



RACING AND WAGERING
WESTERN AUSTRALIA



2014 ANNUAL REPORT

TWO PASSIONS
ONE VISION
our clear line of sight

Our Strategic Challenges

RWWA faces considerable challenges in the form of the efficiency of the racing model, intense competition from corporate bookmakers, the profitability of our product mix, the quality of our core racing product, participation in the industry, securing increased levels of support from the government and public perception around animal welfare issues, responsible wagering and integrity.

Our Response

We all make a valuable contribution to our Management Priorities and future strategies. By living our values every day and building the capability of our leaders we can rise to these challenges, create an even more successful organisation and deliver on our purpose.

Our Purpose

To provide a positive sustainable future for the WA Racing Industry

Our Vision

Making our racing great

Our Management Priorities

- Working with the industry to increase the effectiveness and utilisation of racing assets.
- Increase our share of the competitive wagering market by enhancing our products and services in both the retail and digital channels and cross channel.
- Strengthen the level of government support for infrastructure and new product licences by demonstrating the financial benefits of the current model and the economic and social benefits of the racing industry.
- Implement strategies to demonstrate best practice in animal welfare, as well as the promotion & delivery of responsible wagering.
- Improve quality of the core racing product and track attendance through increasing stakes distribution, improved quality of fields, race programming and product fees.
- Maintain integrity standards across WA racing to ensure public confidence.

Our Teams

Our team goals are clear and we strive to achieve the best team and corporate outcomes

Our Roles

Our individual contribution is important and aligned to the team goals and management priorities to deliver our purpose

OUR VALUES

ENTHUSIASM & PRIDE

"They love the sport, we love the challenge"

ACHIEVEMENT

"Service that makes a difference"

'REAL'ATIONSHIPS

"They are authentic & open"

TEAM PLAY

"Success is a team sport"

HONESTY

"I own my 50%"



Statement of compliance

For the year ended 31 July 2014

Hon Terry Waldron, MLA

Minister for Sport and Recreation; Racing and Gaming

In accordance with *Section 61* of the *Financial Management Act 2006*, we hereby submit for your information and presentation to Parliament, the Annual Report of Racing and Wagering Australia for the financial year ended 31 July 2014.

The annual report has been prepared in accordance with the provisions of the *Financial Management Act 2006* and the *Racing and Wagering Australia Act 2003*.



Jeff Ovens

RWWA Board Chairman

13 October 2014



Gary Gliddon

Audit & Risk Committee Chairman

13 October 2014

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Chapter One

Overview



Overview

Chairman and CEO Report

Year in Review

The 2014 financial year was a pleasing one in setting a positive direction for the business moving forward. RWWA has again shown its capability to perform in what is a very competitive market.

Outstanding financial results

The financial results for Racing and Wagering Western Australia (RWWA) were again strong during 2014. Key highlights included;

- Wagering offcourse revenue growth of 7.2% over prior year
- Fixed odds revenue growth of 128%
- Mobile and tablet channel revenue growth of 115.7%
- Product fees received from betting on WA racing product up 6.7%
- Profit surplus after distributions of \$9.0M.
- Increase in working capital cash reserves of \$11M.

The WATAB continues to perform at or above national benchmarks for revenue growth, fixed odds yield and technology performance levels.

Whilst customer demand is transitioning from traditional pari-mutuel to fixed odds betting products as well as to portable mobile and tablet channels, RWWA is well equipped to deal with these structural changes in consumer behaviour.

Sports betting continued to contribute significantly to the businesses results with a revenue increase of 35.9% over the previous year. This result was aided by the World Cup (Soccer) in the latter part of the financial year. While the location of this international event was less suitable for customers in Western Australia, RWWA achieved consistent participation levels and wagering outcomes with previous events.

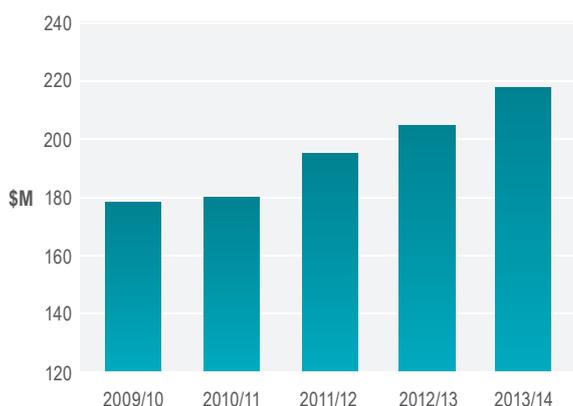
Over the last year, RWWA continued to invest heavily in its new wagering brand TABtouch complementing the investment made in internet, mobile

and tablet technology platforms. The TABtouch brand will be the centrepiece to achieving future growth for the business. RWWA's multi channel strategy is developing with the linking of retail cash betting to TABtouch mobile devices. Investment in these areas will continue as part of RWWA's wagering strategy.

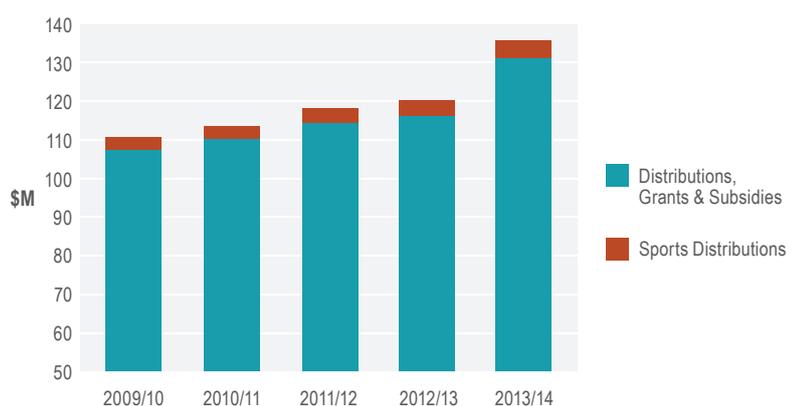
In addition to its investment in account based channels, RWWA developed, piloted and is seeking to progressively implement its new retail race wall platform to off-course TAB outlets, as well as key metropolitan and provincial clubs. Initial results from piloted outlets demonstrate growth in retail turnover and fixed odds yield.

Increased investment in branding, channel and products was offset by other operational efficiencies to the extent that the businesses overall expense rate was contained to 1.7% over the previous period.

Revenue after Cost of Sales and Tax



Distributions, Grants and Subsidies



Chairman and CEO Report

Strong returns to racing and sports

RWWA funded racing distributions, grants and subsidies reached a record \$131M for the year ending July 31, an increase of \$14.9M or 12.9%. This represents the highest level of funding to the racing industry in its history and also the largest single increase the industry has received in one year. This funding commitment was made possible by the strong performance of the WATAB.

Although this is a positive outcome, racing across the three codes remains challenged in its ability to retain and attract new owners and provide acceptable returns to participants investing in the industry.

Racing is important to Western Australia. It has over 33,000 participants engaged in the sport, generating approximately \$600M in direct expenditure with around 900,000 people attending race meetings each year throughout the state. Its economic and social contribution makes it an important part of the fabric of Western Australia.

In addition to RWWA's funding, the Western Australian Government assisted the racing industry by way of the Racing Infrastructure and Royalties for Regions Grants Programs. In total, Western Australian racing clubs received \$3.5M for the year. Funding under these grants programs has greatly assisted clubs address important Occupational Health and

Safety compliance together with investment towards improving the on course experience for customers.

Income from the WA Race Bets Levy totalled \$33.1M in 2014 compared with \$31.1M the prior year, an increase of 6.7%. RWWA receives this income as a Grant from the Western Australian Government. It consists of the racefields revenue from wagering operators (including WA TAB) betting on Western Australia racing product.

As a result of the growth in turnover and margin from Sports betting, RWWA was able to distribute \$4.5M to the Sports Wagering Account, an increase of 11.2% on 2013. These funds provide an important source of funding for sporting and recreational organisations throughout Western Australia.

Improved balance sheet

RWWA's overall financial results after taking into account \$135.3M in distributions, grants and subsidies to racing and sports generated a surplus of \$9M with \$11M in cash being added to the organisation's balance sheet.

This result provides RWWA with year-end working capital of \$45.4M, positioning the business favourably for future investment in its wagering and racing businesses.

RWWA has purposefully developed these reserves to enable it to support the racing industry with much needed infrastructure funding and to manage

the uncertainty and market volatility associated with revenue forecasting.

Significant Issues & Trends

In May 2014 the Western Australian Government announced in addition to other state owned assets the potential sale of the WATAB. To assist the Government in this process, RWWA undertook a detailed review of privatisation in Eastern States and the resulting impact to the State racing industries. RWWA continues to work with Government to ensure the best long term outcome is achieved for stakeholders. At the time of writing this report the Government has not made a decision regarding privatisation of the WATAB.

RWWA believes its wagering business, the WATAB, is in a competitive position to maintain and grow its wagering revenues for the benefit of the Western Australian racing industry.

There are a number of significant issues outside of RWWA's control that challenge racing at a state and national level. The escalation of product fees by state based racing authorities is resulting in wagering operators shifting their customers spend from higher cost racing to lower or in some cases zero cost sports products.

The leakage of wagering turnover to non Australian based wagering operators is an ongoing threat. This occurs when Australian residents bet with overseas operators without the resulting payments of product fees

Overview

Chairman and CEO Report

and wagering taxes to Australian racing authorities and governments.

Declining on course revenues are a significant issue affecting racing. Not only does this issue limit race clubs ability to invest appropriately in operational services, it also restricts club capacity to invest in important industry and public infrastructure facilities on course. As a result of the declining financial state of race clubs, RWWA is required to accommodate this reduction in direct income with further indirect financial support. Importantly, RWWA has the capacity to support the industry whilst working with it to make the necessary long term structural changes to achieve improved sustainability.

Outlook

It is important to highlight RWWA's key business driver, the WATAB, has delivered in total \$578M in distributions, grants and subsidies over the past 5 years for the benefit of Western Australian racing. In addition, it has accumulated a further \$45.4M in undistributed reserves from offcourse wagering for the purpose of future investment in key racing infrastructure projects and distributions.

To further consolidate WA's position, RWWA needs to encourage breeders, owners and trainers to continue to invest in the breeding, ownership and racing infrastructure required to make the industry more prosperous. This investment underpins the industry as an important provider of employment to over seven

thousand people and the generator of around \$600M in economic benefit to the state's economy.

RWWA's planning has identified the need to address the imbalance in stakes between Western Australia and the Eastern States. WA stakes, in particular thoroughbreds and metropolitan greyhounds compare unfavourably requiring progressive attention.

Whilst RWWA will continue to benefit all three codes of racing, these benchmark targets, if met, will require an additional \$15M in stake money over the next five years. While ambitious, RWWA believes the targets are achievable through the efficient and effective operation of the WATAB.

RWWA recognises the need to review its infrastructure base and plan for what will be necessary to meet the needs of the industry, its supporters, its customers and the practical realities of operating in a commercial environment.

Exceptional people

RWWA's 2014 results would not have been possible were it not for the many people who make Racing and Wagering Western Australia successful. As Chairman I would like to thank the Board, staff, agents and racing industry participants for their contribution to the outstanding results of 2014.

In particular, I would like to pay tribute to the CEO and the RWWA Executive for what has been an exceptional performance under somewhat trying

circumstances. It would have been easy in these uncertain times to have been distracted by matters outside our control. Thankfully this has not been the case and the results reflect the dedication our executive have toward building a better racing industry.

During the year three RWWA Board members retired, Jim Freemantle (11 years service), John Bradshaw (3 years service) and Ross Cooper (12 years service). RWWA welcomed three new members, Kirrilee Warr, Anthony Hasluck and Matt Benson to the RWWA Board.

I would like to thank Jim, John and Ross for their contributions to RWWA over many years and take this opportunity to welcome our new members.



Jeff Ovens Chairman



Richard Burt CEO

Operational Structure

Enabling Legislation

Racing and Wagering Western Australia 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 the 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, the Gaming and Wagering Commission, under the Gaming and Wagering Commission Act 1987, now regulates RWWA's gambling activities.

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 2003. Under the Racing Restriction Act, no thoroughbred, harness or greyhound race for prize or reward (exceeding \$50 in value) may be held without a licence from RWWA.

Legislation

The principal legislation governing RWWA is:

- *Racing and Wagering Western Australia Act 2003*
- *Racing and Wagering Western Australia Tax Act 2003*
- *Racing Restriction Act 2003*
- *Racing Bets Levy Act 2009*
- *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-Money Laundering and Counter Terrorism Financing Act 2006 (Commonwealth)*
- *Broadcasting and Recorded Entertainment Award 2010*
- *Copyright Act 1968 (Commonwealth)*

- *Corruption and Crime Commission Act 2003*
- *Criminal Code Act 1913 (WA) and Criminal Code Act 1995 (Commonwealth)*
- *Electoral Act 1907*
- *Equal Opportunity Act 1984*
- *Financial Management Act 2006*
- *Freedom of Information Act 1992*
- *Gaming and Betting (Contract Securities) Act 1985*
- *Interactive Gambling Act 2001*
- *Long Service Leave Act 1958*
- *Occupational Safety and Health Act 1984*
- *Patents Act 1990*
- *Public Interest Disclosure Act 2003*
- *State Government Agencies Administration Award 2010*
- *State Superannuation Act 2000*
- *Statutory Corporations (Liabilities of Directors) Act 1996*
- *Superannuation Guarantee (Administration) Act 1992*
- *Trade Marks Act 1995*
- *Trade Practice Act 1974*
- *Unclaimed Money Act 1990*
- *Workers Compensation and Injury Management Act 1981 (WA)*
- *Fair Work Act 2009*

Responsible Minister

The Hon Terry Waldron MLA (Minister for Sport and Recreation; Racing and Gaming) is the Minister responsible for Racing and Wagering Western Australia.

Overview

Operational Structure

Organisation Structure

The organisational structure of RWWA is based on a corporate model comprising a number of divisions which oversee the varying activities of the organisation.

Racing and Wagering Western Australian Board

The management of RWWA's business and affairs is under the direction of the RWWA Board.





Standing (L–R): Mr Anthony Hasluck, Mr Gary Gliddon, Mrs Kirrilee Warr, Professor John Yovich, Mr Ross Cooper
Seated (L–R): Dr Lianne Cretney-Barnes, Mr Jeff Ovens, Mr Robert Charles Pearson

Board Members

Mr Jeff Ovens (Chairman)	First appointed 1 February 2012
Mr Robert Pearson (Nominated by Thoroughbred Racing Industry Bodies)	First appointed 1 August 2003
Mr Ross Cooper (Nominated by Harness Racing Industry Bodies)	First appointed 1 August 2003 Retired 31 July 2014
Mr Gary Gliddon (Nominated by Greyhound Racing Industry Bodies)	First appointed 21 November 2011
Dr Lianne Cretney-Barnes (Has expertise in Business Administration, Management and Marketing)	First appointed 1 February 2011
Professor John Yovich (Specialist veterinarian with lifelong involvement in racing industry)	First appointed 1 February 2013
Mr Anthony Hasluck (One of WA's leading communications consultants)	First appointed 1 February 2014
Mrs Kirrilee Warr (Director of a broad acre agricultural enterprise and is active in regional communities)	First appointed 1 February 2014

Overview

Operational Structure

Board Committees

The Board has established committees to oversee various functions of the organisation and industry. These committees have delegated authority to perform certain functions and exercise powers of the Board. The formal committees of the Board, their terms of reference and membership are listed below:

Integrity Assurance Committee	Racing Operations Committee
<p>The Integrity Assurance Committee (IAC) has primary oversight of those aspects of RWWA's functions that relate to; stewards, drug testing and control, licensing and registration, handicapping and racing appeals.</p> <p>The IAC also performs the role of RWWA's Audit Committee and has oversight for the Internal Audit Function, Risk Management, and Legislative Compliance. The IAC also reviews and approves the Annual Report.</p>	<p>This committee is responsible for the racing functions of RWWA. Its responsibilities include consulting with industry bodies, programming and racing dates, loans, grants and distributions.</p>
<p>Members Include:</p> <ul style="list-style-type: none"> • Dr Lianne Cretney-Barnes (Chairperson) • Mr Anthony Hasluck • Mr Jeff Ovens (ex-officio) • Mrs Kirrilee Warr • Mr Richard Burt (Deputy) 	<p>Members include:</p> <ul style="list-style-type: none"> • Mr Robert Pearson (Chairman) • Mr Ross Cooper (Deputy Chairman) • Mr Gary Gliddon • Professor John Yovich • Mr Jeff Ovens (ex-officio) • Mr Richard Burt (Deputy)

Performance Management Framework

Relationship to Government Goals

Results–Based Service Delivery

Greater focus on achieving results in key service delivery areas for the benefit of all Western Australians

Desired Outcomes	Effectiveness Indicators	Services Provided	Efficiency Indicators
To achieve an optimum level of funding for the development of racing and sports in Western Australia	Value of Grants distributed to clubs	Grants administration, evaluation and distribution	-
To efficiently administer and to provide effective leadership in the development, integrity and welfare of the racing industry in Western Australia	Distribution to Industry	Administration of industry distribution to the clubs	-
	% of Winners Swabbed / Returned Negative	Maintain the integrity of the Western Australian racing industry	-
	Average number of starters in Western Australia races	Guarantee the ongoing welfare and sustainability of the Western Australian racing industry	-
To provide an efficient, competitive and responsible wagering service for Western Australia	Primary Betting System availability Number of bets processed	Provision of a betting system which is efficient, reliable, maintainable and capable	-

Financial and Economic Responsibility

Responsibly managing the State's finances through the efficient and effective delivery of services, encouraging economic activity and reducing regulatory burdens on the private sector

Desired Outcomes	Effectiveness Indicators	Services Provided	Efficiency Indicators
To efficiently administer the racing and wagering industry in Western Australia	Operating Profit (excluding the profit/loss from sale of assets) before distribution to codes	Provision of Racing, Stewarding, Wagering, Financial, Marketing, Human Resource, IT, Strategic and other services	Staff (FTE)
	Racing and Steward expenses per WA race meeting		Margin per employee
			Profit per employee
			Return on Assets (operating profit as a percentage of total assets)
To provide a competitive wagering service for Western Australia	Margin Annual growth in TAB Turnover on WA racing	Provision of services to support Wagering	-

RWWA's key performance indicators are aligned to the above government goals (i.e. Results–Based Service Delivery and Financial and Economic Responsibility).

RWWA's key performance indicators are also reported in the Financials section of this Annual Report.

Chapter Two

Report on operations



Racing

The Racing Division is responsible for racing operations including fixture planning, racing systems and information maintenance, handicapping and grading, programming, stakes supervision, vision contracts, industry consultation, racing industry development, industry training, club and racing industry related OSH, control of RWWA-owned animal industry training venues, major event support and the overall strategic direction of the racing industry in Western Australia.

Operations and Distribution

The 2013/14 season provided 883 race meetings across the three codes of racing, featuring a total of 8,180 races and producing 75,331 starters. Of these, 7,882 individual animals raced including 4,076 thoroughbreds, 1,993 standardbreds and 1,813 greyhounds.

Funding for Race Clubs

In 2013/14 RWWA funded fifty clubs, at 51 venues and eight training venues in total, including the following:

- One greyhound club (WAGRA) racing at three venues (Cannington, Mandurah and Northam)
- Thirty four thoroughbred clubs (including tenanted arrangements such as Coolgardie at Kalgoorlie)
- One thoroughbred training only venue – Lark Hill
- Thirteen harness clubs (including tenanted arrangements such as York at Northam)
- Two dual code clubs including York Racing and Narrogin Race and Pace
- Seven harness training only venues – Byford, Cunderdin, Dunbarton, Guildford, Jandakot, South Suburban and Wanneroo

Total distribution funding (in the form of event and training fees) provided to Western Australian racing clubs in 2013/14 amounted to \$20.7M or 17.3% of total industry distributions.



Report on operations

Distribution paid by RWWA for 2013/14 to Clubs and Participants is contained in the following table:

	Distributions "Paid to Participants" on Behalf of Clubs \$'000	Distributions Paid Directly to Clubs \$'000	Total Distributions \$'000	% of Distributions Paid to Participants
Thoroughbreds	62,472	11,143	73,615	84.9%
Harness	25,381	4,982	30,363	83.6%
Greyhounds	11,224	4,551	15,775	71.1%
Total	99,077	20,676	119,753	82.7%

- Total Distributions to Clubs excludes capital infrastructure funding, SKY associated costs, pooling fees and product fees.
- The source of funds for distributions is made up of RWWA profits/retained earnings and government grants and through Western Australia Race Fields legislation which requires all Race Fields grants to be passed to the clubs.

Infrastructure Grants

In July 2010 the Western Australian State Government announced a \$13M funding program over five years towards racing infrastructure. The Western Australian State Government also approved boost funding from Royalties for Regions (R4R) of \$6.6M in November 2012, increasing infrastructure grant funding to the Racing Industry to \$19.6M during the period 2010/11 – 2014/15.

RWWA administers the Racecourse Infrastructure Grants Program (RIGP) for the Minister for Racing and Gaming. In 2013/14 grant funding to the value of \$3.6M was approved by the Minister for Racing and Gaming for a total of 65 projects.

A number of major works including the redevelopment of the York Racecourse facilities have been undertaken in 2013/14. The focus on infrastructure improvements to facilities, to ensure Occupational Safety and Health (OSH) compliance and support for animal

welfare related projects, has continued in 2013/14, with provincial clubs benefiting from grants for improvements to track surfaces, OSH facilities work's packages, Stewards towers, trackwork safety systems across all codes and further rollout of plastic safety running rail to provincial thoroughbred Clubs.

The RWWA Board has committed to the construction of the new greyhound racing facility at Cannington to an amount of \$13M.

RWWA has also funded the Ascot Racecourse synthetic track redevelopment (\$3.5M) and the Pinjarra Race Club's track and facility upgrades (\$0.8M) to provide winter racing flexibility for the thoroughbred code. These projects will be completed in August 2014.

In total, 30 clubs across the three codes were awarded grants. The more significant projects that received grant funding included (total project cost):

1. York Race Club – Race day facilities redevelopment (\$1.3M)
2. Three Provincial Thoroughbred Racing Clubs – Plastic Running Rail (\$0.3M)
3. Nine Regional Thoroughbred Clubs – OSH package of works (\$0.8M)
4. Seven Regional Harness Racing Clubs – Facility and equipment upgrades (\$0.3M)
5. Metropolitan Racing – Plastic running rail for Belmont inner grass and track and equipment renovations at all tracks (\$0.5M)
6. Gloucester Park Semaphore Board/Vision Screen (\$0.3M)

RIGP/R4R Funding Allocated by RWWA

	2013/14	Since 2010/11
RIGP Grants	\$1.94M	\$10.1M
R4R Boost	\$1.68M	\$2.9M

Lark Hill and Byford Training 'Centres of Excellence'

Lark Hill Thoroughbred Training Complex

Work Health and Safety and consultation have been themes to underpin capital works, planning and operational governance throughout 2013/14.

With the ongoing support of the Lark Hill Track Sub-Committee, a number of significant enhancements have been implemented improving track and facility lighting, maintenance utilising specialised sand track sieving equipment, horse walk and containment areas, horse /stakeholder separations, patron facilities, security and tie-up stalls.

A greening strategy has also commenced with the planting of some 50 native trees throughout the complex. Lark Hill

TABtouch saddlecloths have been introduced providing an added professional aspect to trial day activities, offering a more readily identifiable connection to Lark Hill as the RWWA owned training and trialling centre and complementing RWWA's TABtouch rebranding initiatives.

The procurement of a new 10-year 220,000kL pa water licence from the Department of Water has been vital in assuring Lark Hill's operational future and the certainty to proceed with key master planning initiatives, the concept which includes residential stabling, aqua-exercise facilities, additional tracks (synthetic) and other amenities fundamental to a state-of-the-art training facility.

Byford Harness Training Complex

Urban expansion surrounding the State's largest official harness training centre at Byford has been a key focus throughout the year. RWWA has been vigilant in responding to a number of local planning development proposals that potentially threaten the sustainable longevity of the Byford harness training precinct and community. RWWA continues to be an active voice in confronting the impacts of urbanisation, with the mandate to safeguard the long term future of harness training in Byford, and to further develop the Complex as a 'Centre of Excellence'.

With development approval secured to commence a number of key initiatives including a dedicated internal driveway to the site (from Briggs Road) and construction of a new parade ring enclosure, progression towards this objective will enable completion of these initiatives within the next 12 months.

Together with the Byford Track Sub-Committee, a number of initiatives have been implemented throughout the period to enhance the safety and supervision of stakeholders who utilise the complex. With the ongoing support of the Byford Harness Club, the complex is now open 365 days of the year. Work, health and safety best practice will continue to underpin all future operational governance and planning machinations.



Aerial view of Byford Harness Training Complex

Report on operations



2014 Perth Cup Winner, Black Tycoon (Image by Scott Hollands)



Winterbottom Stakes (Image by Scott Hollands)



Railway Stakes Winner, Luckygray (Image by Scott Hollands)

Thoroughbred Racing

2014 Major activities in relation to Thoroughbred Racing

- RWWA provided thoroughbred race clubs with payments for stakes and subsidies of \$57.6M.
- The Westspeed Scheme provided owners, breeders, trainers and riders with an additional \$4.8M in bonuses.
- Race clubs conducted a total of 295 race meetings (including non-TAB meetings) and 2,256 races and paid \$60.4M in stakes and subsidies.
- The Western Australian thoroughbred race clubs paid a total of \$53.8M in prize money, with 23,925 starters. There were 4,076 individual thoroughbreds that raced in the period.
- WA TAB wagering, including fixed odds, on Western Australian thoroughbred racing was \$266.7M, an increase of 3.2% from 2012/13.
- The Magic Millions Yearling Sales recorded an aggregate for the premier sale of \$12.3M and an average sale price for the premier sale of \$45K. The clearance rate for this sale was 82%.
- Esperance Bay Turf Club was upgraded to a provincial race club for the first time.

Harness Racing

2014 Major activities in relation to Harness Racing

- RWWA provided harness race clubs with base and feature stakes funding of \$22.8M.
- RWWA paid out an additional \$0.9M in Westbred Bonuses.
- Race clubs conducted a total of 282 race-meetings and 2,342 races which provided 23,801 racing opportunities for 1,993 individual horses that raced during the period.
- The 23,801 starters were trained by 467 individual trainers with 56 trainers having 100 or more starters for the year and 19 having 200 or more starters for the year.
- During the year a total of 232 WA trained mares earned at least one of the new EPONA Bonuses winning 540 races and generating \$275K in credits. Seven mares each earned the maximum credit amount of \$5,000 and a total of \$14K was paid out in claims to the owners of nine mares.
- Gary Hall Snr became the first Western Australian trainer to train 200 winners in a season (September to August). He finished the racing season training 214 winners (212 in WA and 2 in Queensland). Gary Hall Snr is the only trainer to ever record two successive seasons with \$3million plus in stakes.
- Chris Lewis drove in excess of 100 winners for the racing season – this is the 26th time he has passed the 100 winners in a season milestone and the 21st successive century in a season.



Report on operations

Greyhound Racing

2014 Major activities in relation to Greyhound Racing

- RWWA provided the Western Australian Greyhound Racing Association (WAGRA) with base and feature stake funding of \$10.5M.
- The WESTCHA\$E Incentive Scheme paid out \$733K for the year, up 28.5% on 2012/13, with 286 individual greyhounds earning bonuses for their connections.
- WAGRA conducted 3,582 races at 306 meetings, which provided 27,605 racing opportunities for 1,813 individual greyhounds.
- Consistent with RWWA's animal welfare policies, RWWA supports the 'homing' of retired greyhounds, under the programme known in WA as Greyhounds As Pets (GAP). RWWA funded \$125K towards the cost of running the GAP programme during 2013/14.
- WA chasing sensation MIATA (retired from racing in May 2013) was announced as the Australian Greyhound Racing Association's Australian Greyhound of the Year for 2012/13, after becoming the first ever WA greyhound to receive the national accolade in calendar year 2012.
- The RWWA Information Services Division continued development of OzChase, the joint venture greyhound racing system designed, built, hosted and maintained in WA for the use by the 2 joint venture partners, RWWA and Greyhound Racing New South Wales (GRNSW). RWWA 'went live' on the system for our full business operations in December 2013, joining the ACT, NSW, NT, SA and Tas who were already fully operational on OzChase.
- Racing Queensland Limited 'went live' on the system in July 2014, becoming the final User State to move onto the platform.
- Additionally, the Greyhounds Australasia (GA)-funded OzChase NDR Project was completed by RWWA during 2013/14, with OzChase now consuming and relaying greyhound racing data on an ongoing basis to GA and the non-OzChase jurisdictions of Greyhound Racing Victoria and Greyhound Racing New Zealand.



On Coin (Image by Joe Mulder)



Greyhounds as Pets Owners and dogs © The West Australian

Industry Training Highlights

- Nine apprentice jockeys commenced in 2013/14, including two school based with four graduating into senior ranks during the period under review. Four apprentices relocated to other states, one to Victoria and three to Queensland.
- RWWA again supported the National Apprentice Jockey Challenge, with a heat being held at Ascot in April, which was won by Priscilla Schmidt, representing Queensland. WA apprentices rode in each heat, represented by Mitchell Pateman, Ben Paterson, Chanelle O'Grady, Jerry Noske, Ellie Cockram and Danielle Conroy. Chanelle O'Grady won her heat at Eagle Farm, Brisbane.
- At Kalgoorlie races on 12 April 2014 all eight winners were ridden by female Apprentice Jockeys, including five by Emma Stent.
- Nine new C Grade Drivers commenced during the season.
- 13 drivers progressed to B Grade Drivers' Licences during this period.
- RWWA was awarded the 2013 CCI Large Employer Excellence Award for its Trainee and Apprentice Jockey training programs.

Racing Integrity

As part of RWWA's ongoing commitment to upholding the integrity of WA's racing industry to the highest level, in August 2013 RWWA appointed an additional investigator. This was to complement other enhanced operational strategies across the three codes of racing which have included increased investment in sample analysis, higher levels of non-race day activities including race day stable and float inspections and other integrity initiatives.

The appointment of an additional investigator has enabled the RWWA Integrity Department to further increase the level of non-race day activities at race meetings, trials, track work and other site visits, inspections and surveillance.

The recommendations arising from the January 2012, RWWA commissioned independent review into the control and conduct of Harness racing assessing all facets of integrity operations (conducted by Mr Ron Davies QC) have now been implemented in accordance with the RWWA Board resolutions. These include the establishment of an expert Form Analyst position to assist Stewards in race and wagering review. Access to additional race and wagering related data has also been facilitated through the year to complement an increased internal operational focus in relation to form and wagering analysis.

In December 2013, RWWA signed a Memorandum of Understanding (MOU) with the Australian Crime Commission. The purpose of the MOU is to provide a framework for cooperation between the Parties in relation to the lawful sharing of information and intelligence to assist in the delivery of RWWA's functions in relation to integrity. The timely sharing of information and intelligence and other cooperative arrangements will contribute to the production of key intelligence products to support enforcement of the Rules of racing, other investigatory processes and enhance the performance of the parties' respective statutory functions. A similar draft MOU is currently being established between RWWA and the Western Australian Police Force.

Throughout 2013, the Australian Racing Board (ARB), which is the peak national body for thoroughbred horse racing in Australia, promulgated a number of new National Rules of Racing which enhance the regulatory control of racing. These included rules relating to:

- Banning the use of anabolic steroids in the Australian Thoroughbred Industry as of May 2014 which extends to all horses, not restricted to only those presented for racing, with no therapeutic exemptions applicable in the rules of any kind.

Report on operations

Racing Integrity

- Various rule enhances regarding race-day administration of substances, including therapeutic substances, extended to “one clear day” from the day of the race, including banning administration of any substances in this time frame, by any method, where substances are considered to be “alkalinising agents”

Compliance with these rules will be enforced by RWWA through regular stable inspections, inspections of medications and medication records, and increased out of competition testing as well as race day sampling. Accordingly the RWWA integrity department is responding through amendments to staffing arrangements and resourcing to ensure it is able to effectively deliver the expectations of the industry in this regard. This will inevitably result in further increases in relation to the number of samples

taken for analysis by the Chem Centre in Perth to provide for regulation of these new rules which has continued to incrementally grow since RWWA's inception across all codes.

RWWA is strongly focused on animal welfare matters throughout the industry and has established the position of Equine Welfare Officer in 2014 that will be responsible for ensuring the development, implementation and longevity of RWWA's Retirement from Racing Program for race horses. The key focus of this position in the initial phase is the promotion of life after racing of Thoroughbred and Standardbred horses to competition, recreation and leisure participants of the wider Equestrian Industry.

This position complements RWWA's existing commitment to the Greyhound as Pets (GAP) program and other welfare initiatives applied in relation

to racing animals. Animal welfare continues to be a key focus of attention, with on-going review of various welfare policies being undertaken through the year and the strict enforcement of these.

RWWA is also supporting several key animal welfare and drug control research projects including:

- Research being proposed by the University of Sydney and the National Measurements Institute (NMI) who have made a joint application for an Australian Research Council (ARC) linkage grant to part fund a three year research project that aims to develop a working method to detect and identify gene doping in race horses. Racing Industry partners include the Australian Racing Forensic Laboratory (NSW), Racing Analytical Services Ltd (VIC).



Off The Track



Murdoch Vet Research © The West Australian

Racing Integrity

- Through a partnership between RWWA and Murdoch University, researchers conducted a 12-month endoscopic survey of over 580 horses during the 2012/13 racing seasons into clinical research studies into exercise-induced pulmonary haemorrhage (EIPH) in thoroughbred racehorses in Western Australia. The aim of the research focuses on the identification of risk factors that could be potentially addressed to minimise EIPH and identifying management factors, rather than medication, which can serve to improve welfare of racehorses and jockey safety. The second phase of this project commenced in July 2014 and consists of a prospective, longitudinal study involving Thoroughbred racehorses participating in races at Perth's metropolitan and provincial racetracks over an 18-month period.
- RWWA has fully funded a collaborative Greyhound health project with Murdoch University researchers. The project is entitled; "The prevalence and diversity of gastrointestinal parasites within the Racing Greyhound Industry of Western Australia".

Statistics for 2013/14 across the three codes are as follows:

Thoroughbred	Samples	Positives
Post Race	2019	2
TCO2	1429	0
OOCT	108	0
Human	292	9
Harness	Samples	Positives
Post Race	1204	0
TCO2	2719	1
OOCT	75	0
Human	135	Nil
Greyhound	Samples	Positives
Post Race	1210	1
OOCT	14	0

Report on operations

Marketing

2013/14 saw the successful relaunch of the TAB brand in WA. Following on from a two year program of research driven product and pricing improvements the TAB launched its 'Man on a Horse' Campaign to inform customers of the change and take a fresh look at the TAB.

As part of this journey the TAB decided to focus on a single brand - The TAB. It became clear with research showing the TAB brand had a strong awareness and favourability that customers perceived it as a tired brand that our customers were comfortable with. The challenge in rebranding was to retain our loyal customers and bring back those that had left over the last five years.

As part of this decision our Sports Betting Brand, Player, was replaced by The TAB as the home of Sport and Racing. In other brand related work our online and mobile platforms were consolidated under the one brand TABtouch.

The TAB brand relaunch resulted in the entire retail network being re-signed with the new identity. Over 320 outlets were completed within a ten week period. A major TV led campaign was launched in September using consistent imagery of "The Man on A Horse" as the spokesperson for the TAB.

The overall campaign has been very successful. The re-brand clearly played a key part in the commercial success of the TAB in the 13/14 year.

Launched in September last year, the new look brand campaign has helped our business achieve many new records – account openings, ticket sales, TABtouch downloads and increased market share. All business objectives set at the beginning of the campaign have been met and/or significantly overachieved.

- Amongst frequent customers we saw a 9% increase in brand consideration or 'desire to use' and a 4% increase amongst infrequent customers too.
- Prospective customers reported the TAB as their most popular provider increasing by 15%, outperforming our 5% target. We also achieved a 6% increase in brand consideration amongst our prospective customer audience.
- As an iconic brand and market leader, increasing brand awareness was one of the hardest goals. A campaign target of a 5% increase in brand awareness was bettered by an actual increase of 10% amongst frequent customers.

It has been pleasing to see the positive results from our investment from both a marketing and technology perspective in the wagering brand. It is worth noting some of the major changes:

- Our new website was relaunched.
- Fixed Odds and Tote prices are now

displayed side by side throughout all our channels including fixed odds racing prices on SKY.

- A more competitive price position has been adopted in our Fixed Odds business.
- A more consistent common user interface exists across all our electronic platforms.
- New customer features including Blackbook and a preference centre for customising bet limits have been added to the website.
- New CRM technology has been deployed allowing a more targeted approach to our customer loyalty program.
- Our customer first programs continue to identify and remove pain points around transactions and services with all our channels.

In other key areas within marketing good progress was made in improving and integrating our Fixed Odds Sports offering. The TAB now provides an extensive range of sports and bet types. As an example coverage of 120 soccer leagues is now provided to our customers.

GET READY FOR THE KALGOORLIE CUP

GO MOBILE WITH THE TAB
Find us at **TABtouch**

Available on the App Store | Android Compatible Website

TAB supports responsible wagering. Call 1800 858 858 or visit www.gamblinghelpline.org.au for support

Retail

The Retail division is responsible for RWWA's TAB agency network. At the end of the 2013/14 financial year, RWWA's retail network consisted of 327 agencies segmented into the following categories:

- Service Level 1 (SL1)
Fulltime TAB Agencies – 90
- Service Level 2 (SL2)
PubTAB Agencies – 106
- Service Level 3 (SL3)
Self Service PubTAB Agencies – 131

There was a shift in the volume of SL2 and SL3 agencies in 2013/14 as the introduction of an additional two hundred self service betting terminals allowed the conversion of a number of SL2 PubTABs to SL3.

The SL3 Self Service PubTAB model improves the TAB experience for both hoteliers and customers. Hoteliers can focus on the ability to lower their variable costs (staff wages) and customers get all of the digital benefits of a self service terminal.

Retail TAB agencies remain an information rich, cash friendly and social betting experience for our customers. The challenge for Retail is the ability to adapt in an increasingly digital environment.

In 2013/14, the RWWA Board approved a Retail investment strategy (pending privatisation decision by the government) that would see Race Walls and information terminals technology (shown above) delivered

to all SL1 and SL2 agencies over 24 months. The Race Wall technology comprises ten screens that include Sky 1 and 2, the next six races to jump and two other screens that help customers manage their raceday.

Importantly for all Retail stakeholders, RWWA has now completed its research and has begun the development of TABtouch initiatives that will increase the mobile platform's exposure in Retail. The aim is to give customers a greater level of connection with the retail cash business through easier transactions, mobile product benefits and retail rewards.



TAB Agency Currambine



TAB Agency Perth Central

Report on operations

Commercial

The Commercial division is responsible for the development and implementation of strategies to improve RWWA's commercial viability and consequently enhance the sustainability of the WA Racing industry. This is achieved through evaluation of strategic business initiatives and commercial partnerships, benchmarking best practice in wagering against competitors as well as wagering innovation and product development. The division is also responsible for enhancing the corporate reputation of the organisation as well as initiating key bodies of research.

There have been a number of changes in the Australian wagering landscape which are being evaluated for their impact on RWWA and the WA racing industry including:

- **Race Fields Fee Increases** – Several racing authorities have increased their race field fees and changed the methodologies by which they are calculated. In some instances, there is now a differentiation in fees applicable for totalisator, Fixed Odds and exchange products. RWWA has modelled the impact of these changes and is formulating strategies to mitigate the impact of increasing fees.
- **Further Wagering Industry Consolidation** as a result of a number of European operators acquiring the few remaining Australian corporate bookmakers.
- **Licensing Arrangements** – Queensland Racing, the Queensland Government and Tatts have negotiated the terms of a new wagering license. The license comprised, amongst other things, a significant reduction in the level of wagering tax payable by the wagering operator with the benefit being passed on to the Queensland racing industry. In addition the ACT government has announced the sale of ACTTAB to Tabcorp, without confirming the long term racing industry funding commitments or sources.
- **Benchmarking the TAB Corporate Reputation** – a detailed corporate reputation survey was undertaken that highlighted the need for the TAB to enhance its commitment to, and engagement with, the community. As a result a number of social corporate responsibility initiatives will be undertaken. An initial \$80,000 funding contribution has been made to the Riding for the Disabled Association of Western Australia (RDAWA), to maintain the wellbeing of RDAWA horses. Negotiations are underway with other organisations to pursue community engagement initiatives that are aligned or associated with the objectives of RWWA.
- **Enhanced Commitment to Animal Wellbeing** - An Animal Wellbeing Committee was created to communicate and raise public awareness of RWWA's animal wellbeing initiatives, mandates and involvement. In addition, the TAB Off the Track program was launched to support Western Australian retired racehorses.

...enhancing the corporate reputation of the organisation as well as initiating key bodies of research

Information Services

The Information Services Division is responsible for providing strategic IT direction, technical innovation and support.

The IS division supports all RWWA wagering and racing information systems, ticket machines, information security, data communications, all wagering related technical infrastructure, and TAB Radio.

During 2013/14, the following significant operational and strategic milestones were achieved:

In Infrastructure:

- Admin Disaster Recovery move from city-based location to new location.
- Race Wall pilot rollout to 5 agencies as part of New Agency design.
- Racecourse Wi-Fi trials.
- New Greyhound racing system with WA and QLD coming online – All states excepting VIC now use the Greyhound System.

In Cross-Channel:

- Location-based Identification.
- All-up, which allows each way for each leg.
- Racing vs. Sports.
- Early Bird Quaddie, which allows punters to place a second quaddie on a meeting.
- Enhanced FOB Racing.

In Customer Experience:

- Rebranding.
- Desktop platform relaunch as TABTouch.com.au.
- Enhancements to TABTouch.mobi to match TABTouch.com.au functionality in:
 - Free Bet support for loyalty strategy
 - Blackbook, which allows punters to “tag” a runner so that they can keep track of when a runner next runs
 - Favourite Numbers
 - Single Bet Slip
- Dedicated Android application for mobile wagering.
- Fixed Odds Product Enhancements:
 - Multi betting
 - Inside/Outside betting
 - Odds & Evens betting
- Gamification
 - Progressive Dividends (World Cup)



Report on operations

Finance and Business Services

This division is responsible for financial management and strategy, risk and business continuity systems, wagering compliance, audit and legal matters, the administration of licensing and registration of racing participants/animals, business intelligence functions, including data mining and strategic analysis, and a variety of other business services.

The division has continued to provide wide ranging support to the organisation in the achievement of goals and objectives whilst maintaining a focus on prudent financial management and on improving efficiency and effectiveness.

Human Resources

The Human Resources (HR) division is responsible for the development and implementation of human resource management strategy and effective management of all related workplace and employee related functions across the organisation.

The division provides support to staff and managers on all employment related matters including recruitment, induction, performance management, interpretation and application of policies and workplace conditions. Advice and support to line managers in their people management skills and workforce planning has remained a constant requirement as the organisation continues to develop and change. Learning & Development, OSH & employee wellness functions also play a key role within the Division for RWWA and external stakeholders, which include TAB agents and the broader racing industry. In addition, the delivery of Payroll services and the management of staff data and reporting sit within this division.

During the reporting period, the HR team has focussed on achieving the leadership capabilities and culture changes outcomes from the previous year. Primarily this has involved a broad range of activities targeting specific work groups. From building awareness around our culture for all employees through internal workshops to strengthening leadership capabilities through learning groups, one-on-one coaching and defining specific competencies required of a leader, this year has seen positive results achieved across all employee levels. With our core values redefined to align with our vision and purpose and the implementation of our online learning and management system onTRACK, RWWA is well positioned to continue building capability and engagement, further reinforcing our ongoing commitment to invest in our people and culture strategy.

Chapter Three

Disclosures and legal compliance



Disclosures and legal compliance



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

RACING AND WAGERING WESTERN AUSTRALIA

Report on the Financial Statements

I have audited the accounts and financial statements of Racing and Wagering Western Australia.

The financial statements comprise the Statement of Financial Position as at 31 July 2014 the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

The Board is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the Treasurer's Instructions, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Racing and Wagering Western Australia's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of Racing and Wagering Western Australia at 31 July 2014 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.

Report on Controls

I have audited the controls exercised by Racing and Wagering Western Australia during the year ended 31 July 2014.

Controls exercised by Racing and Wagering Western Australia are those policies and procedures established by the Board to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions.

Board's Responsibility for Controls

The Board is responsible for maintaining an adequate system of internal control to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of public and other property, and the incurring of liabilities are in accordance with the Financial Management Act 2006 and the Treasurer's Instructions, and other relevant written law.

Auditor's Responsibility

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the controls exercised by Racing and Wagering Western Australia based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the adequacy of controls to ensure that Racing and Wagering Western Australia complies with the legislative provisions. The procedures selected depend on the auditor's judgement and include an evaluation of the design and implementation of relevant controls.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the controls exercised by Racing and Wagering Western Australia are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions during the year ended 31 July 2014.

Report on the Key Performance Indicators

I have audited the key performance indicators of Racing and Wagering Western Australia for the year ended 31 July 2014.

The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide information on outcome achievement and service provision.

Board's Responsibility for the Key Performance Indicators

The Board is responsible for the preparation and fair presentation of the key performance indicators in accordance with the Financial Management Act 2006 and the Treasurer's Instructions and for such controls as the Board determines necessary to ensure that the key performance indicators fairly represent indicated performance.

Auditor's Responsibility

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the key performance indicators based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

Disclosures and legal compliance

An audit involves performing procedures to obtain audit evidence about the key performance indicators. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments the auditor considers internal control relevant to the Board's preparation and fair presentation of the key performance indicators in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the relevance and appropriateness of the key performance indicators for measuring the extent of outcome achievement and service provision.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the key performance indicators of Racing and Wagering Western Australia are relevant and appropriate to assist users to assess the Racing and Wagering Western Australia's performance and fairly represent indicated performance for the year ended 31 July 2014.

Independence

In conducting this audit, I have complied with the independence requirements of the Auditor General Act 2006 and Australian Auditing and Assurance Standards, and other relevant ethical requirements.

Matters Relating to the Electronic Publication of the Audited Financial Statements and Key Performance Indicators

This auditor's report relates to the financial statements and key performance indicators of Racing and Wagering Western Australia for the year ended 31 July 2014 included on Racing and Wagering Western Australia's website. Racing and Wagering Western Australia's management is responsible for the integrity of the Racing and Wagering Western Australia's website. This audit does not provide assurance on the integrity of Racing and Wagering Western Australia's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.


COLIN MURPHY
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
14 October 2014

Certification of Financial Statements

For the year ending 31 July 2014

The accompanying financial statements of Racing and Wagering Western Australia have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ending 31 July 2014 and the financial position as at 31 July 2014.

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.



Jeff Ovens

RWWA Board Chairman

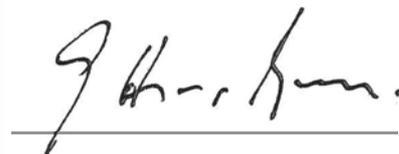
13 October 2014



Gary Gliddon

Audit & Risk Committee Chairman

13 October 2014



Julian Hilton-Barber

General Manager Finance
and Business Services and
Chief Financial Officer

13 October 2014

Disclosures and legal compliance

Statement of Comprehensive Income – For the year ended 31 July 2014

Income	Notes	2014	2013
		\$000	\$000
Revenue			
Margin	2	339,474	315,741
Interest revenue		2,616	2,609
Other revenue	4	18,406	17,780
Total Revenue		360,496	336,130
Gains			
Gain on disposal of non-current assets	5	-	257
Total Gains		-	257
Total Income		360,496	336,387
Expenses			
Expenses			
Cost of sales		83,488	72,321
Wagering Tax	3	42,716	40,417
Racing Services	6, 30	15,319	15,655
Wagering Services	6, 30	83,962	82,549
Support Services	6, 30	31,622	29,966
Projects	30	107	599
Grants and subsidies	7	14,557	3,747
Distribution to racing and sports industries	8	124,205	117,665
Loss on disposal of non-current assets	5	301	-
Total Expenses		396,277	362,919
Loss before grants and subsidies from State Government		(35,781)	(26,532)
Grants and subsidies from State Government	20	44,739	36,782
Profit for the period		8,958	10,250
Other Comprehensive Income			
Items not reclassified subsequently to profit or loss			
Changes in asset revaluation surplus	21	2,382	1,489
Total other comprehensive income		2,382	1,489
Total Comprehensive Income for the period		11,340	11,739

See also Note 29 'Schedule of Income and Expenses by Service'

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position – As at 31 July 2014

Assets	Notes	2014	2013
Current Assets		\$000	\$000
Cash and cash equivalents	22	84,975	67,745
Inventories	9	569	406
Receivables	10	1,864	2,017
Other current assets	12	6,017	5,679
Non-current assets classified as held for sale	13	551	900
Total Current Assets		93,976	76,747
Non-Current Assets			
Investments	11	352	352
Other Non-current assets	12	414	627
Property, plant and equipment	14	48,791	48,864
Capital works in progress		1,721	2,287
Intangible Assets	16	30,558	30,279
Total Non-Current Assets		81,836	82,409
Total Assets		175,812	159,156
Liabilities			
Current Liabilities			
Payables	18	40,856	36,229
Provisions	19	6,732	5,275
Total Current Liabilities		47,588	41,504
Non-Current Liabilities			
Payables	18	1,040	1,000
Provisions	19	808	1,617
Total Non-Current Liabilities		1,848	2,617
Total Liabilities		49,436	44,121
Net Assets		126,376	115,035
Equity			
Contributed Equity	21	60,884	60,884
Reserves	21	65,492	54,151
Total Equity		126,376	115,035

The Statement of Financial Position should be read in conjunction with the accompanying notes.

Disclosures and legal compliance

Statement of Changes in Equity – For the year ended 31 July 2014

	Notes	Contributed Equity	General Reserves	Asset Revaluation Reserves	Retained Earnings	Total Equity
		\$000	\$000	\$000	\$000	\$000
Balance at 1 August 2012	21	60,884	21,407	16,204	-	98,495
Changes in accounting policy	1 (u)	-	4,801	-	-	4,801
Restated balance at 1 August 2012		60,884	26,208	16,204	-	103,296
Surplus		-	-	-	10,250	10,250
Other comprehensive income		-	-	1,489	-	1,489
Total comprehensive income for the year		-	-	1,489	10,250	11,739
Transactions with owners in their capacity as owners:						
Capital appropriations		-	-	-	-	-
Other contributions by owners		-	-	-	-	-
Transfers between reserves		-	10,250	-	(10,250)	-
Distributions to owners		-	-	-	-	-
Total		-	10,250	-	(10,250)	-
Balance at 31 July 2013		60,884	36,458	17,693	-	115,035
Balance at 1 August 2013		60,884	36,458	17,694	-	115,035
Surplus		-	-	-	8,958	8,958
Other comprehensive income		-	-	2,382	-	2,382
Total comprehensive income for the year		-	-	2,382	8,958	11,340
Transactions with owners in their capacity as owners:						
Capital appropriations		-	-	-	-	-
Other contributions by owners		-	-	-	-	-
Transfers between reserves		-	8,958	-	(8,958)	-
Distributions to owners		-	-	-	-	-
Total		-	8,958	-	(8,958)	-
Balance at 31 July 2014		60,884	45,416	20,076	-	126,376

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows – For the year ended 31 July 2014

Cash Flows from Operating Activities	Notes	2014	2013
		\$000	\$000
Receipts			
Receipts from customers		2,124,367	2,022,632
Interest received		2,616	2,609
GST receipts on sales		36,934	35,218
Other receipts		9,991	10,035
Payments			
Customers		(1,774,376)	(1,698,931)
Creditors		(200,233)	(192,016)
Employee benefits		(34,632)	(33,018)
Distributions, Grants and Subsidies		(138,762)	(119,864)
Interest paid		(24)	(28)
GST payments on purchases		(16,062)	(15,021)
GST payments to taxation authority		(21,023)	(20,272)
Other payments		(6,360)	(6,790)
Net cash used in operating activities	22	(17,564)	(15,446)
Cash Flows from Investing Activities			
Receipts			
Proceeds from sales of non-current assets		659	2,671
Payments			
Purchase of non-current physical assets		(10,604)	(12,436)
Net cash used in investing activities		(9,945)	(9,765)
Cash Flows from State Government			
Government Grant reimbursement		44,739	36,782
Net cash provided by State Government		44,739	36,782
Net Increase in cash and cash equivalents		17,230	11,571
Cash and cash equivalents at the beginning of period		67,745	56,174
Cash and cash equivalents at the end of period	22	84,975	67,745

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

Disclosures and legal compliance

Notes to the Financial Statements

For the year ending 31 July 2014

Australian Accounting Standards

General

RWWA's financial statements for the year ended 31 July 2014 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' includes Standards and Interpretations issued by the Australian Accounting Standard Board (AASB).

RWWA has adopted any applicable, new and revised Australian Accounting Standards from their operative dates.

Early adoption of standards

RWWA cannot early adopt an Australian Accounting Standard unless specifically permitted by *Treasurer's Instruction (TI) 1101 'Application of Australian Accounting Standards and Other Pronouncements'*.

There has been no early adoption of Australian Accounting Standards that have been issued or amended (but not operative) by RWWA for the annual reporting period ended 31 July 2014.

1. Summary of Significant Accounting Policies

(a) General Statement

RWWA prepares general purpose financial statements in accordance with the Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board 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 Management Act 2006* and the *Treasurer's Instructions* impose legislative provisions that govern the preparation of financial statements and take precedence over the Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB.

Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

(b) Basis of Preparation

The financial statements have been prepared on the accrual basis of accounting (except for Grant Income which is recognised on a cash basis) using the historical cost convention, except for land and building which have been measured at fair value.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000).

The preparation of financial statements requires management to make judgements, about the application of accounting policies that have a significant effect on the amounts recognised in the financial statements. RWWA evaluates these judgements regularly.

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Notes to the Financial Statements

(c) Reporting Entity

The reporting entity comprises Racing and Wagering Western Australia (RWWA).

(d) Income

Revenue Recognition

This 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.

Interest

Interest income is accrued on a time basis by reference to the outstanding principal and the effective interest rate applicable.

Unclaimed Dividends

Betting dividends are deducted from turnover to arrive at the commission on turnover. In accordance with the *RWWA Act 2003 (Section 104)*, dividends that are not claimed within seven months are included as income under Other Revenue.

Gains

The gain or loss on the disposal of assets is recognised at the date the significant risks and rewards of ownership of the asset passes to the buyer, usually when the purchaser takes delivery of the asset. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Government Grants and Subsidies

The Western Australian Government provides partial reimbursement for GST paid on the operator's margin.

Under the *Gaming and Wagering Commission Act 1987 (section 110B)*, the Gaming and Wagering Commission may credit RWWA with proceeds from the Western Australian Race Fields legislation. The *Racing and Wagering Western Australia Act 2003 (section 107A)* requires these funds to be credited into a special purpose account for distribution to registered racing clubs in Western Australia. Treasurer's Instruction 1102 requires these amounts to be disclosed as Grants from the State Government.

Royalties for Regions funds as well as contributions received through the Racecourse Infrastructure Grants Program are recognised as revenue at fair value in the period in which RWWA obtains control of the funds. RWWA obtains control of the funds at the time the funds are deposited into RWWA's bank account.

(e) Product Fee Expense

Product Fees are generally charged to wagering operators (including RWWA) by the State controlling bodies of each racing code for the use of Race Fields listings. Additional product fees on sporting events and international racing are negotiated with the relevant controlling bodies. Permission to use Western Australian Race Fields is controlled by the Western Australian Department of Racing, Gaming and Liquor.

(f) Tax

Section 102 of the RWWA Act 2003 requires RWWA to pay tax in respect of bets at the rate imposed by Sections 4 and 5.

Disclosures and legal compliance

Notes to the Financial Statements

Parimutuel and Fixed Odds Betting (FOB)

The tax rate for Parimutuel Sports betting is 5.0% of turnover, whereas the tax rate for Parimutuel Racing is 11.91% of gross revenue. The tax rate for Fixed Odds Betting (FOB) Sports is 0.5% of turnover and FOB Racing is 2.0% of turnover.

(g) Goods and Services Tax

Revenues, expenses and assets are recognised net of GST, except where the amount of the GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of the GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash Flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows. The GST on operator's margin, which is reimbursed by the Western Australian Government, is classified as cash flows from State Government.

(h) Property, Plant and Equipment and Infrastructure

Capitalisation/Expensing of assets

Items of property, plant and equipment and infrastructure costing over \$5,000 are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment costing less than \$5,000 are expensed direct to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

Initial recognition and measurement

All items of property, plant and equipment are initially recognised at cost.

Subsequent measurement

Subsequent to initial recognition as an asset, the revaluation model is used for the measurement of land, buildings and infrastructure and the cost model for all other property, plant and equipment and infrastructure. Land, buildings and infrastructure are carried at fair value less accumulated depreciation (buildings and infrastructure only) and accumulated impairment losses. All other items of property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Where market-based evidence is available, the fair value of land and buildings and infrastructure is determined on the basis of current market buying values determined by reference to recent market transactions. When buildings are revalued by reference to recent market transactions, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

In the absence of market-based evidence, the fair value of land and buildings is determined on the basis of existing use. This normally applies where buildings are specialised or where land use is restricted. Fair value for existing use assets is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset. (i.e. depreciated replacement cost). Where the fair value of buildings is determined on the depreciated replacement cost basis, the gross carrying amount and the accumulated depreciation are restated proportionately. Fair value for restricted use land is determined by comparison with market evidence for land with similar approximate utility (high restricted use land) or market value of comparable unrestricted land (low restricted use land).

Notes to the Financial Statements

Land and buildings are independently valued annually by the Western Australian Land Information Authority (Valuation Services) and recognised annually to ensure that the carrying amount does not differ materially from the assets fair value at the end of the reporting period.

Infrastructure is carried at historical cost less accumulated depreciation and accumulated impairment loss.

The most significant assumptions and judgements in estimating fair value are made in assessing whether to apply the existing use basis to assets in determining estimated economic life. Professional judgement by the valuer is required where the evidence does not provide a clear distinction between market type assets and existing use assets.

Derecognition

Upon disposal or derecognition of an item of property, any revaluation relating to that asset is retained in the asset revaluation surplus.

Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets as described in note 14 'Property, Plant and Equipment'.

Depreciation

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Depreciation is calculated using the straight line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

	2013/14
Buildings	10 to 40 years
Infrastructure	10 years
Leasehold Improvements ^(a)	5 to 15 years
Motor vehicles	5 years
Machinery Plant and Equipment	5 years
Furniture and Fittings	5 years
Computer Equipment	4 years
Software ^(b)	2 to 15 years

^(a) Leasehold Improvements useful life will depend on duration of lease.

^(b) Software that is integral to the operation of related hardware.

Land is not depreciated.

Disclosures and legal compliance

Notes to the Financial Statements

(i) Intangible Assets

Capitalisation/Expensing of Assets

Acquisitions and internally generated intangible assets costing over \$10,000 are capitalised. The cost of utilising the assets is expensed (amortised) over their useful life. Costs incurred of less than \$10,000 are immediately expensed directly to the Statement of Comprehensive Income.

All acquired and internally developed intangible assets are initially measured at cost.

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life) on the straight line basis using rates which are reviewed regularly. All intangible assets controlled by RWWA have a finite useful life and zero residual value. The expected useful lives for each class of intangible asset are:

Software ^(a)	2 to 15 years
Web site costs	3 to 5 years
Domain names	10 years

^(a) Software that is not integral to the operation of any related hardware.

Computer Software

Software that is an integral part of the related hardware is treated as property, plant and equipment. Software that is not an integral part of the related hardware is treated as an intangible asset.

Web site costs

Web site costs are charged as expenses when they are incurred unless they relate to the acquisition or development of an asset when they may be capitalised and amortised. Generally, costs in relation to feasibility studies during the planning phase of a web site, and ongoing costs of maintenance during the operating phase are expensed. Costs incurred in building or enhancing a web site, to the extent that they represent probable future economic benefits that can be reliably measured, are capitalised.

Domain Names

Domain names have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses.

(j) Impairment of Assets

Property, plant and equipment, infrastructure and intangible assets are tested for any indication of impairment at the end of each reporting period. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. Where an asset measured at cost is written down to recoverable amount, an impairment loss is recognised in profit or loss. Where a previously revalued asset is written down to recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of the asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

Notes to the Financial Statements

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at the end of the reporting period irrespective of whether there is any indication of impairment.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market-based evidence. Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at the end of each reporting period.

(k) Non-Current Assets Classified as Held for Sale

Non-current assets held for sale are recognised at the lower of carrying amount and fair value less costs to sell, and are disclosed separately from other assets in the Statement of Financial Position. Assets classified as held for sale are not depreciated or amortised.

(l) Leases

RWWA holds a number of operating leases for buildings and operating equipment. Lease payments are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased properties and equipment.

(m) Financial Instruments

In addition to cash, RWWA has two categories of financial instrument:

- Receivables
- Financial liabilities measured at amortised cost.

These have been disaggregated into the following classes:

Financial Assets

- Cash and cash equivalents
- Receivables

Financial Liabilities

- Payables
- Agents Deposits.

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or the face value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

(n) Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise cash on hand and short term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

Disclosures and legal compliance

Notes to the Financial Statements

(o) Accrued Salaries

Accrued salaries represent the amount due to staff but unpaid at the end of the financial year, as the pay date for the last pay period for that financial year does not coincide with the end of financial year. Accrued salaries are settled within a fortnight of the financial year end. RWWA considers the carrying amount of accrued salaries to be equivalent to its net fair value.

(p) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Inventories not held for resale are valued at cost unless they are no longer required, in which case they are valued at net realisable value.

(q) Receivables

Receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that RWWA will not be able to collect its debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days. Agents settle on a weekly basis.

(r) Payables

Payables are recognised when RWWA becomes obliged to make future payments as a result of a purchase of assets or services at the amounts payable. The carrying amount is equivalent to fair value, as they are generally settled within 30 days.

(s) Provisions

Provisions are liabilities of uncertain timing and amount and are recognised where there is a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period.

(i) Provisions – Employee Benefits

All annual leave and long service leave provisions are in respect of employees' services up to the end of the reporting period.

Annual Leave

Annual leave is not expected to be settled wholly within 12 months after the end of the reporting period and is therefore considered to be 'other long-term employee benefits'. The annual leave liability is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions as well as the experience of employee departures and periods of service. The expected future payments are discounted to present value using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The provision for annual leave is classified as current liability as RWWA does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Notes to the Financial Statements

Long Service Leave

A liability for long service leave is recognised after an employee has completed two years of service based on remuneration rates current as at the end of the reporting period.

The liability for long service leave expected to be settled within 12 months after the end of the reporting date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled. Long service leave expected to be settled more than 12 months after the end of the reporting date is measured at the present value of amounts expected to be paid when the liabilities are settled.

Leave liabilities are in respect of services provided by employees up to the reporting date.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions. In addition, the long service leave liability also considers the experience of employee departures and periods of service. The expected future payments are discounted to present value using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Unconditional long service leave provisions are classified as current liabilities as RWWA does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because RWWA has an unconditional right to defer the settlement of the liability until the employees has completed the requisite years of service.

Superannuation

The Government Employees Superannuation Board (GESB) and other funds administer public sector superannuation arrangements in Western Australia in accordance with legislative requirements. Eligibility criteria for membership in particular schemes for public sector employees varies according to commencement and implementation date.

Employees may contribute to the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme now closed to new members. Employees commencing employment prior to 16 April 2007 who were not members of GSS became non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). From 30 March 2012, existing members of WSS or GESBS and new employees became able to choose their preferred superannuation fund. RWWA makes concurrent contributions to GESB or other funds on behalf of employees in compliance with the Commonwealth Government's *Superannuation Guarantee (Administration) Act 1992*. Contributions to these accumulation schemes extinguish RWWA's liability for superannuation charges in respect of employees who are not members of the Pension Scheme or GSS.

The GSS Scheme, the WSS Scheme, and the GESBS, where the current service superannuation charge is paid by RWWA to the GESB, are defined contribution schemes. The liabilities for current service superannuation charges under the GSS, the WSS, and the GESBS are extinguished by the concurrent payment of employer contributions to the GESB.

The GSS is a defined benefit scheme for the purposes of employees and whole-of-government reporting. However, from an agency perspective, apart from the transfer benefits, it is a defined contribution plan under AASB 119.

AMP manages the AMP Custom Superannuation Fund, an accumulation fund for casual staff.

(ii) Provisions – Other

Employment on-costs, including workers' compensation insurance and payroll tax, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenses' and are not included as part of RWWA's 'Employee benefits expense'. The related liability is included in 'Employment on-costs provision.'

Disclosures and legal compliance

Notes to the Financial Statements

(t) Superannuation Expense

Superannuation expense is recognised in the Statement of Comprehensive Income in profit or loss for defined contribution plans, including the concurrent payment of employer contributions to the GSS scheme, as and when the contribution falls due.

(u) Comparative Figures

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

In compliance with Australian Accounting Standard AASB 1004 'Contributions', in the current year RWWA has recognised contributions received from Royalties for Regions and Racecourse Infrastructure Grants Program as income in the statement of comprehensive income and restated the prior year figures to bring them in line with current year figures. The restatement of prior year figures has resulted in an increase in prior year comprehensive income of \$946,000 and total equity by \$5,749,000.

Key Sources of Estimation Uncertainty

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Long Service Leave

Several estimations and assumptions used in calculating RWWA's long service leave provision include expected future salary rates, discount rates, employee retention rates and expected future payments. Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.

Disclosure of Changes in Accounting Policy and Estimates

Initial application of an Australian Accounting Standard

RWWA has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 August 2013 that impacted on RWWA:

AASB 13 Fair Value Measurement

This Standard defines fair value, sets out a framework for measuring fair value and requires additional disclosures for assets and liabilities measured at fair value. There is no financial impact

AASB 119 Employee Benefits

This Standard supersedes AASB 119 (October 2010), making changes to the recognition, presentation and disclosure requirements.

RWWA assessed employee leave patterns to determine whether annual leave is a short-term or other long-term employee benefit. The resultant discounting of annual leave liabilities that were previously measured at the undiscounted amounts is not material.

AASB 1048 Interpretation of Standards

This Standard supersedes AASB 1048 (June 2012), enabling references to the Interpretations in all other Standards to be updated by reissuing the service Standard. There is no financial impact.

Notes to the Financial Statements

AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Int 2, 4, 12, 13, 14, 17, 19, 131 & 132]

This Standard replaces the existing definition and fair value guidance in other Australian Accounting Standards and Interpretations as the result of issuing AASB 13 in September 2011. There is no financial impact.

AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)[AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and Int 14]

This Standard makes amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 119 in September 2011. The resultant discounting of annual leave liabilities that were previously measured at the undiscounted amounts is not material.

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 & 132]

This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. There is no financial impact.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-11 Cycle [AASB 1, 101, 116, 132 & 134 and Int 2]

This Standard makes amendments to the Australian Accounting Standards and Interpretations as a consequence of the annual improvements process. There is no financial impact.

AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures [AASB 9, 2009-11, 2010-7, 2011-7 & 2011-8]

This Standard amends the mandatory effective date of AASB 9 Financial Instruments to 1 January 2015 (instead of 1 January 2013). Further amendments are also made to numerous consequential amendments arising from AASB 9 that will now apply from 1 January 2015. There is no financial impact.

AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Int 1039

The withdrawal of Int 1039 Substantive Enactment of Major Tax Bills in Australia has no financial impact for RWWA during the reporting period and at balance date. Measurement of tax assets and liabilities continues to be measured in accordance with enacted or substantively enacted tax law pursuant to AASB 112.46-47.

AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments [AASB 1, 5, 7, 8, 10, 11, 12, 13, 101, 102, 108, 112, 118, 119, 127, 128, 132, 133, 134, 137, 1023, 1038, 1039, 1049 & 2011-7 and Int 12]

The Standard introduces a number of editorial alterations and amends the mandatory application date of Standards for not-for-profit entities accounting for interests in other entities. There is no financial impact.

AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments.

Part A of this omnibus Standard makes amendments to other Standards arising from revisions to the Australian Accounting Conceptual Framework for periods ending on or after 20 December 2013. Other Parts of this Standard become operative in later periods. There is no financial impact for Part A of the Standard.

Disclosures and legal compliance

Notes to the Financial Statements

Future impact of Australian Accounting Standards not yet operative

RWWA cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 'Applications of Australian Accounting Standards and Other Pronouncements'. Consequently, RWWA has not applied the following Australian Accounting Standards and Australian Accounting Interpretations that have been issued but are not yet effective. Where applicable, RWWA plans to apply these Standards and their interpretations from their application date:

Title	Operative for reporting periods beginning on/after
<p>Int 21 Levies</p> <p>This Interpretation clarifies the circumstances under which a liability to pay a government levy imposed should be recognised. There is no financial impact for RWWA at reporting date.</p>	1 Jan 2014
<p>AASB 9 Financial Instruments</p> <p>This Standard supersedes AASB 139 Financial Instruments: Recognition and Measurement, introducing a number of changes to accounting treatments.</p> <p>The mandatory application date of this Standard was amended to 1 January 2018 by AASB 2014-1</p> <p>RWWA has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018
<p>AASB 10 Consolidated Financial Statements</p> <p>This Standard, issued in August 2011, supersedes AASB 127 Consolidated and Separate Financial Statements and Int 112 Consolidation – Special Purpose Entities, introducing a number of changes to accounting treatments.</p> <p>Mandatory application of this Standard was deferred by AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments. The adoption of the new Standard has no financial impact for RWWA as it does not impact accounting for related bodies and the Authority has no interests in other entities.</p>	1 Jan 2014
<p>AASB 11 Joint Arrangements</p> <p>This Standard, issued in August 2011, supersedes AASB 131 Interests in Joint Ventures, introduces new principles for determining the type of joint arrangement that exists, which are more aligned to the actual rights and obligations of the parties to the arrangement.</p> <p>Mandatory application of this Standard was deferred for not-for-profit entities by AASB 2012-10.</p> <p>RWWA has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2014
<p>AASB 12 Disclosure of Interests in Other Entities</p> <p>This Standard, issued in August 2011, supersedes disclosure requirements in AASB 127 Consolidated and Separate Financial Statements, AASB 128 Investments in Associates and AASB 131 Interests in Joint Ventures.</p> <p>Mandatory application of this Standard was deferred for not-for-profit entities by AASB 2012-10.</p> <p>RWWA has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2014
<p>AASB 14 Regulatory Deferral Accounts</p> <p>RWWA has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2016

Notes to the Financial Statements

Title	Operative for reporting periods beginning on/after
<p>AASB 127 Separate Financial Statements</p> <p>This Standard, issued in August 2011, supersedes AASB 127 Consolidated and Separate Financial Statements, removing the consolidation requirements of the earlier standard whilst retaining accounting and disclosure requirements for the preparation of separate financial statements. Mandatory application was deferred for not-for-profit entities by AASB 2012-10.</p> <p>There is no financial impact.</p>	1 Jul 2014
<p>AASB 128 Investments in Associates and Joint Ventures</p> <p>This Standard supersedes AASB 128 Investments in Associates, introducing a number of clarifications for the accounting treatments of changed ownership interest.</p> <p>Mandatory application of this Standard was deferred for not-for-profit entities by AASB 2012-10.</p> <p>RWWA has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2014
<p>AASB 1031 Materiality</p> <p>This Standard supersedes AASB 1031 (February 2010), removing Australian guidance on materiality not available in IFRSs and refers to guidance on materiality in other Australian pronouncements.</p> <p>RWWA has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2014
<p>AASB 1055 Budgetary Reporting</p> <p>This Standard requires specific budgetary disclosures in the general purpose financial statements of not-for-profit entities within the General Government Sector. The Department will be required to disclose additional budgetary information and explanations of major variances between actual and budgeted amounts, though there is no financial impact.</p>	1 Jan 2014
<p>AASB 2009-11 Amendments to Australian Accounting Standards</p> <p>arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Int 10 & 12]</p> <p>[modified by AASB 2010-7]</p>	1 Jan 2015
<p>AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Int 2, 5, 10, 12, 19 & 127]</p> <p>This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010.</p> <p>RWWA has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2015
<p>AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Int 5, 9, 16 & 17]</p> <p>This Standard gives effect to consequential changes arising from the issue of AASB 10, AASB 11, AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures. Mandatory application was deferred for not-for-profit entities by AASB 2012-10.</p> <p>RWWA has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2014

Disclosures and legal compliance

Notes to the Financial Statements

Title	Operative for reporting periods beginning on/after
<p>AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]</p> <p>This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.</p> <p>RWWA does not routinely hold financial assets and liabilities that it intends to settle on a net basis, therefore there is no financial impact.</p>	1 Jan 2014
<p>AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets.</p> <p>This Standard introduces editorial and disclosure changes. There is no financial impact.</p>	1 Jan 2014
<p>AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]</p> <p>This Standard permits the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.</p> <p>RWWA does not routinely enter into derivatives or hedges, therefore there is no financial impact.</p>	1 Jan 2014
<p>AASB 2013-8 Amendments to Australian Accounting Standards Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities [AASB 10, 12 & 1049].</p> <p>The amendments, issued in October 2013, provide significant guidance in determining whether a not-for-profit entity controls another entity when financial returns are not a key attribute of the investor’s relationship. The Standard has no financial impact in its own right, rather the impact results from the adoption of the amended AASB 10.</p>	1 Jan 2014
<p>AASB 2013-9 Amendments to Australian Accounting Standards Conceptual Framework, Materiality and Financial Instruments.</p> <p>This omnibus Standard makes amendments to other Standards arising from the deletion of references to AASB 1031 in other Standards for periods beginning on or after 1 January 2014 (Part B), and, defers the application of AASB 9 to 1 January 2017 (Part C). The application date of AASB 9 was subsequently deferred to 1 January 2018 by AASB 2014-1.</p> <p>RWWA has not yet determined the application or the potential impact of AASB9, otherwise there is no financial impact for Part B.</p>	1 Jan 2014 1 Jan 2017
<p>AASB 2014-1 Amendments to Australian Accounting Standards</p> <p>RWWA has not yet determined the application or potential impact of the Standard.</p>	1 Jul 2014 1 Jan 2015 1 Jan 2016 1 Jan 2018

Notes to and Forming Part of the Financial Statements

	2014	2013
	\$000	\$000
2 Margin		
Margin on Turnover inclusive of GST	367,252	342,591
Goods and Services Tax	(27,778)	(26,850)
	339,474	315,741
<p>The Goods and Services Tax (GST) is not applied to the consumption of gambling services. It is however, applied to the operator's margin defined as the subscription (wagering less sales commission) less the amount of prizes (dividends).</p> <p>The State provides reimbursement to gaming operators (including RWWA) for GST paid on the operator's margin on Fixed Odds Betting and Parimutuel Sports.</p> <p><i>Treasurer's Instruction 1102</i> requires the GST reimbursement to be disclosed as a grant from the State Government rather than offset against the cost to which it applies.</p>		
3 Wagering Tax		
Tax on turnover	5,959	2,711
Tax on margin	36,757	37,706
	42,716	40,417
4 Other Revenue		
Other Revenue	9,830	9,527
Unclaimed dividends (Racing)	8,572	8,253
Dividends	4	-
	18,406	17,780
5 Net (loss)/gain on disposal of Property, Plant, Equipment and Vehicles		
Proceeds from disposal	659	2,672
Cost of disposal	(960)	(2,415)
Net (loss)/gain	(301)	257
6 Racing, Wagering and Support Services		
Employee Benefit Expense	35,280	33,498
Depreciation and Amortisation Expense	12,735	12,495
Finance Costs	24	28
Supplies and Services	45,617	45,936
Advertising and Promotions	17,477	16,955
Communications	5,201	5,088
Accommodation	7,406	7,244
Other Expenses	7,163	6,926
	130,903	128,170

Disclosures and legal compliance

Notes to and Forming Part of the Financial Statements

	2014	2013
	\$000	\$000
7 Grants and subsidies		
Grants and subsidies expense		
Grants	9,372	451
Subsidies	1,668	1,748
RIGP	2,092	1,317
R4R	1,425	231
	14,557	3,747
8 Distributions to Racing and Sports Industries		
Thoroughbreds	73,615	69,017
Harness	30,363	29,765
Greyhounds	15,775	14,880
Sports	4,452	4,003
	124,205	117,665
9 Inventories		
Current		
Inventories not held for resale:		
At Cost:		
Tickets	365	245
Agency Spares and Consumables	204	161
	569	406
10 Receivables		
Current		
Receivables	992	1,571
Accrued Revenue	303	215
Other Debtors	589	251
Allowance for impairment of receivables	(20)	(20)
	1,864	2,017
Reconciliation of changes in the allowance for impairment of receivables:		
Balance at start of year	20	20
Doubtful debts expense recognised in the income statement	223	68
Amounts written off during the year	(223)	(68)
Balance at end of year	20	20
RWWA does not hold any collateral as security or other credit enhancements relating to receivables.		

Notes to and Forming Part of the Financial Statements

		2014	2013
		\$000	\$000
11	Investments		
	Non current		
	At cost:		
	Unlisted Shares	352	352
		352	352
	Reconciliation		
	Carrying amount at start of period	352	352
	Additions	-	-
	Disposals	-	-
	Carrying amount at end of period	352	352
12	Other Assets		
	Current		
	Prepayments	6,017	5,679
		6,017	5,679
	Non-Current		
	Prepayments	414	627
		414	627

Disclosures and legal compliance

Notes to and Forming Part of the Financial Statements

	2014	2013
	\$000	\$000
13 Non-current assets classified as held for sale		
<u>Opening balance</u>		
Freehold land	840	2,220
Buildings	60	78
	900	2,298
<u>Assets reclassified as held for sale</u>		
Freehold land	500	840
Buildings	51	60
	551	900
<u>Total assets classified as held for sale</u>		
Freehold land	1,340	3,060
Buildings	111	138
	1,451	3,198
<u>Less assets sold</u>		
Freehold land	840	2,220
Buildings	60	77
	900	2,297
<u>Closing balance</u>		
Freehold land	500	840
Buildings	51	60
	551	900
No freehold properties are in the process of being sold.		

Notes to and Forming Part of the Financial Statements

	2014	2013
	\$000	\$000
14 Property, Plant & Equipment		
<u>Freehold land</u>		
At fair value	21,131	20,086
Accumulated impairment losses	-	-
	21,131	20,086
<u>Buildings</u>		
At fair value	9,285	7,162
Accumulated depreciation	(425)	(327)
	8,860	6,835
<u>Leasehold improvements</u>		
At cost	10,490	9,389
Accumulated depreciation	(7,525)	(6,579)
	2,965	2,810
<u>Infrastructure</u>		
At cost	4,891	6,731
Accumulated depreciation	(2,894)	(3,029)
	1,997	3,702
<u>Machinery, Plant & Equipment</u>		
At cost	3,369	3,172
Accumulated depreciation	(2,224)	(2,042)
	1,145	1,130
<u>Computer Equipment</u>		
At cost	33,133	31,463
Accumulated depreciation	(22,454)	(19,300)
	10,679	12,163
<u>Furniture and Fittings</u>		
At cost	3,834	3,653
Accumulated depreciation	(2,803)	(2,397)
	1,031	1,256
<u>Motor Vehicles</u>		
At cost	3,042	2,769
Accumulated depreciation	(2,059)	(1,887)
	983	882
	48,791	48,864

Freehold land and buildings were revalued as at 1 July 2013 by Western Australian Land Information Authority. The valuations were performed during the year ended 31 July 2013 and recognised at 31 July 2013. The fair value of all land and buildings has been determined by reference to recent market transactions. In undertaking the revaluation, fair value was determined by reference to market values for land: \$21,131,000 (2013: \$20,086,000) and Buildings \$8,577,000 (2013: \$8,494,000). For the remaining balance, fair value of buildings was determined on the basis of depreciated replacement cost and fair value of land was determined on the basis of comparison with market evidence for land with low level utility (high restricted use land).

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the reporting period are set out below.

Disclosures and legal compliance

Notes to and Forming Part of the Financial Statements

	Freehold Land	Buildings	Leasehold Improvements	Infrastructure	Machinery, Plant and Equipment	Computer Equipment
2014	\$000	\$000	\$000	\$000	\$000	\$000
Carrying amount at start of period	20,086	6,835	2,810	3,703	1,130	12,163
Additions	-	368	1,395	4	408	2,593
Transfers	-	1,268	-	(1,268)	-	-
Disposals	-	1	(35)	-	-	(3)
Write -Offs	-	-	-	-	-	-
Classified as held for sale	(500)	(51)	-	-	-	-
Revaluation increments/ (decrements)	1,545	837	-	-	-	-
Depreciation	-	(397)	(1,206)	(442)	(394)	(4,074)
Carrying amount at end of period	21,131	8,861	2,964	1,997	1,144	10,679
				Furniture and Fittings	Motor Vehicles	Total
				\$000	\$000	\$000
Carrying amount at start of period				1,256	882	48,865
Additions				294	436	5,498
Transfers				-	-	-
Disposals				(13)	(10)	(60)
Write -Offs				-	-	-
Classified as held for sale				-	-	(551)
Revaluation increments/ (decrements)				-	-	2,382
Depreciation				(505)	(326)	(7,344)
Carrying amount at end of period				1,032	982	48,790

Notes to and Forming Part of the Financial Statements

	Freehold Land	Buildings	Leasehold Improvements	Infrastructure	Machinery, Plant and Equipment	Computer Equipment
2013	\$000	\$000	\$000	\$000	\$000	\$000
Carrying amount at start of period	20,211	6,370	3,176	4,146	811	12,972
Additions	-	34	883	210	649	3,345
Disposals	-	-	-	-	-	-
Write-Offs	-	-	-	-	-	-
Classified as held for sale	(840)	(58)	-	-	-	-
Revaluation increments/ (decrements)	715	775	-	-	-	-
Depreciation	-	(286)	(1,249)	(654)	(330)	(4,154)
Carrying amount at end of period	20,086	6,835	2,810	3,702	1,130	12,163
				Furniture and Fittings	Motor Vehicles	Total
				\$000	\$000	\$000
Carrying amount at start of period				1,471	1,083	50,240
Additions				301	498	5,920
Disposals				-	(117)	(117)
Write-Offs				-	-	-
Classified as held for sale				-	-	(898)
Revaluation increments/ (decrements)				-	-	1,490
Depreciation				(516)	(582)	(7,771)
Carrying amount at end of period				1,256	882	48,864

Disclosures and legal compliance

Notes to and Forming Part of the Financial Statements

15 Fair value measurements

Assets measured at fair value:

	Level 1	Level 2	Level 3	Fair value at end of period
2014	\$000	\$000	\$000	\$000
Non-current assets classified as held for sale (Note 13)	-	551	-	551
Land (Note 14)	-	20,756	375	21,131
Buildings (Note 14)	-	6,627	1,950	8,577
	-	27,934	2,325	30,259

There were no transfers between Levels 1, 2 or 3 during the period.

Valuation techniques to derive Level 2 fair values

Level 2 fair values of Non-current assets held for sale, Land and Buildings are derived using the market approach. Market evidence of sales prices of comparable land and buildings in close proximity is used to determine price per square metre.

Non-current assets held for sale have been written down to fair value less costs to sell. Fair value has been determined by reference to market evidence of sales prices of comparable assets.

Fair value measurements using significant unobservable inputs (Level 3)

	Land	Buildings
2014	\$000	\$000
Fair value at start of period	310	1,982
Additions	-	-
Revaluation increments recognised in Other Comprehensive Income	65	29
Depreciation Expense	-	(61)
Fair value at end of period	375	1,950
Total gains or losses for the period included in profit or loss under "Other Gains"	-	-
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period.	-	-

Notes to and Forming Part of the Financial Statements

Valuation processes

There were no changes in valuation techniques during the period

Transfers in and out of a fair value level are recognised on the date of the event or change in circumstances that caused the transfer. Transfers are generally limited to assets newly classified as non-current assets held for sale as Treasurer's instructions require valuations of land, buildings and infrastructure to be categorised within Level 3 where the valuations will utilise significant Level 3 inputs on a recurring basis.

Fair value for existing use specialised buildings and infrastructure assets is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the depreciated replacement cost. Depreciated replacement cost is the current replacement cost of an asset less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired economic benefit, or obsolescence, and optimisation (where applicable) of the asset.

Current replacement cost is generally determined by reference to the market observable replacement cost of a substitute asset of comparable utility and the gross project size specifications.

Fair value for restricted use land is based on market value, by either using market evidence of sales of comparable land that is unrestricted less restoration costs to return the site to a vacant and marketable condition (low restricted use land), or, comparison with market evidence for land with low level utility (high restricted use land).

Significant Level 3 inputs used by RWWA are derived and evaluated as follows:

Historical cost per square metre floor area (m²).

The costs of constructing specialised buildings with similar utility are extracted from financial records of RWWA, then indexed by movements in CPI.

Consumed economic benefit/obsolescence of asset.

These are estimated by the Western Australian Land Information Authority (Valuation Services).

Selection of land with restricted utility.

Fair value for restricted use land is determined by comparison with market evidence for land with low level utility. Relevant comparators of land with low level utility are selected by the Western Australian Land Information Authority (Valuation Services).

Description and fair value as at 30 July 2014	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (weighted average)	Relationship of unobservable inputs to fair value
Land (\$375,000)	Depreciated Replacement Cost Method	Selection of land with similar approximate utility	(\$1.81 per m ²)	Higher value of similar land increases estimated fair value.
Buildings (\$1,950,400)	Depreciated Replacement Cost Method	Consumed economic benefit/obsolescence of asset	1.45% – 1.54% per year (1.49% per year)	Greater consumption of economic benefit or increased obsolescence lowers fair value.
		Historical cost per cubic metre (m ³)	\$556.13 – \$669.31 per m ² (\$616.93 per m ²)	Lower historical cost per cubic metre (m ³) reduces fair value.

Reconciliations of the opening and closing balances are provided in Note 14.

Disclosures and legal compliance

Notes to and Forming Part of the Financial Statements

	2014	2013
	\$000	\$000
16 Intangible Assets		
<u>Computer software</u>		
At cost	55,505	49,879
Accumulated amortisation	(24,954)	(19,609)
	30,551	30,270
<u>Domain names</u>		
At cost	25	25
Accumulated amortisation	(18)	(16)
	7	9
	30,558	30,279
<u>Reconciliation</u>		
<u>Computer software</u>		
Carrying amount at start of period	30,269	29,890
Additions	5,673	5,102
Amortisation	(5,391)	(4,722)
Carrying amount at end of period	30,551	30,270
<u>Domain names</u>		
Carrying amount at start of period	9	12
Amortisation	(2)	(3)
Carrying amount at end of period	7	9
	30,558	30,279

17 Impairment of Assets

There were no indications of impairment to property, plant and equipment and intangible assets at 31 July 2014. RWWA held no intangible assets with an indefinite useful life during the reporting period. No surplus assets are held by RWWA as at 31 July 2014.

Notes to and Forming Part of the Financial Statements

	2014	2013
	\$000	\$000
18 Payables		
Current		
Trade Payables	6,628	4,159
Unclaimed dividends and refunds	6,654	6,534
TAB Payables and Account betting deposits	14,113	12,288
Other Payables	5,212	4,409
GST Payable	1,660	1,811
Accrued Expenses	6,589	7,028
	40,856	36,229
Non Current		
Agents deposits and property bonds	1,040	1,000
	1,040	1,000

Disclosures and legal compliance

Notes to and Forming Part of the Financial Statements

	2014	2013
	\$000	\$000
19 Provisions		
Current		
Employee benefits provision		
Annual Leave (a)	2,451	2,105
Long Service Leave (b)	3,905	2,478
	6,356	4,583
Other provisions		
Employment on–costs (c)	376	692
	376	692
	6,732	5,275
Non Current		
Employee benefits provision		
Long Service Leave (b)	729	1,411
	729	1,411
Other provisions		
Employment on–costs (c)	79	206
	79	206
	808	1,617
(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:		
Within 12 months of the end of the reporting period	1,949	1,673
More than 12 months after the end of the reporting period	503	432
	2,452	2,105
(b) Long service leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:		
Within 12 months of the end of the reporting period	900	546
More than 12 months after the end of the reporting period	3,733	3,343
	4,633	3,889
(c) The settlement of annual and long service leave liabilities gives rise to the payment of employment on–costs including workers compensation premiums and payroll tax. The provision is measured at the present value of expected future payments. The associated expense, apart from the unwinding of the discount (finance cost), is included under 'Other expenses' at Note 6.		
Movements in Other provisions		
Movements in each class of provisions during the financial year, other than employee benefits, are set out below.		
Employment on–cost provision		
Carrying amount at start of period	898	850
Additional provisions recognised	1,628	1,991
Payments/other sacrifices of economic benefits	(2,071)	(1,943)
Carrying amount at end of period	455	898

Notes to and Forming Part of the Financial Statements

	2014	2013
	\$000	\$000
20 Grants and Subsidies from State Government		
Government Grant	44,739	36,782
Grants income (includes Racefields, RIGP and other Grant Income)	44,739	36,782
21 Equity		
Contributed equity		
Balance at the start of the period	60,884	60,884
Contributions	-	-
Distributions	-	-
Balance at the end of the period	60,884	60,884
Reserves		
Asset revaluation reserve:		
Balance at the start of the period	17,694	16,204
Net revaluation increments/(decrements):		
Land	1,545	714
Buildings	837	775
Infrastructure	-	-
Transfer to General Reserve	-	-
Balance at the end of the period	20,076	17,693
General reserve:		
Balance at the start of the period	36,458	21,408
Changes in accounting policy	-	4,800
Transfer from Retained Earnings	8,958	10,250
Balance at the end of the period	45,416	36,458
Balance of reserves at end of the period	65,492	54,151
Retained earnings		
Balance at the start of the period	-	-
Result for the period	8,958	10,250
Transfer from Asset Revaluation Reserve	-	-
Transfer to General Reserve	(8,958)	(10,250)
Balance at the end of the period	-	-

General reserve

The purpose of the general reserve is to cushion the effect of turnover fluctuations, or for supplementing payments made to the racing codes; to meet capital commitments, including the repayment of borrowings; to provide for capital development in the long term interests of RWWA; to meet contingent losses; and for the maintenance, repair, improvement and equipment of premises used by RWWA or its agencies.

Disclosures and legal compliance

Notes to and Forming Part of the Financial Statements

	2014	2013
	\$000	\$000
22 Notes to the Statement of Cash Flows		
Cash at bank earns interest at floating rates based on daily bank deposit rates.		
Short-term deposits are made for varying periods of between one and three months, depending upon the immediate cash requirements of RWWA, and earn interest at the respective short-term deposit rates.		
Reconciliation of cash		
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash and cash equivalents		
Cash at bank	16,979	25,733
Restricted cash*	3,940	969
Cash on hand	56	43
Short-term deposits	64,000	41,000
	84,975	67,745
* Royalties for Region fund – unspent funds are committed to projects and programs in WA regional areas.		
<u>Reconciliation of profit to net cash flows provided by/(used in) operating activities</u>		
Profit/(Loss) for the period	8,958	10,250
Non cash items:		
Depreciation and amortisation expense	12,735	12,495
Doubtful debts expense	-	68
Net (gain)/loss on sale of property, plant and equipment	301	(257)
Write off of investment	-	1
Grants and Subsidies from State Government	(44,739)	(36,782)
(Increase)/decrease in assets:		
Receivables / Accrued Income	153	797
Current inventories	(163)	(13)
Prepayments	(124)	(2,753)
Increase/(decrease) in liabilities:		
Trade creditors	5,138	956
Other creditors	(320)	(511)
Annual leave and long service leave provisions	1,091	331
Other current provisions	(443)	48
Net GST Receipts/Payments	-	(75)
Change in GST Receivables/Payables	(151)	-
Net cash used in operating activities	(17,564)	(15,445)

Notes to and Forming Part of the Financial Statements

	2014	2013
	\$000	\$000
23 Financial Instruments		
(a) Financial Risk Management objectives and policies		
Financial Instruments held by RWWA are cash and cash equivalents, receivables, payables and agent deposits. RWWA has limited exposure to financial risks. RWWA's overall risk management programme focuses on managing the risks identified below.		
<u>Credit Risk</u>		
Credit risk arises when there is the possibility of RWWA's receivables defaulting on their contractual obligations resulting in financial loss to RWWA. The majority of the authority's trading with customers is conducted on a cash basis. In addition, receivable balances are monitored on an ongoing basis with the result that the RWWA's exposure to bad debts is minimal. At the end of the reporting period there were no significant concentrations of credit risk.		
The maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment.		
<u>Liquidity Risk</u>		
Liquidity risk arises when RWWA is unable to meet its financial obligations as they fall due. RWWA is exposed to liquidity risk through its trading in the normal course of business. RWWA has appropriate procedures to manage cash flows by monitoring forecast cashflows to ensure that sufficient funds are available to meet its commitments.		
<u>Market Risk</u>		
Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect RWWA's income or the value of its holdings of financial instruments. RWWA does not trade in foreign currency and is not materially exposed to other price risks [for example, equity securities or commodity prices changes]. The Authority has no such exposure.		
RWWA has limited exposure to foreign currency risk on purchases that are denominated in a currency other than Australian dollars.		
Other than as detailed in the interest rate sensitivity analysis table, RWWA's exposure to interest rate risk is limited because it does not have any borrowings.		
(b) Categories of Financial Instruments		
The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:		
<u>Financial Assets</u>		
Cash and cash equivalents	84,975	67,745
Receivables ^(a)	1,864	2,017
<u>Financial Liabilities</u>		
Payables ^(a)	39,196	34,417
Agent Deposits	1,040	1,000
^(a) The amount of receivables/payables excludes GST recoverable/payables to the ATO (statutory receivable/payable).		

Disclosures and legal compliance

Notes to and Forming Part of the Financial Statements

(c) Financial Instrument Disclosures

Credit Risk

The following table discloses RWWA's maximum exposure to credit risk and the ageing analysis of financial assets.

RWWA's maximum exposure to credit risk at the end of reporting period is the carrying amount of financial assets as shown below.

The table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets. The table is based on information provided to senior management of RWWA.

RWWA does not hold any collateral as security or other credit enhancements relating to the financial assets it holds.

Ageing analysis of financial assets

	Carrying Amount	Not past due and not impaired	Past due but not impaired					Impaired financial assets
			Up to 1 month	1–3 months	3 months to 1 year	1–5 years	More than 5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2014								
Cash and cash equivalents	84,975	84,975						
Receivables ^(a)	1,864	1,522	-	326	16	-	-	-
	86,839	86,497	-	326	16	-	-	-
2013								
Cash and cash equivalents	67,745	67,745						
Receivables ^(a)	2,017	1,204	-	813	-	-	-	-
	69,762	68,949	-	813	-	-	-	-

^(a) The amount of receivables excludes GST recoverable/payable to the ATO (statutory receivable/payable).

Liquidity Risk and Interest Rate Exposure

The following table details RWWA's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities. The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amounts of each item.

Notes to and Forming Part of the Financial Statements

Interest rate exposure and maturity analysis of financial assets and financial liabilities										
	Weighted Average Effective Interest Rate %	Interest Rate Exposure			Nominal Amount	Maturity Dates				
		Carrying Amount	Fixed Interest Rate	Variable Interest Rate		Non Interest Bearing	Up to 1 month	1-3 months	3 months to 1 year	1-5 years
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2014										
<u>Financial Assets</u>										
Cash and cash equivalents	3.35%	84,976	64,000	20,919	56	84,976	64,000	-	-	-
Receivables ^(a)		1,864	-	-	1,864	1,864	326	16	-	-
		86,840	64,000	20,919	1,920	86,840	64,326	16	-	-
<u>Financial Liabilities</u>										
Payables ^(a)		39,196	-	-	39,196	39,196	-	-	-	-
Agent deposits	2.50%	1,040	-	1,040	-	1,040	-	-	-	1,040
		40,236	-	1,040	39,196	40,236	-	-	-	1,040
2013										
<u>Financial Assets</u>										
Cash and cash equivalents	3.72%	67,745	41,000	26,702	43	67,745	41,000	-	-	-
Receivables ^(a)		2,017	-	-	2,017	2,017	813	-	-	-
		69,762	41,000	26,702	2,060	69,762	41,813	-	-	-
<u>Financial Liabilities</u>										
Payables ^(a)		34,417	-	-	34,417	34,417	-	-	-	-
Agent deposits	2.75%	1,000	-	1,000	-	1,000	-	-	-	1,000
		35,417	-	1,000	34,417	35,417	-	-	-	1,000

^(a) The amount of receivables/payables excludes GST recoverable/payable to the ATO (statutory receivable/payable). The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities.

Interest rate sensitivity analysis

The following table represents a summary of the interest rate sensitivity of RWWA's financial assets and liabilities at the end of the reporting period on the surplus for the period for a 1% change in interest rates. It is assumed that a change in interest rates is held constant throughout the reporting period.

Disclosures and legal compliance

Notes to and Forming Part of the Financial Statements

	Carrying amount	-100 basis points		+100 basis points	
	\$000	Surplus	Equity	Surplus	Equity
2014					
Financial Assets					
Cash and cash equivalents	84,975	(849)	(849)	849	849
Financial Liabilities					
Agent deposits	1,040	(10)	(10)	10	10
Total (Decrease)/Increase		(859)	(859)	859	859

	Carrying amount	-100 basis points		+100 basis points	
	\$000	Surplus	Equity	Surplus	Equity
2013					
Financial Assets					
Cash and cash equivalents	67,745	(677)	(677)	677	677
Financial Liabilities					
Agent deposits	1,000	(10)	(10)	10	10
Total (Decrease)/Increase		(687)	(687)	687	687

Fair Values

All financial assets and liabilities recognised in the Statement of Financial Position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

Notes to and Forming Part of the Financial Statements

	2014	2013
	\$000	\$000
24 Commitments		
Commitments are inclusive of GST.		
Capital Commitments		
Commitments in relation to capital expenditure contracted for at the reporting date but not recognised in the financial statements as liabilities are payable as follows:		
Within one year	3,369	1,156
	3,369	1,156
The capital commitments include amounts for:		
Customer Information Terminals and communications upgrade	1,854	1,156
Racewalls rollout	1,342	-
Software upgrades	173	-
	3,369	1,156
Lease Commitments		
Commitments in relation to leases contracted for at the reporting date but not recognised in the financial statements as liabilities are payable as follows:		
Within one year	4,791	4,902
Later than one year but not later than five years	12,561	12,826
Later than five years	9,911	4,598
	27,263	22,326
Representing:		
Non-cancellable operating leases	27,263	22,326
	27,263	22,326
The non-cancellable operating lease commitments include amounts for:		
Property	27,263	22,326
	27,263	22,326

Disclosures and legal compliance

Notes to and Forming Part of the Financial Statements

	2014	2013
	\$000	\$000
Other Expenditure Commitments		
Other expenditure commitments contracted for at the end of the reporting period but not recognised as liabilities, are payable as follows:		
Within one year	12,006	10,354
Later than one year but not later than five years	7,823	16,365
	19,829	26,719
25 Contingent liabilities		
Contract performance guarantees exist to the value of \$29.7K over future rental payments on TAB Agencies.		
26 Events occurring after the end of the reporting period		
There are no significant post reporting period events.		
27 Remuneration of members of the Accountable Authority and senior officers		
Remuneration of members of the Accountable Authority		
The number of members of the Accountable Authority, whose total of fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands are:		
\$10,001 – \$20,000	2	1
\$20,001 – \$30,000	2	-
\$30,001 – \$40,000	5	6
\$40,001 – \$50,000	-	2
\$60,001 – \$70,000	1	-
Base remuneration received in relation to 2014	319	314
Annual leave and long service leave accruals	-	-
Other Benefits	-	-
The total remuneration of members of the Accountable Authority is:	319	314

The total remuneration includes the superannuation expense incurred by RWWA in respect of members of the accountable authority.

No members of the Accountable Authority are members of the Pension Scheme.

Notes to and Forming Part of the Financial Statements

	2014	2013
	\$000	\$000
Remuneration of Senior Officers		
The number of senior officers, other than senior officers reported as members of the Accountable Authority, whose total fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands are:		
\$40,001 – \$50,000	-	1 (a)
\$60,001 – \$70,000	-	1 (a)
\$120,001 – \$130,000	1	- (b)
\$170,001 – \$180,000	-	1
\$180,001 – \$190,000	-	1
\$210,001 – \$220,000	1	-
\$230,001 – \$240,000	-	1
\$240,001 – \$250,000	1	-
\$250,001 – \$260,000	1	-
\$260,001 – \$270,000	-	1
\$270,001 – \$280,000	1	-
\$280,001 – \$290,000	-	1
\$300,001 – \$310,000	1	-
\$310,001 – \$320,000	-	1
\$320,001 – \$330,000	1	-
\$330,001 – \$340,000	-	1
\$340,001 – \$350,000	1	-
\$620,001 – \$630,000	-	1
\$650,001 – \$660,000	1	-
Base remuneration received in relation to 2014	2,695	2,498
Annual leave and long service leave accruals	39	6
Other Benefits	10	13
The total remuneration of senior officers is:	2,744	2,518
(a) Senior officers employed for partial periods of the financial year in their positions.		
(b) New position created during the financial year therefore remuneration relates to partial period of the financial year.		
Remuneration includes any fees, salaries, superannuation, leave entitlements (annual and long service leave taken and accrued) and other benefits due or receivable during the year.		
No senior officers are members of the Pension Scheme.		
28 Remuneration of Auditor		
Remuneration paid or payable to the Auditor General in respect of the audit for the current financial year is as follows:		
Auditing the accounts, financial statements and Key performance indicators	130	124
29 Supplementary Financial Information		
Write-offs		
Bad Debts Written off	235	68
	235	68

Disclosures and legal compliance

Notes to and Forming Part of the Financial Statements

30 Schedule of Income and Expense by Service								
	Racing		Wagering		Unallocated		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
INCOME								
Revenue								
Margin	-	-	339,474	315,741	-	-	339,474	315,741
Interest revenue	-	-	-	-	2,616	2,609	2,616	2,609
Other revenue	4,625	4,081	12,999	13,031	781	668	18,405	17,780
Gain on disposal of non-current assets	-	-	-	-	-	257	-	257
Total Income	4,625	4,081	352,473	328,772	3,397	3,534	360,495	336,387
EXPENSES								
Cost of sales	-	-	83,488	72,321	-	-	83,488	72,321
Wagering Tax	-	-	42,715	40,417	-	-	42,715	40,417
Racing Services	15,319	15,655	-	-	-	-	15,319	15,655
Wagering Services	-	-	83,962	82,549	-	-	83,962	82,549
Support Services	-	-	-	-	31,622	29,966	31,622	29,966
Projects	7	(42)	55	130	45	511	107	599
Grants and subsidies	12,889	1,999	1,668	1,748	-	-	14,557	3,747
Distribution to racing and sports industries	119,753	113,662	-	-	4,452	4,003	124,205	117,665
Loss on disposal of non-current assets	-	-	-	-	301	-	301	-
Total Expenses	147,968	131,274	211,888	197,165	36,420	34,480	396,276	362,919
Profit/(Loss) before Grants and Subsidies	(143,343)	(127,193)	140,585	131,607	(33,023)	(30,946)	(35,781)	(26,532)
Grants and subsidies from State Government (GST Reimbursement)	6,441	3,363	5,104	2,296	33,194	31,123	44,739	36,782
Profit/(Loss) for the period	(136,902)	(123,830)	145,689	133,903	171	177	8,958	10,250

Notes to and Forming Part of the Financial Statements

31 Explanatory Statement

This statement provides details of any significant variations between the actual results for 2013 and 2014. Significant variations are considered to be those **in excess** of 10% or \$2.5M.

Significant variances between actual results for 2013 and 2014

	Comment	2014 Actual \$000	2013 Actual \$000	Variance \$000
Revenue				
Margin	(1)	339,474	315,741	23,733
Interest Revenue		2,616	2,609	7
Other Revenue		18,406	17,780	626
Gains				
Gain on disposals of non-current assets		-	257	(257)
Expenses				
Cost of sales	(1)	83,488	72,320	11,168
Wagering Tax	(1)	42,715	40,417	2,298
Racing services		15,319	15,655	(336)
Wagering Services		83,962	82,549	1,413
Support Services		31,622	29,966	1,656
Projects	(2)	107	599	(492)
Grants and subsidies	(3)	14,557	3,747	10,810
Distribution to racing and sports industries	(4)	124,205	117,665	6,540
Loss on disposal of non-current assets	(5)	301	-	301
Grants and subsidies from State Government	(6)	44,739	36,782	7,957

Comment

- (1) Margin, and the associated Cost of Sales and Wagering Tax all increased against last year due to margin generated on the enhanced FOB racing product.
- (2) Project costs by their nature vary year on year and for 2014 there has been a decrease in activities that have been expensed.
- (3) Increase in expenditure in relation to the prior year due to RWWA funded grant expenditure on the installation of a synthetic training track at Ascot, the winterisation of the Pinjarra Thoroughbreds racetrack as well as Grants to clubs to assist with OHS related issues. In the current year we also have a full year of RfR related Grants whereas in the prior year the initiative was only available for the last two months of the financial year.
- (4) RWWA Distribution Policy for 2013/14 allowed for an increase in funding over 2012/13.
- (5) While the increase in Loss on disposals of non-current assets is greater than 10% for 2014, the gain is not of a material nature for the year.
- (6) Increase is the result of additional contributions received through the Royalties for Regions initiative (\$3.2M), \$2M received from the WA product fees received from DRGL as well as an additional \$2.8M GST reimbursement mainly due to the additional margin earned on FOB racing.

Disclosures and legal compliance

Certification of Key Performance Indicators

For the Year Ended 31 July 2014

We hereby certify that the key performance indicators for Racing and Wagering Western Australia (RWWA) are based on proper records, are relevant and appropriate for assisting users to assess the performance of RWWA and fairly represent the performance of RWWA for the financial year ended 31 July 2014.



Jeff Ovens

RWWA Chairman

13 October 2014



Gary Gliddon

Audit & Risk Committee Chairman

13 October 2014

Key Performance Indicators for the year ended 31 July 2014

Outcome: To provide an efficient, competitive and responsible betting service for Western Australia.					
Effectiveness Indicators	Description	2014 Actual	2014 Target	2013 Actual	Result
Number of Bets Processed	The number of bets processed is an indicator of the TAB's competitiveness in the wagering and gambling marketplace.	'000 180,819	176,938	173,761	The number of bets processed for 2014 is better than the target result, primarily due to the increased turnover in Fixed Odds Products and through the mobile channel despite an increasingly competitive environment.
Primary Betting System availability	The availability of the betting system is paramount to the TAB's ability to generate revenue. The high availability target reflects the importance RWWA places on this. A service that is reliable is necessary for the TAB's to attract and retain customers.	% 99.98	99.96	99.99	The availability of the betting system during the year is consistent with RWWA's target and prior year ratios.
Margin per employee	Margin per employee is a measure of the competitiveness of the business.	\$000 939		869	Margin per employee is up on last year due to the increase in margin in 2014 particularly in Fixed Odds products, with the FTE number being in line with target and slightly less than 2013.
Profit per employee	Profit per employee, like margin per employee is a measure of the efficiency of the business in delivering wagering revenue and also providing racing and integrity services to the industry.	\$000 369		351	Profit per employee is slightly higher than last year, with the increase in Operating profits before distributions and a slight decrease in FTE.

Disclosures and legal compliance

Key Performance Indicators for the year ended 31 July 2014

Effectiveness Indicators	Description		2014 Actual	2014 Target	2013 Actual	Result
Return on assets (Operating profit as a percentage of total assets)	Return on assets is a widely accepted indicator of the efficiency in the use of assets.	%	75.9	77.5	79.6	Return on Assets is lower than last year and target. While the operating profit for 2014 is higher than the result in 2013, total assets for 2014 is \$16.7M higher than 2013, resulting in the decreased ROA ratio.
Staff (FTE)	With staff employee benefits expense being one of the largest costs categories at RWWA, managing the FTE levels is an important part of ensuring an efficient competitive business.	No.	362	362	363	The number of FTE at the end of 2013/14 is in line with the target for the year.

Key Performance Indicators for the year ended 31 July 2014

Outcome:		To achieve optimum level of funding to the racing industry and for sports.				
Effectiveness Indicators	Description		2014 Actual	2014 Target	2013 Actual	Result
Distribution to Industry	RWWA's primary purpose is to provide a sustainable future for the Western Australian Racing industry, achieved by maintaining the optimum level of funding to the racing industry.	\$000	124,205	123,363	117,665	As per previous years, RWWA Distribution Policy for 2013/14 allowed for an increase in funding over 2012/13, with the aim of keeping distribution increases at sustainable levels.
		% Change on prior year	5.6	4.8	3.4	
Grants to Industry (RWWA Funded)	Grants to industry are essential to provide the safest possible racing environment and ensure the integrity of the racing product.	\$000	9,494	296	244	Increase from the prior financial year is the result of expenditure on the Ascot synthetic training track, winterisation of the Pinjarra Thoroughbreds racing track as well as a grant to clubs to assist with OHS related issues.
Grants to Industry (WA Government Funded)		\$000	3,617	6,400	5,730	Funding of \$4.4M received from Royalties for Regions however not all funding received has been allocated to race clubs. Funding is due to be assessed, allocated and spent in the next two financial years.
Margin	Margin is an important indicator of the capacity of RWWA to fund the racing industry and sports.	\$000	339,474		315,741	Margin increased against last year as a result of a 4.3% increase in the volume of national and international races, along with solid growth and increase margin percentage in the Fixed Odds product.
Operating Profit excluding the profit/loss from sale of assets before distribution to codes.	Operating Profit excluding the profit/loss from sale of assets before distribution to codes highlights the amount of revenue that has been generated for distribution to the Racing clubs.	\$000	133,464		127,658	The increase on last year is primarily as a result of the growth in margin, with continued constraint in the growth of expenditure.

Disclosures and legal compliance

Key Performance Indicators for the year ended 31 July 2014

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

Effectiveness Indicators	Description		2014 Actual	2014 Target	2013 Actual	Result
Racing and Steward expenses per WA race meeting	The racing and stewarding functions performed by RWWA are paramount to both the development and integrity of the racing industry. In delivering these functions, RWWA ensures that the cost of delivery is keep under control, and the cost per meeting is an important indicator of how well RWWA is at controlling the cost of delivery.	\$000 % Change on prior year	17.7 1.94	17.2 (1.02)	17.4 2.60	The targeted decrease on 2012/13 was a result of constrained increases in budgeted costs and 6 additional races. The actual change on 2012/13 was 1.94%, primarily due to increased costs incurred with one less meeting.
Annual Growth in TAB Turnover on WA racing	The TAB accepts bets on racing and sports product from WA, the Eastern States, and International Jurisdictions. The growth in TAB turnover on WA Racing, is an indicator that the WA product is seen as an attractive proposition, demonstrating a quality product, with high levels of integrity.	%	1.45		2.93	Modest Growth in TAB Turnover on WA Racing in 2013/14 was due to a slight reduction in the target number of meetings held and a slight reduction in field sizes.

Efficiency Indicators	Description		2014 Actual	2014 Target	2013 Actual	Result
% of Winners Swabbed / Returned Negative	A key component in maintaining the integrity of the racing industry is an efficient and effective drug testing regime and the "% of winners swabbed / returned negative" is a key indicator of the drug testing regime impact on the industry.	Thoroughbreds % Harness % Greyhounds %	99.8 99.8 99.8		99.8 99.4 99.8	The result is consistent with previous years.
Average number of starters in WA Races (excluding non-TAB Meetings)	The average number of starters in WA races is an indicator of a healthy population of animals available for racing in WA.	Thoroughbreds No. Harness No. Greyhounds No.	10.7 9.7 7.9		10.4 10.0 7.7	The average number of starters for Thoroughbreds and Greyhounds have shown a slight increase in 2014 after a slight decrease in the average starters in 2013. Harness has shown a slight dip in numbers in 2014 but the average for all three codes remain at healthy, sustainable levels.

Other Financial Disclosures

Pricing Policies

RWWA has discretion over pricing for goods and services rendered.

Capital Works

In Progress

Project Name	Expected Year of Completion	Expected Cost to Complete \$'000	Estimated Total Cost of Project \$'000
Racing Infrastructure	14/15	69	1,890
Wagering Infrastructure	14/15	1,316	3,820
Support Infrastructure	14/15	1,660	6,449

Employment and Industrial Relations

Staff Profile

As at the end of the reporting year the number of people employed at RWWA was 472 (494 in 2013). The employee profile is expressed below as full time equivalent numbers (FTE) rather than as headcount. FTE indicates the number of hours worked and paid, divided by weekly hours of 38.0.

Employee Profile	Full Time Equivalent (FTE)	
	2014	2013
Full time	206	210
Part time	26	29
Casuals	57	59
Maximum-term contracts	66	62
TOTAL	355	360

Industrial Relations

Within the reporting period the RWWA General Staff Agreement 2012 and the RWWA Racing Radio 2012 Agreement were in place. These agreements are due to expire in August 2015 so re-negotiations for new staff agreements will commence in the first half of 2015.

Safety, Health and Injury Management

RWWA has recognised the need to take a lead role in guiding and supporting the racing industry in understanding and meeting its obligations under the harmonised Work Health and Safety Act and Regulations. Despite a delayed introduction the new OSH legislation is anticipated for introduction by the state government in 2015 (however an exact date is yet to be announced).

To deliver this, RWWA has prioritised dedicated resources to undertake risk identification, assessment and control activities, deliver training to industry stakeholders and assist in the implementation of safety management systems at all licensed race clubs. During 2012/13 the focus was to rollout a standardised and simple to use OSH management system to each race club to support them in achieving legislative compliance and in doing so protecting the health and wellbeing of club staff, contractors and the public.

Disclosures and legal compliance

During 2013/14 the focus has moved to monitoring the implementation of appropriate safety management system policies and procedures at each racecourse facility. This has been achieved via the completion of regular OH & S (Occupational Health and Safety) system audits using a standardised audit checklist based on Australian Standard 4801:2001. The goal of the audit process is to ensure that race club committees and their staff are actively managing their OH & S responsibilities whilst seeking to improve the standard of health and safety across all areas of their racecourse facility.

Also built into the race club audit process is a review of existing racecourse infrastructure which occurs in collaboration with the RWWA Stewards and the RWWA Project Manager (RIGP). This process seeks to identify issues and deficiencies across all race club locations to enable the prioritisation of upgrades and replacement of ageing racecourse infrastructure in the coming years.

Governance Disclosures

Contracts with Senior Officers

At the date of reporting, other than contracts of employment or Directorship appointment, no Senior Officers (Directors and Executives) or firms of which Senior Officers are members or entities in which Senior Officers have substantial interests had any interests in existing or proposed contracts with RWWA.

However, it is noted that some Senior Officers own (full and/or part) of racehorses and/or greyhounds which participate within Western Australia.

Insurance Premiums Paid to Indemnify Members of the Board

An insurance policy was undertaken to indemnify members of the Board against any liability incurred under sections 13 or 14 of the Statutory Corporations (Liabilities of Directors) Act 1996. The amount of the insurance premium paid for 2014 was \$16,575.

RWWA's Corporate Governance Principles

RWWA's Board strongly supports the principles of Corporate Governance and is committed to maintaining the highest standards within the organisation. This is particularly important given that RWWA has to balance commercial decisions with the welfare and integrity of the racing industry within a heavily regulated environment. This is to ensure that RWWA and the racing industry remain viable and sustainable into the future.

Board Powers, Structure, Composition and Membership

The management of the business and affairs of RWWA is under the direction of the RWWA Board.

RWWA Act 2003 gives RWWA broad powers in relation to the management of its affairs and also in the management and regulation of the Western Australian Racing Industry.

While Gaming and Wagering Commission of Western Australia regulates RWWA's commercial wagering activities, RWWA's Board is not subject to government direction.

Part 2, Division 2 of RWWA Act 2003 describes how the Board is to be structured, its composition and membership.

The Board comprises:

- One chairperson appointed by the Minister responsible for RWWA.
- Four members selected for their expertise in management, finance, business, commerce or information technology, one of which has knowledge of and experience in regional development.
- Three members representing each of the racing codes – one representative from each code.

Governance Disclosures

Regulatory Disclosure and Stakeholders Communications

A Board Member who has a notifiable interest in matters involving RWWA must conform to the following

- disclose this interest to the Board
- not vote on the matter and
- must not be present while the matter or resolution is being considered at the meeting

However, if the Board has passed a resolution that specifies the Board Member, the interest and the matter and the other Board Members voting for the resolution are satisfied, the interest should not disqualify the Board Member from considering or voting on the matter (*Sections 18 & 19, Schedule 1, clause 8(1) of the RWWA Act 2003*).

RWWA complies with the requirements of disclosure as required by *RWWA Act 2003, Financial Management Act 2006* and applicable Australian Accounting Standards.

RWWA maintains regular communications with its stakeholders through:

- Racing Industry Consultative Groups
- TAB Agents Advisory Council
- Meetings with the Minister responsible for RWWA
- Communications with employees

Robust Management and Compliance Processes

RWWA has a sound system of Risk Management, Compliance and Internal Control. Risk Management, Compliance, Internal Control framework and Governance Structure have been implemented to ensure that risks are properly managed to ensure RWWA's ongoing viability and sound reputation. RWWA is responsible for ensuring that high standards of Risk Management and Compliance are maintained. This is monitored by the Board's Integrity Assurance Committee, Risk Management, Compliance, Internal Audit and Stewards functions operating within the organisation. RWWA is committed to complying with all legislative requirements, including but not limited to OH & S and Equal Opportunity requirements.

Ethical Decision Making

RWWA considers the social, environmental, financial and ethical impact on RWWA's stakeholders and the community when making decisions.

RWWA has developed a Responsible Wagering Policy to guide Board Members, Employees and TAB Agents in the responsible provision of Wagering Services and to ensure that RWWA provides customers with the highest standard of customer care.

Strategy, Planning and Monitoring

To fulfil RWWA's Purpose, an annual Statement of Corporate Intent and a Strategic Development Plan (longer term plan) is developed which documents the plans, direction and vision for RWWA and the Racing Industry.

The Board monitors and evaluates the progress of implementing the Strategic and Business Plans of RWWA.

Encouraged Enhanced Performance

RWWA undertakes performance appraisals of all employees, including the CEO and Executive Members as part of the Performance Management System. Annual Budgets and Business Plans are developed to meet the targets set in the Statement of Corporate Intent and the Strategic Development Plan and these are linked into RWWA's Performance Management System.

Sustainability

RWWA considers sustainability as an important issue; not only for the organisation but also for the Western Australian Racing Industry. RWWA believes that sustainability concentrates on providing a sustainable future; focusing on economic, environmental and social elements. RWWA is continuing with the implementation of a sustainable culture within the organisation for its key stakeholders.

Key Initiatives include:

- Continuous OH & S audits of all race clubs
- Responsible Wagering Programme and Code of Conduct
- Equity and diversity within the workplace
- Ensuring the financial viability of the Western Australia Racing Industry through financial practices.

RWWA is committed to improving its sustainability practices and principles.

Disclosures and legal compliance

Other Legal Requirements

Advertising

In compliance with section 175ZE of the *Electoral Act 1907*, RWWA reports that it incurred the following expenditure in relation to advertising, market research, polling, direct mail and media advertising:

Total expenditure for 2013/14 was **\$6.3M** and was incurred as follows:

Advertising Agencies	\$'000
303 Lowe	1,973
Raging Pixels	12
Sumo Group	72
Engage Digital- Silverpop	54
Digital Balance	168
RKS Productions	103
Firey Productions	37
Meltwater	15
Market Research Agencies	
IPSOS	267
Gartner Group	359
Media Advertising Organisations	
Heritage FM	3
Western Sports Media (Sport FM)	39
FM 104.9	11
The West Australian	28
Croc Media	116
Redwave Media	23
Google Adwords	64
Facebook	3
Media Agencies	
Adcorp	39
Carat	2,849
Isentia Pty Ltd (Media Monitors)	26
Campaign Monitor	5
Total Expenditure	6,266

Record Keeping

In accordance with *Section 61 of State Records Act 2000*, RWWA provides the following information in support of compliance with the *State Records Commission's Standard 2 (Principle 6)*.

To maintain accurate records a schedule is in place to conduct testing of records integrity on an ongoing basis. This schedule was used during 2013/14 for checks of records held at offsite storage, on RWWA's intra-web and on central databases. The process includes cross referencing of information recorded on the intra-web with permanent and temporary records archived both onsite and offsite.

Government Policy Requirements

Occupational Safety and Health

The RWWA executive team are committed to providing a safe and healthy working environment for all staff, contractors and visitors to the organisation. RWWA's aim is to promote the proactive management of workplace safety, health and wellbeing based around the setting of measurable objectives and targets for improvement. These objectives and targets are designed to control high risk activities and to improve the standard of occupational safety and health management throughout RWWA and the wider racing industry in Western Australia.

RWWA's formal mechanism for consultation currently resides in the OSH Advisory Committee which consists of key mandatory position holders as well as volunteer representatives from across the organisation. The OSH Advisory Committee meets quarterly to discuss and address risks identified during the previous period. In addition to this an active hazard identification and control process has been introduced at all RWWA locations the results of which are tracked via action item summaries. Internal staff OSH training has also received more focused attention with the rollout of OSH modules within the ONTrack training system. Some RWWA staff members have also completed external training courses as deemed necessary for their roles which included first aid, building evacuations, working at heights, electrical equipment testing and tagging and operating chainsaws.

Importantly RWWA's OSH management system including its policies and procedures are compliant with the injury management requirements of the *Workers' Compensation and Injury Management Act 1981*, including the development of return to work plans for injured staff. Regular workers compensation case reviews are also conducted with RiskCover WA representatives to ensure claims are being appropriately managed and are also being closed out as quickly as possible.

Insurance and Loss Time Injury Table

Measure	Actual results		Results against target	
	2011/12 ⁽¹⁾	2013/14 ⁽²⁾	Target	Comment on result
Number of fatalities	0	0	0	Target achieved
Lost time injury and/or disease incidence rate	1.12	0.28	0 or 10% reduction ⁽³⁾ (actual target can be stated)	Target achieved
Lost time injury and/or disease severity rate	25	0	0 or 10% reduction ⁽³⁾ (actual target can be stated)	Target achieved
Percentage of injured workers returned to work:				
(i) within 13 weeks	75%	100%	Actual result to be stated	Target achieved
(ii) within 26 weeks	75%	100%	Greater than or equal to 80%	
Percentage of managers trained in occupational safety, health and injury management responsibilities	28%	29%	Greater than or equal to 80%	Target not met – still building further capability in this area

Note ⁽¹⁾ This is a three-year trend and as such the year is to be three years prior to current reporting year (i.e. current year is 2013/14 and comparison year is 2011/12).

Note ⁽²⁾ The current year i.e. 2013/14.

Note ⁽³⁾ The reduction may be calculated over a three year period.



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