Australia (RWVA). The underlying principles of the new body are totally supported by the TAB and we look forward to a new and exciting era for racing and wagering in this state.

During the year the Board endorsed a strategy designed to optimise sales performance through the various retail and electronic sales channels. The Network Review entailed an exhaustive study of work practices, technology options, retail channel management, customer requirements and its implementation over the next three years will deliver an efficient and effective off course sales platform.

Aligned with the Network Review detailed analysis was undertaken in relation to pooling arrangements and future information technology requirements, in particular strategies dealing with the replacement of the TAB mainframe betting engine.

Considerable effort has been put into the control of expenses and thanks to the efforts of all staff, the total expenses (before projects) to net revenue after taxation (NRAT) ratio achieved 43.92%, a significant improvement over the previous year and the budget of 46.01%. The continued search for cost savings will be pursued in 2003/4.

The realisation of these savings and the projected control of future costs have allowed the TAB to take up the costs of vision from the racing venue to SKY for all SKY TAB programs. These costs are of direct benefit to the Racing Industry which previously met these costs from TAB distributions. In addition, the TAB will pay a subsidy to race clubs where they agree to a change in race date or venue to facilitate the commitment to SKY. This subsidy represents an additional flow of funding to the industry of some \$851,000.

Racing Radio operations have been extensively reviewed and the opportunity taken to expand the role of race callers to include on-course announcement duties. Additionally, the Racing radio metropolitan transmitter was relocated to Bentley.

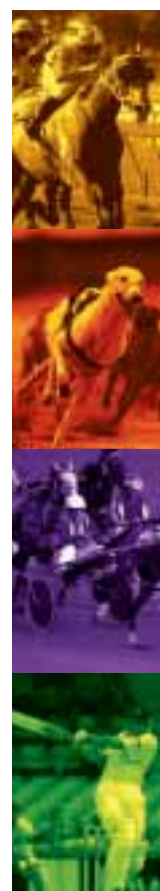
TABForm, the largest selling form guide in Australia, continues to be upgraded and has achieved a high level of user acceptance and delivery of a lift in turnover in those meetings where form has been expanded.

The new year will bring its own challenges and I am confident that the staff of the TAB has the ability to meet any challenge and succeed. Our planning for the year ahead will focus on the integration of racing and wagering functions under RWVA.

Our core operating expenses are targeted to reduce to 43.2% of net revenue after tax, which will see the following flow of funds to the racing industry:

• Distributions	\$64,870,000
• Vision payments and Subsidy	\$ 940,000
• Unclaimed Dividends	<u>\$ 3,500,000 (est)</u>
	<u>\$69,310,000</u>

The TAB returns the highest percentage of turnover to the Racing Industry of any TAB in Australia or New Zealand and we remain committed to maximising returns to the racing and sporting industries in Western Australia.



## 2. CHIEF EXECUTIVE OFFICER'S REPORT cont.

### Wagering

The TAB generated record turnover and profit growth during 2002/2003. Corporate turnover of \$983 million was achieved, representing growth over the previous period of \$79.7 million or 8.75%. A key growth driver for the year was the contribution from fixed odds sports betting. Whilst there was an additional 936 races, this represented an increase of only 1.8% over the previous year. The TAB undertook a number of important wagering development initiatives during the year, including:

1. The introduction of a new mid week Favourite Numbers game.
2. A review of the organisation's distribution channels leading to recommendations to close 19 low turnover outlets, establish new sites and upgrade 10 existing outlets.
3. The acquisition of SKY Channel's commercial rights in Western Australia.
4. Enhancement of fixed odds betting customer information.
5. Adoption of a new centralised customer service help desk system.
6. TAB text being transferred to Channel 9 and WIN television providing increased page and transmission capacity.

Other key projects were initiated during the period with introduction expected in the next financial period. These include; the introduction of TAB account deposits via credit cards and the ongoing improvement to existing TAB sports and racing products.

### Corporate Planning and 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.

Headed by an Implementation Team the key aspects of documenting the required changes and effectively communicating the strategies to stakeholders was undertaken. The successful implementation of the strategies saw the smooth transition of the racing industry controlling authorities and functions move to RWWA on August 1 2003. Additionally, considerable work was undertaken to facilitate the smooth transition of the wagering functions, currently controlled by the TAB, to RWWA later in 2003. 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.

### Information Services

The Information Services Division experienced a busy year, with substantial project activity and over 52,000 races and 132 million bet transactions being processed during the 2002/2003 financial year.

### Corporate Information

The demand for Corporate Information continued to grow throughout the year and a considerable number of reports were developed and implemented for management and staff. As the demand for information has increased, so too has the importance of centrally coordinating its dissemination. In an effort to improve the availability and management of corporate information, a strategy has been developed to publish reports via a Web interface, utilising an Intranet, and this will be implemented early in the new financial year.

### Project Delivery

The delivery of the Program of Works has continued in line with the business priorities and approximately twenty projects were completed during the year, including pooled Quadrella and mid-week and multi-week Favourite Numbers. Although the focus of project delivery has been addressing the short to medium term business needs, this focus is expected to expand to more strategically focused projects over the coming year.



## 2. CHIEF EXECUTIVE OFFICER'S REPORT cont.

### *Quality Assurance*

The Quality Assurance team played a critical role in the successful implementation of all the projects and system maintenance activities throughout the year. Although the present QA methodology relies on substantial manual effort, there is a strategy to minimise the manual effort in future years through the implementation of a more current QA framework and testing software.

### *Information Systems*

The responsibility of the Raceday Control function was transferred from the Operational Services section to the Wagering arm of the business in the latter part of the year. As a result of this change, the newly named Information Systems section is now totally focused on technical support for all aspects of information systems throughout the business. This change will enable the Information Systems team to focus on the ongoing demands of the existing environment, whilst also preparing for potential system and infrastructure changes resulting from the IT Alliance strategic options review.

### *Strategic Activities*

The five year Program of Works has been mainly focused on meeting short to medium term business requirements over the past two years. In parallel with this activity, there has been a review of strategic options through the possible establishment of an IT Alliance with a third party. The outcome of this review resulted in the issue of a Request for Proposal (RFP) for wagering software and associated technology, which was advertised on 26 July 2003. The closing date for this RFP is 5 September and, depending upon the responses received, an outline for a future Information Technology strategy should be developed by the end of 2003.

### **Corporate Services**

Planning for the integration of the TAB into Racing and Wagering Western Australia (RWVA) has had a significant influence on the Division's activities. The coordination and preparation of the inaugural RWVA budget for 2003/04 was completed for the RWVA Implementation Committee, and a new

"industry focused" chart of accounts was developed preparing the TAB's financial management system for RWVA accounting and reporting. Management reporting was improved with the introduction of a new user-friendly and automated system for reporting departmental costs and budgets, and by the introduction of balanced scorecard reporting for the Board. During the year 185 cash counts were conducted of TAB agency outlets as part of the compliance audit program undertaken for the TABs 260 agency outlets. A formal business continuity plan has been prepared and is in the process of being tested and fine-tuned. A business continuity coordinator has been appointed to manage this activity, in conjunction with other risk management tasks. The TABs information security procedures were reviewed during the year and a new Information Security Policy and Instructions have been developed, broadening the application and scope of information security management within the TAB to bring it into line with the applicable Australian standards. The TAB is also in the process of centralising a number of security administration activities to increase the division of duties in key areas and thus improving overall internal control. During the year the TAB invested record funds in accordance with the TAB investment policies and achieved returns in excess of the target rate of 0.25% above the Treasury discount rate.

Ray Bennett

**Chief Executive Officer**

### **TAB Executive Management**

Ric Wimmer

*General Manager Corporate Planning & Development*

Julian Hilton-Barber

*General Manager Corporate Services*

Glen Fee

*Chief Information Officer*

Richard Burt

*General Manager Wagering*

### **RESPONSIBLE MINISTER**

Hon. Nick Griffiths LLB MLC

*Minister for Housing & Works; Racing & Gaming; Government Enterprises; Land Information.*



### 3. BOARD MEMBERS

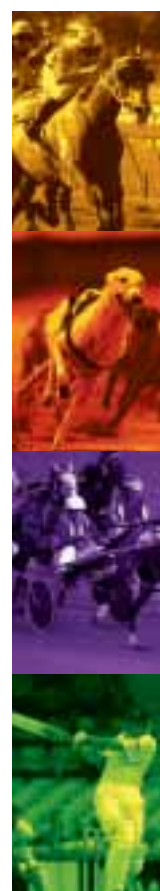
A board appointed by the Minister for Racing and Gaming governs the TAB. The Board comprises seven (7) individuals with "expertise relevant to the functions of the TAB and its operations, including expertise in management, finance, business or commerce or knowledge of, and expertise in, the racing industry." The role of the Board is to set policies and strategies

for the future direction of the organisation and to make decisions necessary to meet the TAB's objectives and performance targets. The Board also appoints the Chief Executive Officer.

Board members as at 31 July 2003, and their terms of office, are outlined below.

Board Members During 2002/2003	First Appointed	Current Term Expires
<p><b>Mr Raymond R D Walker, AM</b> (Chairman). First appointed 28.06.96. Company Director. Was employed by HBF from 1952, Chief Executive 1975 - 1993 and on the Board until 1998. Director Lifecare Health Ltd.</p>	28 June 1996	31 July 2003
<p><b>Professor John V Yovich</b> (Deputy Chairman). First appointed 28.06.01. Vice Chancellor Murdoch University, WA. Is a leader in the veterinary profession. Also has vast knowledge of all facets of the WA Racing Industry. Was Vice-Chairman of the Western Australian Turf Club (1996-98). Was a member of the Racecourse Development Trust (1994-99).</p>	28 June 2001	31 July 2003
<p><b>Mrs Judith B McGowan.</b> First appointed 28.06.01. Barrister and Solicitor of the Supreme Court of Western Australia. Lecturer in Law at Curtin University since 1976 and has vast experience in business law education both at the University and for private industry. Former part time referee on the Small Claims Tribunal. Has served on Law Society committees, the University Staff Credit Union, the Aquinas College Board and the Dental Board of WA.</p>	28 June 2001	31 July 2003
<p><b>Mr Ross A Cooper.</b> First appointed 28.06.01. 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 Western Australia (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 (1994-1998)</p>	28 June 2001	31 July 2003
<p><b>Mrs Enid (Nena) F Snooks.</b> First appointed 07.08.01. Licensed Real Estate Agent and Auctioneer since 1987 and has her own company, Nena Snooks Real Estate. Has been involved in the Real Estate Industry since 1981. Was a primary school teacher and a lecturer in Mathematics and Communications at Edith Cowan University.</p>	7 August 2001	31 July 2003
<p><b>Mr Michael J Ryan.</b> First appointed 07.08.01. Retired. Has had over 25 years experience as a Manager in the Transport, Information &amp; Communications Technology Industries and has had a wide and current range of contracts at senior level in the Western Australian and Australian Corporate and Government marketplace. Is currently on the Board of His Majesty's Theatre and the Starlight Foundation.</p>	7 August 2001	31 July 2003
<p><b>Mr Raymond (Ray) Bennett.</b> First appointed 01.01.03. Appointed Chief Executive Officer of the TAB September 1995.</p>	1 January 2003	31 July 2003

The Board Internal Audit Sub-Committee and Disputes Review Committee oversee specific aspects of the organisation's administration. Mr Ray Walker, as Chairman of the TAB, is an ex-officio member of the Betting Control Board and Prof. Yovich is a Deputy Member.



## 4. CEO'S STATEMENT OF COMPLIANCE

### Human Resources

The TAB's full-time equivalent (FTE) staffing include full-time, part-time and casual employees, has remained very stable, shifting from 160 to 159 during this reporting period.

### 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. New legislation relating to sexual orientation and gender history was communicated to all staff.

### Disability Services Plan

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

### Occupational Safety and Health

The TAB Occupational Safety and Health Advisory Committee continues to examine and address a variety of organisational issues including ergonomic assessments, personal security of staff and TAB vehicles, standards of the working environment for staff, bomb threat and emergency evacuation procedures. The Committee also monitors the reporting process and implementation of OSH Plan outcomes.

### Workers' Compensation and Rehabilitation

During the reporting period one claim was 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	Year	
	2002/2003	2001/2002
Total number of claims	1	1
Frequency Rate	0	0
Estimated cost of claims per \$100 of payroll (includes ongoing claims from 1999/2000)	0.1942	0.0166
Premium rate	0.72	0.83
Rehabilitation success rate	n/a	n/a

### Employee Relations

With the Government's abolition of Workplace Agreements, the transition of staff to either the Government Officers' Salaries, Allowances and Conditions General Agreement 2002 or statutory employment contracts has continued.

All the terms and conditions for race-callers and Racing Radio casual staff have been reviewed during the reporting period.

### Public Sector Standards

1. In the administration of the TAB, I have complied with the revised Public Sector Standards in Human Resource Management, the Western Australian Public Sector Code of Ethics, the TAB Code of Conduct and Core Values and Behaviours.
2. Policies and guidelines that have been revised, are documented and available to all staff. New staff members are made aware of this information during their induction.
3. The Manager Human Resources is responsible for ensuring compliance with Public Sector Standards and ethical codes through the provision of a monitoring and advisory role to line managers. This responsibility is reflected in the position's duty statement. Human Resource Officers monitor all transactions for recruitment and selection, transfer, secondment, discipline, performance management, redeployment, temporary deployment (acting), grievance resolution and termination for consistency with TAB policies.
4. I have put in place procedures designed to ensure such compliance and conducted appropriate internal assessments.
5. Applications made for breach of standards review and the corresponding outcomes for the reporting outcomes are;
  - Number of breaches lodged - nil
  - Number of breaches found, including details of multiple breaches per application - n/a
  - Number of breaches still under review - n/a
  - Material breaches - n/a
  - Non-material breaches - n/a

### Waste Paper Recycling

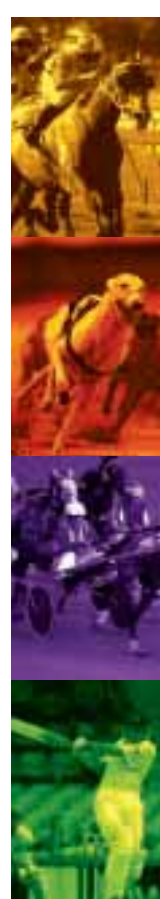
The TAB has established appropriate recycling arrangements for its waste paper. Waste paper is either shredded and stored on-site or is disposed in lockable bins both of which are removed for recycling on an as required basis.

### Energy Strategy

The TAB adopted an energy strategy aimed at minimising and controlling both the quantity and cost of energy used at the Head Office. A number of initiatives were undertaken including:

- the installation of sensor lights throughout the building;
- a review of air-conditioning and lighting requirements;
- information sessions; and
- energy saving principles incorporated into building renovations and procurement.

Although positive outcomes have been achieved through these measures, more work is needed to achieve internal targets.



## 4. CEO'S STATEMENT OF COMPLIANCE cont.

### TAB Marketing Expenditure

Advertising Agencies	Bowtell Clarke & Yole	\$285,527.40
Market Research Organisations	Media Monitors (WA)	\$5,023.25
Organisations	Hides Consulting Group	\$21,242.00
	Service Audits Market Research	\$3,314.09
	Research Solutions	\$50,962.45
<b>Market Research Organisations</b>	<b>Total</b>	<b>\$80,541.79</b>
Media Advertising Organisations	Southern Cross Broadcasting	\$51,420.00
	West Australian Newspapers Ltd	\$715,604.29
	Herald & weekly Times	\$6,000.00
<b>Media Advertising Organisations</b>	<b>Total</b>	<b>\$773,024.29</b>
Media Agencies	Media Decisions WA	\$849,251.46
<b>Media Agencies</b>	<b>Total</b>	<b>\$849,251.46</b>
Polling Organisations	Nil	Nil
<b>Polling Organisations Total</b>	<b>Total</b>	<b>Nil</b>

NB: \$707,212.35 Media Expenditure with West Australian Newspapers Ltd is for the Production of TABForm.



## 5. THE ACT AND COMPLIANCE WITH WRITTEN LAWS

### Legislative Amendments

There were a number of amendments made to the Totalisator Agency Board (Betting) Act 1960 ("the Act") and the Totalisator Agency Board (Betting) Regulations 1988 ("the Regulations") during the course of the year.

The Regulations were amended and came into effect on 6 September 2002 which provided for:

- A new bet type called a Quaddie and define the rules applicable to that bet type; and
- Exemption from the bet cancellation restrictions on major race days.

The Regulations were further amended on 11 February 2003 to provide for the inclusion/deletion of international racing venues in the list of racecourses prescribed for the purposes of betting by the TAB. Another amendment was made on 20 May 2003, which provided for a refund of a bet on a scratched runner to be obtained prior to the close of betting on the relevant race.

The Betting Legislation Amendment Act 2002 was proclaimed to come into effect on 21 September 2002. This in part provided for an amendment to the Act which:

- Limited the extent to which the TAB may be sued to recover bets that were received by the TAB other than in accordance with the legislation; and
- Provide an authority for the Chief Executive Officer of the TAB to exercise powers and functions of the Board of the TAB pursuant to a power of delegation.

The Totalisator Agency Board Amendment Rules 2002 came into effect on 1 November 2002, which enabled procedures for the acceptance of cheque payments.

Throughout the course of the year the TAB had considerable input into the drafting of the Racing & Wagering Western Australia Act 2003. This Act provides for the establishment of Racing and Wagering, a body corporate charged with responsibility for managing the racing industry and TAB.

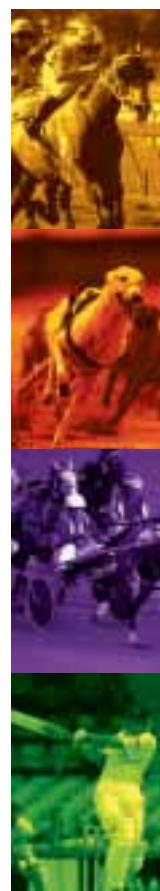
### Enabling Legislation

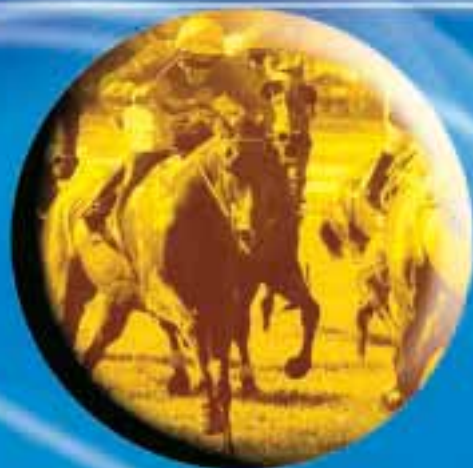
The principal legislation governing the TAB is the Totalisator Agency Board Betting Act 1960 ("the Act") and the Totalisator Agency Board Betting Regulations 1988 together with the Betting Control Act 1954 and Betting Control Regulations 1978.

Other legislation to which the TAB must comply, but does not administer, includes the following. This list is not exhaustive but represents the legislation which impacts on the general operation of the TAB.

- 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
- Government Employees Superannuation Act 1987
- Government Officers Salaries, Allowances and Conditions Award 1989
- Industrial Relations Act 1979
- State Records Act 2000
- Occupational Safety and Health Act 1984
- Public Sector Management Act 1994
- State Supply Commission Act 1991
- Totalisator Agency Board Betting Tax Act 1960
- Totalisator Agency Board (Modification of Operations) Act 2002
- Unclaimed Money Act 1990
- Workers Compensation and Assistance 1981
- Workplace Agreements Act 1993 (Cwth)

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





**TAB** FINANCIAL STATEMENTS

**2003**



TOTALISATOR AGENCY BOARD  
**STATEMENT OF FINANCIAL PERFORMANCE  
AS AT 31 JULY 2003**

	<b>Notes</b>	<b>2003 (\$000)</b>	<b>2002 (\$000)</b>
<b>Revenue</b>			
<b>Revenue from ordinary activities</b>			
Trading profit	2(a)	<b>123,861</b>	<b>114,366</b>
Interest revenue		<b>1,947</b>	<b>1,461</b>
Disposal of non-current assets		<b>214</b>	<b>471</b>
Other revenue	2(b)	<b>2,561</b>	<b>2,010</b>
<b>Total Revenue from ordinary activities</b>		<b>128,583</b>	<b>118,308</b>
<b>Expenses</b>			
<b>Expenses from ordinary activities</b>			
Sales & Marketing		<b>43,888</b>	<b>41,985</b>
Information Technology		<b>9,451</b>	<b>9,292</b>
Finance & Administration	3	<b>3,392</b>	<b>3,657</b>
Total expenses from ordinary activities before project expenses and distributions		<b>56,731</b>	<b>54,934</b>
Projects		<b>3,605</b>	<b>2,729</b>
Total expenses from ordinary activities after project expenses and before distributions		<b>60,336</b>	<b>57,663</b>
Distribution to racing and sports industries	8	<b>63,572</b>	<b>58,110</b>
<b>Total Expenses from Ordinary Activities</b>		<b>123,908</b>	<b>115,773</b>
<b>Net Profit</b>		<b>4,675</b>	<b>2,535</b>
<b>Total changes in Equity other than those resulting from transactions with owners as owners</b>		<b>4,675</b>	<b>2,535</b>



TOTALISATOR AGENCY BOARD  
**STATEMENT OF FINANCIAL POSITION  
AS AT 31 JULY 2003**

	<b>Notes</b>	<b>2003 (\$000)</b>	<b>2002 (\$000)</b>
<b>Current Assets</b>			
Cash assets	11	<b>40,264</b>	<b>30,444</b>
Receivables	13	<b>4,086</b>	<b>4,918</b>
Prepayments		<b>297</b>	<b>364</b>
Inventories	12	<b>903</b>	<b>945</b>
Total Current Assets		<b>45,550</b>	<b>36,671</b>
<b>Non-Current Assets</b>			
Property, Plant & Equipment	10	<b>15,931</b>	<b>17,542</b>
Capital Work-in-progress		<b>331</b>	<b>210</b>
Receivables	13	<b>0</b>	<b>225</b>
Total Non-Current Assets		<b>16,262</b>	<b>17,977</b>
<b>Total Assets</b>		<b>61,812</b>	<b>54,648</b>
<b>Current Liabilities</b>			
Payables	14	<b>17,873</b>	<b>15,405</b>
Provisions	15	<b>911</b>	<b>1,059</b>
Total Current Liabilities		<b>18,784</b>	<b>16,464</b>
<b>Non-Current Liabilities</b>			
Provisions	15	<b>473</b>	<b>304</b>
Total Non-Current Liabilities		<b>473</b>	<b>304</b>
<b>Total Liabilities</b>		<b>19,257</b>	<b>16,768</b>
<b>Net Assets</b>		<b>42,555</b>	<b>37,880</b>
<b>Equity</b>			
Capital Account		<b>14,744</b>	<b>14,744</b>
Capital Reserve	9	<b>1,519</b>	<b>3,009</b>
Asset Replacement Reserve	9	<b>25,723</b>	<b>19,558</b>
General Reserve	9	<b>500</b>	<b>500</b>
Retained Profits	5	<b>69</b>	<b>69</b>
<b>Total Equity</b>		<b>42,555</b>	<b>37,880</b>



TOTALISATOR AGENCY BOARD  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 JULY 2003**

	<b>Notes</b>	<b>2003 (\$000) Inflows (Outflows)</b>	<b>2002 (\$000) Inflows (Outflows)</b>
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Receipts from customers		<b>986,285</b>	<b>905,083</b>
Interest received		<b>1,965</b>	<b>1,451</b>
<b>Payments</b>			
Payments to customers, creditors and employees		<b>(913,858)</b>	<b>(841,262)</b>
Amount distributed		<b>(63,572)</b>	<b>(58,110)</b>
Interest paid	3	<b>(24)</b>	<b>(20)</b>
<b>Net cash provided by Operating Activities</b>	6	<b>10,796</b>	<b>7,142</b>
<b>Cash Flows from Investing Activities</b>			
Payments for Land, Improvements, Equipment & Fittings		<b>(1,190)</b>	<b>(2,028)</b>
Proceeds from Land, Improvements, Equipment & Fittings		<b>214</b>	<b>371</b>
<b>Net cash (used in)/provided by Investing Activities</b>		<b>(976)</b>	<b>(1,657)</b>
Net increase in cash held		<b>9,820</b>	<b>5,485</b>
Cash Assets at the beginning of the financial year		<b>30,444</b>	<b>24,959</b>
<b>Cash Assets at the End of the Financial Year</b>	7	<b>40,264</b>	<b>30,444</b>

**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 the TAB**

Sections 28 of Totalisator Agency Board Betting Act of 1960, provide for the balance of funds remaining, after deductions covered by Section 28 (1) (a) to (e), which includes transfer of funds to reserve accounts and payments to the Western Australian Greyhound Racing Authority and the Sports Betting fund, the Western Australian Turf Club and Western Australian Trotting Association, as prescribed. Section 27(b) deals with the allocation of funds from Fixed Odds Betting and section 28(a) deals with tote sporting events.

**c. Changes in Comparative Figures**

Where necessary, comparative figures for 2002 have been adjusted to conform with changes in presentation made in 2003.

**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
Software	5 to 15 years

### **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 uncollectible 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 the TAB 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. The TAB 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 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 the TAB. Accordingly, deriving the information for the TAB 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 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 installments 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.

#### ***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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2003 CONT.**

	Notes	2003 (\$000)	2002 (\$000)
<b>2 (a) Trading Profit</b>			
Commission on turnover		<b>167,365</b>	<b>154,454</b>
Tax on turnover	4	<b>(43,504)</b>	<b>(40,088)</b>
		<b>123,861</b>	<b>114,366</b>
<b>2 (b) Other Revenue</b>			
External settlement recoup		<b>1,041</b>	<b>1,179</b>
Recoup accounts		<b>1,520</b>	<b>831</b>
Total other revenue		<b>2,561</b>	<b>2,010</b>
<b>3. Expenses from Ordinary Activities</b>			
Interest expense		<b>24</b>	<b>20</b>
Carrying value of assets disposed of		<b>403</b>	<b>263</b>
<b>4. Tax on Turnover</b>			
Section 25(b) of the Totalisator Agency Board Betting Act 1960 requires the TAB to pay tax in respect of bets at the rate imposed by Section 2 of the Totalisator Agency Board Betting Tax Act 1960. The tax rate for tote turnover was 5%, FOB sports was 0.5% and FOB racing was 2%.			
Turnover Tax Payable to Consolidated Revenue		<b>48,311</b>	<b>44,522</b>
<b>Tax Rebate</b>			
Turnover Tax rebate received / receivable from Department of Racing, Gaming & Liquor.		<b>(4,807)</b>	<b>(4,434)</b>
		<b>43,504</b>	<b>40,088</b>
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.			
<b>5. Retained Profit</b>			
Opening balance		<b>69</b>	<b>64</b>
Net profit		<b>4,675</b>	<b>2,535</b>
Transfer to reserve	9	<b>(4,675)</b>	<b>(2,530)</b>
Closing balance		<b>69</b>	<b>69</b>



	<b>2003</b>	<b>2002</b>
	<b>(\$000)</b>	<b>(\$000)</b>
<b>6. Reconciliation of Net Cash provided by Operating Activities to Operating Profit</b>		
Operating profit-net of distribution	<b>4,675</b>	<b>2,535</b>
(Less) items classified as investing/financing activities:		
Gain on sale of assets	<b>(190)</b>	<b>(208)</b>
Add/(Less) non-cash items:		
Depreciation and amortisation	<b>2,656</b>	<b>3,312</b>
Provision for annual leave and long service leave	<b>21</b>	<b>13</b>
	<hr/>	<hr/>
Net cash provided by operating activities before change in assets and liabilities	<b>7,162</b>	<b>5,652</b>
Changes in assets and liabilities		
Decrease / (Increase) in accounts receivables	<b>1,153</b>	<b>(1,274)</b>
(Increase) in accrued income / prepayments	<b>(29)</b>	<b>(58)</b>
Decrease in inventories	<b>42</b>	<b>166</b>
Increase in trade creditors	<b>1,281</b>	<b>830</b>
Increase in other creditors	<b>1,187</b>	<b>1,826</b>
Net cash provided by operating activities	<b>10,796</b>	<b>7,142</b>

**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 11)	<b>40,264</b>	<b>30,444</b>
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For the purpose of the statement of cash flows, cash includes cash on hand, at bank & at agencies.



	<b>2003 (\$000)</b>	<b>2002 (\$000)</b>
<b>8. Amount Distributed</b>		
Racing	<b>34,991</b>	<b>32,093</b>
Trotting	<b>18,844</b>	<b>17,284</b>
Greyhounds	<b>9,485</b>	<b>8,700</b>
Sports	<b>252</b>	<b>33</b>
<b>Total</b>	<b>63,572</b>	<b>58,110</b>

**Unclaimed Dividends and unclaimed refunds paid during the year**

Section 23A provides that dividends and refunds uncollected after seven months shall be paid to the Racecourse Development Trust, Greyhound Racing Authority and Sports Betting Fund as directed by the TAB Act. These payments are included in the calculations of trading profit.

**Amount paid during the year**

Racecourse Development Trust (Racing & Trotting)	<b>2,528</b>	<b>2,612</b>
Greyhound Racing Authority	<b>955</b>	<b>847</b>
Sports Betting Fund	<b>56</b>	<b>33</b>
<b>Total</b>	<b>3,539</b>	<b>3,492</b>

**9. Capital Reserve, Asset Replacement Reserve and General Reserve**

	Balance 31/07/02 (\$000)	Transfer from / (to) Operating Statement (\$000)	Transfer (from) /to Other Reserves (\$000)	<b>Balance 31/07/03 (\$000)</b>
Capital Reserve (*)	<b>3,009</b>	<b>0</b>	<b>(1,490)</b>	<b>1,519</b>
Asset Replacement Reserve (**)	<b>19,558</b>	<b>4,675</b>	<b>1,490</b>	<b>25,723</b>
General Reserve	<b>500</b>	<b>0</b>	<b>0</b>	<b>500</b>
	<b>23,067</b>	<b>4,675</b>	<b>0</b>	<b>27,742</b>

\*Capital Reserve accounts represent the amount fully expended on the non current assets of the business. Transfers between these reserves and the asset replacement reserve will occur as non current assets are purchased or disposed.

\*\*Asset Replacement Reserve represents amounts set aside for future capital expenditure. Movements in any year arise from the transfer of 1% of Net Revenue After Tax, any profit on sale of non-current assets and cash equivalent of the depreciation charge. From time to time, transfers may also occur to fund significant project development costs not capitalised. The 1% transfer is set by the Board on an annual basis. Transfers will also occur between this and the capital reserve accounts as non-current assets are purchased or disposed.



**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 31 JULY 2003 CONT.**

	<b>2003 (\$000)</b>	<b>2002 (\$000)</b>
<b>10. Property, Plant &amp; Equipment</b>		
Land (at cost)	<b>1,228</b>	<b>1,228</b>
Buildings (at cost)	<b>13,934</b>	<b>13,716</b>
Less accumulated depreciation	<b>(4,990)</b>	<b>(4,571)</b>
	<b>8,944</b>	<b>9,145</b>
Leasehold improvements (at cost)	<b>7,930</b>	<b>7,948</b>
Less accumulated amortisation	<b>(4,565)</b>	<b>(4,207)</b>
	<b>3,365</b>	<b>3,741</b>
Software	<b>923</b>	<b>230</b>
Less accumulated amortisation	<b>(292)</b>	<b>(88)</b>
	<b>631</b>	<b>142</b>
Equipment & Fittings (at cost)	<b>20,217</b>	<b>20,686</b>
Less accumulated depreciation	<b>(18,454)</b>	<b>(17,400)</b>
	<b>1,763</b>	<b>3,286</b>
<b>Total</b>	<b>15,931</b>	<b>17,542</b>

**Reconciliation of opening and closing balances**

	<b>Land</b>	<b>Buildings</b>	<b>Leasehold</b>	<b>Software</b>	<b>Equipment &amp; Fittings</b>
Carrying amount at start of the year	<b>1,228</b>	<b>9,145</b>	<b>3,741</b>	-	<b>3,428</b>
Adjustment					<b>(717)</b>
Additions		<b>219</b>	<b>201</b>	<b>694</b>	<b>672</b>
Transfer		-		<b>142</b>	<b>(142)</b>
Disposals			<b>(21)</b>		<b>(3)</b>
Depreciation		<b>(420)</b>	<b>(556)</b>	<b>(205)</b>	<b>(1,475)</b>
Carrying amount at end of the year	<b>1,228</b>	<b>8,944</b>	<b>3,365</b>	<b>631</b>	<b>1,763</b>

**11. Cash Assets**

Cash at bank	<b>343</b>	<b>1,954</b>
Asset replacement short term investments	<b>21,469</b>	<b>19,509</b>
Other short term investments	<b>18,452</b>	<b>8,981</b>
<b>Total</b>	<b>40,264</b>	<b>30,444</b>

Interest rates at 31st July 2003:

Cash accounts - Between 4.08% and 4.50% (2002 between 3.72% and 4.75%)

Short term investments- Between 4.78% and 4.93% (maturing within 60 days) (2002 between 4.00% and 5.02%)

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  
FOR THE YEAR ENDED 31 JULY 2003 CONT.**

	<b>2003 (\$000)</b>	<b>2002 (\$000)</b>
<b>12. Inventories</b>		
Tickets in agencies	211	302
Tickets in store	667	623
Other printer paper	25	20
<b>Total</b>	<b>903</b>	<b>945</b>
<b>13. Receivables Current</b>		
Accounts receivable - agents settlement	3,352	3,103
- others	445	1,640
Provision for doubtful debts	(5)	(5)
Accrued income	294	180
	<b>4,086</b>	<b>4,918</b>
<b>Non-Current</b>		
Accounts receivable - others	<b>0</b>	<b>225</b>
<p>a. Credit Risk Exposure - TAB has minimal credit risk since its business is predominantly cash based. Weekly settlements are due from agents in the normal course of business. The TAB does not have any significant exposure to any individual customer or counterparty.</p> <p>b. Other receivables and prepayments are non interest bearing.</p> <p>c. The TAB considers the carrying amounts of receivables represents the TAB's maximum exposure to credit risk in relation to those assets.</p>		
<b>14. Payables</b>		
Account betting deposits	2,919	2,468
Accounts payable	3,517	2,236
Accrued expenditure	7,675	7,244
Unclaimed dividends & refunds	3,146	2,811
Agents deposits & property bonds	616	646
<b>Total</b>	<b>17,873</b>	<b>15,405</b>
<p>All financial liabilities are unsecured</p> <p>a. Agents deposits and property bonds attract interest at the rate of 4.38% and these amounts are repayable at end of the contract.</p> <p>b. All other creditors, accruals and other payables are non interest bearing.</p> <p>c. The TAB considers the carrying amounts of creditors, accruals and other payables represents the TAB's maximum exposure to credit risk in relation to those liabilities.</p>		
<b>15. Provisions</b>		
a. Current		
- Long service leave	251	521
- Annual leave	660	538
	<b>911</b>	<b>1,059</b>
b. Non-current - Long service leave	<b>473</b>	<b>304</b>
<b>16. Leases - Operating Lease Commitments</b>		
Commitments payable		
- within one year	1,446	1,333
- later than one year and not later than two years	1,869	1,941
- later than two years and not later than five years	889	1,074
- later than five years	405	457
Rentals charged to operating results during the year	<b>1,896</b>	<b>1,419</b>



**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 31 JULY 2003 CONT.**

**17. Segment Reporting**

	<b>Racing</b>		<b>Sports</b>		<b>Eliminations</b>		<b>Consolidated</b>	
	<b>2003 (\$000)</b>	<b>2002 (\$000)</b>	<b>2003 (\$000)</b>	<b>2002 (\$000)</b>	<b>2003 (\$000)</b>	<b>2002 (\$000)</b>	<b>2003 (\$000)</b>	<b>2002 (\$000)</b>
<b>Operating revenue</b>								
Trading Profit from customers outside the consolidated entity	121,940	112,474	1,921	1,892	0	0	123,861	114,366
Other revenue from customers outside the consolidated entity	4,722	3,842			0	0	4,722	3,842
<b>Total revenue</b>	<b>126,662</b>	<b>116,316</b>	<b>1,921</b>	<b>1,892</b>	<b>0</b>	<b>0</b>	<b>128,583</b>	<b>118,208</b>
<b>Segment results before Distributions</b>	<b>67,730</b>	<b>59,852</b>	<b>517</b>	<b>793</b>	<b>0</b>	<b>0</b>	<b>68,247</b>	<b>60,645</b>
Distributions	63,320	58,077	252	33	0	0	63,572	58,110
<b>Segment results</b>	<b>4,410</b>	<b>1,775</b>	<b>265</b>	<b>760</b>			<b>4,675</b>	<b>2,535</b>
<b>Segment assets</b>								
Total unallocated assets							61,812	54,648

**18. Remuneration of Accountable Authority and Senior Officers**

	<b>2003 (\$000)</b>	<b>2002 (\$000)</b>
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.	<b>114</b>	<b>113</b>
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.	<b>958</b>	<b>868</b>

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

	<b>No.</b>	<b>No.</b>
\$0 - \$10,000	<b>0</b>	<b>1</b>
\$10,000 - \$20,000	<b>5</b>	<b>5</b>
\$30,000 - \$40,000	<b>1</b>	<b>1</b>

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

\$100,000 - \$110,000	<b>0</b>	<b>1</b>
\$110,000 - \$120,000	<b>1</b>	<b>0</b>
\$120,000 - \$130,000	<b>1</b>	<b>2</b>
\$140,000 - \$150,000	<b>1</b>	<b>1</b>
\$150,000 - \$160,000	<b>1</b>	<b>0</b>
\$160,000 - \$170,000	<b>1</b>	<b>1</b>
\$170,000 - \$180,000	<b>1</b>	<b>2</b>
\$220,000 - \$230,000	<b>1</b>	<b>0</b>

\*\*\*\* 2002 includes a one off redundancy payment of \$108,589

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 31 JULY 2003 CONT.**

	<b>2003 (\$000)</b>	<b>2002 (\$000)</b>
<b>19. Remuneration of Auditor</b>		
The total of fees paid or due and payable for the financial year.		
Fees for external audit - Auditor General	<b>75</b>	<b>75</b>
<b>20. Related Party Transactions</b>		
None		
<b>21. Commitments</b>		
Approved Projects at the end of the financial year.	<b>1,712</b>	<b>3,409</b>

**22. Contingent Liability**

The TAB, from time to time, receives claims concerning betting disputes in the normal course of its operations. A legal claim has been served on the TAB by solicitors acting on behalf of a customer. A legal opinion obtained by the TAB from Queens Counsel regards the TAB as having reasonable prospects of not being found liable and the TAB will vigorously defend the claim. The Board deems it is not necessary to make a specific provision.

**23. Post reporting date transactions**

On 21 May 2002 the Government announced the restructuring of the racing industry governance system in Western Australia. It was proposed to merge the principal club functions together with the off-course betting activities of TAB(WA), into a single controlling authority to be known as Racing and Wagering Western Australia (RWVA) from 01 August 2003. During the transition, TAB(WA) will remain as an independent entity and will operate concurrently with RWVA. TAB(WA) will be abolished and RWVA will assume the functions of the TAB(WA) on a future date determined by the RWVA Board.



**24. Variations between Actuals and Budgets**

	<b>2002/03 Actual (\$000)</b>	2002/03 Budget (\$000)	<b>2001/02 Actual (\$000)</b>
<b>Revenue</b>			
Commission on turnover	<b>167,365</b>	<b>160,082</b>	<b>154,454</b>
Less tax on turnover	<b>43,504</b>	<b>41,597</b>	<b>40,088</b>
Trading profit	<b>123,861</b>	<b>118,485</b>	<b>114,366</b>
<b>Other Revenue</b>			
Interest	<b>1,947</b>	<b>1,670</b>	<b>1,461</b>
Disposal of non-current assets	<b>214</b>	<b>0</b>	<b>371</b>
Other	<b>2,561</b>	<b>2,163</b>	<b>2,010</b>
<b>Total - Other Revenue</b>	<b>4,722</b>	<b>3,833</b>	<b>3,842</b>
<b>Less : Expenses</b>			
Sales & Marketing	<b>43,888</b>	<b>43,120</b>	<b>41,985</b>
Information Technology	<b>9,451</b>	<b>10,187</b>	<b>9,292</b>
Finance & Administration	<b>3,392</b>	<b>3,593</b>	<b>3,557</b>
Projects	<b>3,605</b>	<b>650</b>	<b>2,729</b>
Total expenses before Distribution	<b>60,336</b>	<b>57,550</b>	<b>57,563</b>
Distribution	<b>63,572</b>	<b>59,783</b>	<b>58,110</b>
<b>Total expenses from ordinary activities</b>	<b>123,908</b>	<b>117,333</b>	<b>115,673</b>
<b>Net Profit</b>	<b>4,675</b>	<b>4,985</b>	<b>2,535</b>

The full amount of the \$4,675 million Net Profit was transferred to Reserves for future Project costs. Refer Note (5) for details.

**Comments**

Commission on Turnover increased by \$12.9 million (8.36%) over 01/02 and \$7.3 million (4.55%) over the 02/03 budget.

Tax on turnover is directly linked to turnover. Turnover Tax rate for Tote was at 5% and a rebate of 1/2% 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.

Projects include \$1,025,000 (01/02 - \$979,000) of Development cost and \$2,579,000 (01/02 - 1,751,000) of Operational and Support cost

Direct costs (Agency commission, Ticket cost and casual wages) increased by \$1.2 million in costs due to the increased turnover. Direct Cost of Services as a percentage of turnover improved from from 2.74% in 01/02 to 2.64% in 02/03.

Indirect costs (excluding Project costs) increased marginally by \$0.66 million and as a percentage of Net Revenue After Tax (NRAT) decreased to 23.42% in 02/03 from 24.82% in 01/02.

Increase in Other Revenue is mainly due to the increase in the funds invested in the Short Term money market and increase in insurance recoveries.

Distribution to the industry increased by 7.12% over 01/02 and by 5.61% over the budget. The increase is due to increase in NRAT and an extra distribution of 1.0 million paid during the year.




## CERTIFICATION OF FINANCIAL STATEMENTS

The accompanying financial statements of the Totalisator Agency Board 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 31st July, 2003 and the financial position as at 31st July, 2003.


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.



**MICHAEL RYAN**  
Deputy Chairman  
Date... 26/9/03



**ROSS A COOPER**  
Member  
Date... 26/9/2003



**J HILTON-BARBER**  
General Manager Finance  
and Administration and Principal  
Accounting Officer  
Date... 26.9.03.

## 7. OPINION OF THE AUDITOR GENERAL (Financial Statements)



### AUDITOR GENERAL

#### INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

#### TOTALISATOR AGENCY BOARD FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2003

##### **Audit Opinion**

In my opinion,

- (i) the controls exercised by the Totalisator Agency Board 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 the Board at July 31, 2003 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.

A handwritten signature in black ink, appearing to read 'D D R Pearson'.

D D R PEARSON  
AUDITOR GENERAL  
September 26, 2003

## 8. 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 the TAB's aims.

### OUTCOME

To provide an efficient, effective, accessible and service-orientated betting service for Western Australia.

To achieve optimum level of profitability.

		2003	2002		2001	2000	1999
<b>1</b>	Trading profit \$000	<b>123,861</b>	114,366	The increase of \$9.5 million is largely due to improved economic conditions and greater promotional activities, especially Fixed Odds Betting (FOB) sporting events. The overall margin rate dropped from 17.08% to 17.02% and this is mainly due to increased share of FOB.	105,804	99,784	95,395
	% Increase	<b>8.30</b>	8.09		6.03	4.60	6.11
<b>2</b>	Number of Tickets Processed '000	<b>125,594</b>	118,158	The increase of 7.4 million bet tickets was achieved with an increase of average bet value from 7.51 to 7.71.	110,674	104,946	99,601
	% Increase/Decrease	<b>6.29</b>	6.76		5.46	5.37	6.43
<b>3</b>	Operating Profit (excluding the profit from sale of assets) before distribution to codes \$000	<b>68,055</b>	60,437	Increase was mainly due to 8.30% increase in Trading Profit. The increase in direct cost was controlled at 4.83% and the increase to core indirect cost was kept at 2.29%. Increase of 32% in major projects / developments off set the increase in Operating Profit.	54,035	50,512	52,271
	% Increase	<b>12.60</b>	11.83		6.97	-3.37	11.92
	% of Trading profit	<b>54.94</b>	52.85		51.07	50.62	54.79
<b>4</b>	Distribution to Industry \$000	<b>63,572</b>	58,110	Racing +9.03% (01/02+6.97%) Trotting + 9.03% (01/02+7.91%) Greyhounds + 9.03% (01/02+8.32%)	54,050	50,262	48,984
	% Increase	<b>9.40</b>	7.51		7.54	2.61	13.49
<b>5</b>	Staff (FTE) No.	<b>159</b>	160	The 8.03% increase in Trading results was achieved with a marginal reduction in FTE. The reduction in FTE was mainly due to the effective management of casual staff in account betting centre.	170	173	169
<b>6</b>	Trading profit per employee \$000	<b>779</b>	715		622	577	564
<b>7</b>	Profit per employee \$000	<b>428</b>	378		318	292	309
<b>8</b>	Return on assets (Operating Profit as a percentage of total assets)	<b>110.10</b>	110.97	The increase in operating profits (12.60%) is compensated by the increase in total assets (18.60%) resulted in marginal decrease in return on assets.	109.30	96.70	105.13
<b>9</b>	Computer system availability	<b>99.98</b>	99.97	There was improvement in the Computer System and Agency Information availability, however other areas were impacted by the significant volume of system changes required to meet the ongoing business needs. A strategy to enhance the stability of the overall system environment is being developed during 2003 / 2004.	99.97	99.98	99.99
	Central betting processor	<b>99.98</b>	99.98		99.99	99.96	99.97
	Account sales	<b>99.97</b>	99.98		99.99	99.99	99.99
	Sales betting outlet	<b>99.96</b>	99.96		99.99	99.99	99.99
	Agency information services	<b>99.99</b>	99.98		99.92	99.99	99.99

**Note:** Above performance indicators are grouped as follows:

Efficient indicators

3, 6, 7 & 8

Effective indicators

2, 4, 5 & 9

Accessibility indicators

2 & 9

Service oriented indicators

4 & 9


Profitability indicators

3, 7 & 8




## 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 the Totalisator Agency Board (TAB) and fairly represents the performance of the TAB for the financial year ended 31 July 2003.



**MICHAEL RYAN**  
Deputy Chairman  
Date... *26/9/03*



**ROSS A COOPER**  
Member  
Date... *26/9/2003*

## 9. OPINION OF THE AUDITOR GENERAL (Performance Indicators)



### AUDITOR GENERAL

#### INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

#### TOTALISATOR AGENCY BOARD PERFORMANCE INDICATORS FOR THE YEAR ENDED JULY 31, 2003

##### **Audit Opinion**

In my opinion, the key effectiveness and efficiency performance indicators of the Totalisator Agency Board are relevant and appropriate to help users assess the Board's performance and fairly represent the indicated performance for the year ended July 31, 2003.

##### **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 efficiency and effectiveness.

###### *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.

A handwritten signature in black ink, appearing to read 'D D R Pearson'.

D D R PEARSON  
AUDITOR GENERAL  
September 26, 2003