



06

RWWA ANNUAL REPORT



RACING AND WAGERING WESTERN AUSTRALIA

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RACING AND WAGERING WESTERN AUSTRALIA

MINISTER FOR RACING AND GAMING

In accordance with the provisions of the Financial Administration and Audit Act 1985 (WA), I hereby submit for your information and presentation to the Parliament of Western Australia, the Annual Report of Racing and Wagering Western Australia for the year ended 31 July 2006.

Ross Bowe

Chairman



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MISSION STATEMENT

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

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

CORE VALUES

RWWA's Core Values reinforce workplace behavior that underpins interactions between people both internally and externally. They are encapsulated as "achieving winning results together". They are derived from regular staff input and are monitored to ensure the work environment is beneficial for everyone.

The Core Values are:

- Teamwork
- Customer Focus
- Professionalism.



CHAIRMAN'S REPORT



It is a pleasure to present the Racing and Wagering Western Australia, (RWVA) Annual Report for 2006.

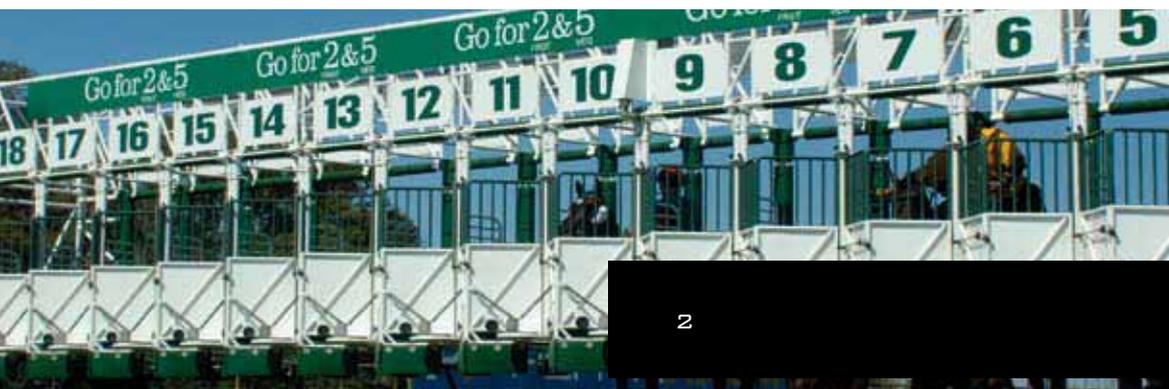
Western Australia is currently riding high on a wave of economic success and RWVA is benefiting from the buoyant economic conditions and the associated elevated levels of optimism. The year just ended has therefore seen RWVA distributing previously unmatched levels of funding to the industry as well as leveraging our position in the WA market and in the Racing Industry in Australia.

Distributions for Racing stakes, clubs operations other subsidies and grants grew from a total of \$75.9M in 2005 to \$87.6M in 2006, a 15.4% boost. Importantly, RWVA has achieved another record wagering turnover figure - \$1.324B for the 2006 year. The result surpassed budget by \$50.4M (or 4.0%) and the previous 53-week accounting year by \$118.5M (or 9.8%). Distributions for Sports also increased from \$945K to \$1.55M. The Chief Executive Officer, Mr Ray Bennett, his Executive management team, staff and agents deserve congratulations for this outcome as well as for the many achievements which are outlined in more detail later in this report, especially for maximising profit and passing the benefits on to the industry and owners.

The past twelve months has seen the licensing of the UK based betting exchange Belfair, by the Tasmanian Government. RWVA is concerned that the operation of betting exchanges in Australia will have an adverse impact on the future welfare and integrity of the Australian Racing Industry as well as impacting on wagering revenues of Australian based totalisator operators. The Board continues to assert that a wagering system that enables customers to bet on losing outcomes, poses serious problems for the integrity of racing.

Despite the notable disruption to racing vision coverage elsewhere in Australia our relationships with vision providers Sky and TVN have been successfully strengthened and maintained over the last year, minimising the impact on our wagering customers and operations. RWVA also continues to monitor and evaluate the likely impacts of the proposed combining of the NSW and Victorian wagering pools and the proposed merger of Unitab and Tattersalls. Irrespective of the industry restructuring that will finally emerge on the eastern seaboard, RWVA has worked to have in place the technical and regulatory requirements to facilitate the merging of pools and the adoption of common fixed odds betting services, should these circumstances present themselves.

The Board and Management continue to undertake important research to scan the dynamic competitive market, and any opportunities and threats. The Board has recently commissioned a major strategic review to be undertaken with the assistance of the Boston Consulting Group. Specifically it will look at ways RWVA should be designed and operated to meet future challenges. The overall purpose is to develop a sustainable business and source of funding for the WA industry to ensure its future prosperity. In addition, the Board has approved funding



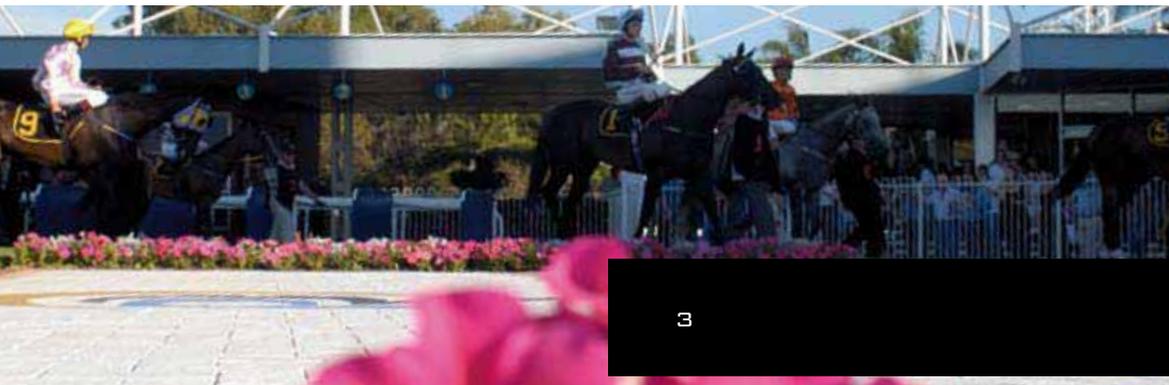
CHAIRMAN'S REPORT

for significant redevelopment work on wagering infrastructure including upgrading the data communication network to our agencies and racetracks, reviewing options for implementing new point of sale terminals, implementing touch screen information terminals and refurbishing the existing bet engine, the hardware and software that processes bets through the TAB and on-course totes in WA. These investments are aimed at revitalising the foundations of our successful wagering operations and providing improved levels of service in the future.

In concluding my remarks on what has been a very successful year for RWWA and the three racing codes throughout Western Australia, I want to acknowledge the significant support that the Racing Industry and RWWA has received from the Western Australian Government and the Minister for Racing and Gaming. I also would like to thank my fellow Board members for their professional contributions. Lastly I want to record my appreciation for the teamwork and professional performance of RWWA staff and the WA racing industry participants as they strive to deliver an appealing product and experience to our customers every race day. The RWWA executive team and especially our Chief Executive Officer, Ray Bennett, deserve special mention.

Ross Bowe

Chairman



CEO'S REPORT



During 2006 a turning point was reached in the operations of Racing and Wagering Western Australia and in its performance against industry benchmarks. While Wagering turnover on all WA product continued to grow at record rates, the racing industry in the state received significant increases in distributions. Participant funding per meeting and RWWA payments to the WA industry have bridged the gap towards the leading states in Australia in each code. Whilst analysis indicated that WA was at the 60% level for industry funding for stakes and subsidies in 2004, it is expected to reach 80% in 2007. Most importantly, RWWA provided a significant share of TAB margin after tax (MAT) to fund the WA Racing and Sports Industries, at over 53% in 2006, it represents what is a very high ratio of TAB funds flow compared to what is achieved in other states or territories in Australia.

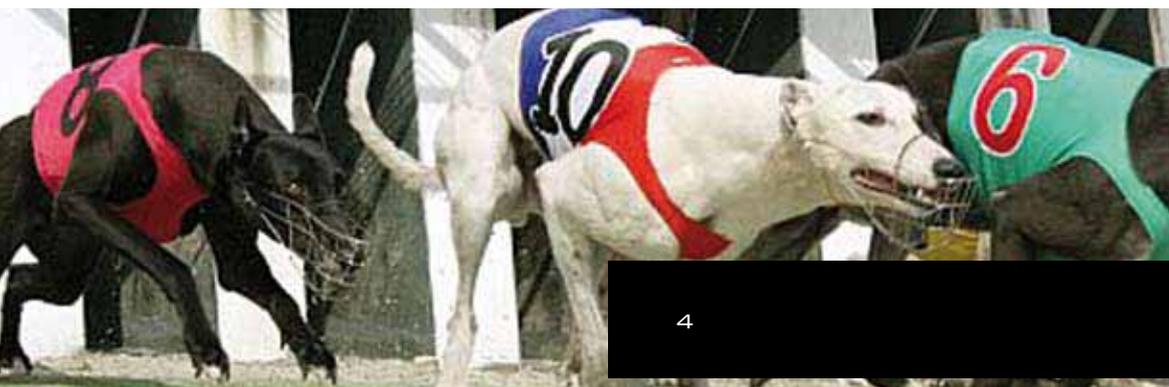
RWWA has managed a number of significant challenges including the impact on WA customers of the TVN dispute with Sky, the licensing of Betfair in Tasmania and the threat this poses to Racing in WA, along with racing jurisdictions. RWWA is seeing on a regular basis, emerging issues that have the potential to derail the WA industry and set back the gains made so far.

It is important to understand that the 2003 Industry Economic review that led to "A Plan to Get Back on Track" for the industry, released in 2005, did not specifically examine how RWWA itself would deliver the targets set out over the longer term. During the year RWWA conducted research into future trends and directions. Key challenges identified from this preliminary research have the potential to impact the organisation's capability to realise the vision set out in "Back on Track". It is evident that new strategies will be required for RWWA to successfully operate in the future. Questions arise as to how RWWA should be designed and operate to meet the future challenges therefore RWWA has enlisted the services of an external consultant to undertake further research into the issues highlighted, and provide a strategic outlook for RWWA so that we can continue to be a major source of funding for the development of racing and sports in Western Australia and ensure the WA racing industry to achieve its potential in the future. There is also a need for Race Clubs and industry members to continue to work on becoming more self-sufficient and not to rely solely on RWWA for funding. I urge the industry to continue to seek out and take a hold of opportunities to strengthen their positions.

The remainder of this report provides more details on the activities of RWWA and its initiatives during its third year of operation. I am very grateful for the efforts and commitment of management and staff at RWWA and for the cooperation and support of the industry and TAB agents in taking RWWA another step forward and for again achieving and in many cases, exceeding the goals and objectives set for 2006.

Ray Bennett

Chief Executive Officer



RACING

RWWA continues to pursue regular and effective communication with industry stakeholders by meeting quarterly with each of the three code Consultation Groups. These groups represent racing clubs, industry associations and participants. The forums discuss issues affecting each of the three codes of racing in WA and as such, provide an important two-way communication on major racing operational issues and policy. RWWA Racing Executives continue to maintain an 'open door' communication policy enabling all participants the opportunity to meet and seek assistance and advice on industry issues. These Racing division representatives also made regular visits to clubs for race meetings and provided further opportunities for consultation with the various committees and management.

RWWA's initiative to enhance Tabform, racing fields through liftouts and editorial in The West Australian and Sunday Times continues to provide excellent newspaper coverage for WA racing and is regarded to be a major factor in the strong growth in wagering investments throughout the year. Further improvements have also been made to the Racing Ahead magazines for Harness and Greyhounds on a bi-monthly basis, and with the Thoroughbred code calendar issued monthly.

Benefits from the centralisation and amalgamation of RWWA code operations, the registration and licensing of participants and the racing services division have been pursued. A handicapping and programming review across all codes was commenced late in the year. The outcome will provide transparency of the process and a better understanding for all industry stakeholders.

During the year RWWA negotiated improved Sky Channel coverage to assist the local Greyhound and Harness industry with additional vision opportunities to race and at the same time enhance Western Australia's position with expanded national coverage for 2007. Significant changes also occurred to the production, transmission and distribution of WA racing vision during the year culminating in the broadcast of WA racing vision in digital wide screen format by Sky Channel from July 2006. Project work included the rollout of a fibre optic communications network (DVN) to WA's major racecourses, upgraded outside broadcast cabling infrastructure at venues, and tendering for the supply of new digital production capabilities.

WA RACING STATISTICS 2006

Code	Course Class	No. Race Meetings Held	No. Races Held	No. Starters	Average No. Starters per Race	Individual Horses /Greyhounds Raced
Thoroughbreds		301	2,228	21,335	9.6	3,367
	Metro	90	729	7,427	10.2	
	Provincial	70	576	6,457	11.2	
	Country	141	923	7,451	8.1	
Harness		276	2,204	22,154	10.1	2,028
	Metro	100	900	9,454	10.5	
	Country	176	1,304	12,700	9.7	
Greyhounds		259	3,118	24,468	7.8	1,759
	Metro	105	1,202	9,355	7.8	
	Provincial	128	1,611	12,712	7.9	
	Country	26	305	2,401	7.9	
All Codes		836	7,550	67,957	9.0	7,154

Notes: All data for period 05-Aug-2005-03-Aug-2006. Does not include fully abandoned meetings. Provincial Courses: Mandurah (G), Northam (T), Pinjarra (T), York (T) and Bunbury (T). Thoroughbreds include non-TAB meetings.

RACING INDUSTRY FUNDING 2006

DISTRIBUTION TO CLUBS

Prior to 1 August 2003, all funding was distributed to clubs and/or organisations based on the prescribed, legislative percentages for each racing code. Until 31 July 2006, the Racing and Wagering Western Australia Act 2003 established the statutory allocation of the first \$50 million of RWWA profits for distribution to WA race clubs. RWWA is responsible for determining the allocation of all profits over the first \$50 million.

Total Distribution to the Industry rose from \$65.6M in 2005 to \$81.9 million in 2006 with substantial increases in stakemoney to all racing codes. The distribution model was modified again this year. The 2005 distribution model provided for clubs to receive funds based on a "category" system that assessed their individual contribution to the racing and wagering business of RWWA and divided them into three categories of clubs: Primary, Secondary and Community. This was further refined in line with a system to underwrite participants by way of "participants' funding" for minimum stakes, breeder's incentives and costs associated with entry to race such as drivers and riders fees, insurance, etc. New owners' incentive payments (OIP) were included in the distribution model aimed at retaining owners and encouraging relatively higher levels of participation. Over \$ 2.4 million was paid to owners as a result of this initiative in 2006.

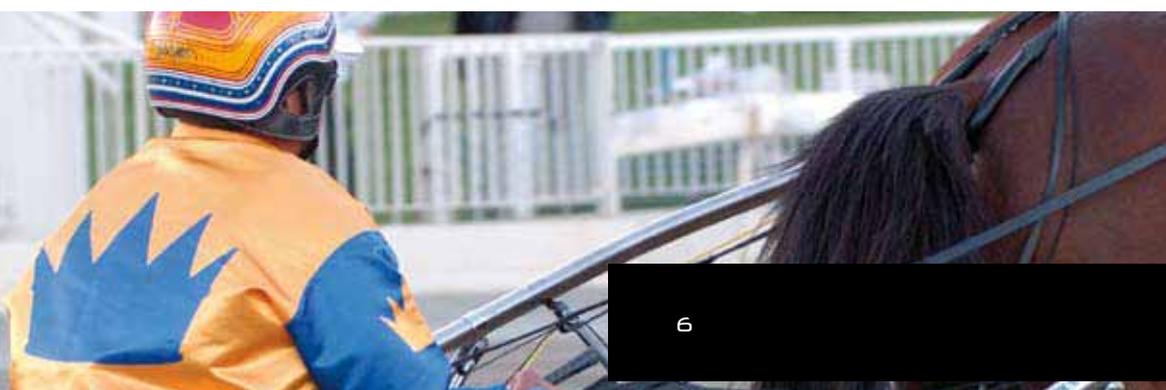
For 2006, Starter Subsidies were treated consistently between Harness and Thoroughbred codes with funding for rider/driver fees and workers compensation/personal accident insurance. Starter Subsidies for the horse racing codes in 2006 totalled nearly \$4.1 million.

Clubs continued to receive "club funding" as a contribution towards venue operations, provision of training infrastructure and usage, and financial return for TAB turnover on their own meetings. The club components of the funding were discretionary for the clubs and how much the club allocated to stake money is a measure of the club's financial ability. There was no discretion for the clubs on the payments of starting subsidies or breeding incentives, as these were paid by RWWA on their behalf.

In making the allocation to the codes, RWWA has met the statutory requirements for distribution of the first \$50 million profit to the codes and sectors within the racing industry.

COMPONENTS OF FUNDING PAID TO THE CLUBS

	Participants Funding Paid to Clubs	Club Funding Paid	Total Distribution Paid to Clubs	Return to Owners	Returns To Owners As % of Distribution to Industry
Thoroughbreds	42,468,031	5,367,758	47,835,789	46,326,866	96.8%
Harness	20,482,691	3,362,392	23,845,083	20,687,834	86.8%
Greyhounds	7,173,725	3,141,718	10,315,443	6,949,570	67.4%
TOTAL	70,124,447	11,871,868	81,996,315	73,964,270	90.2%



RACING

GRANTS TO RACE CLUBS

Grants of \$8.3M flowed to the industry in 2006. RWWA funded \$4M of this with \$4.3M funding coming from the \$20M to be provided by Government over the course of 2006 and 2007 for country and regional race club infrastructure.

RWWA has been active in the review of the Lark Hill training track operation and on-going administration as well as approving critical capital grants to assist all three racing codes.

A plan to establish Lark Hill as the major thoroughbred training centre in Western Australia has also been adopted and funding of \$5.28M will be injected over the next two years.

Country Racing Grants were allocated to a number of development projects resulting from the first round of master planning. Work has been undertaken at Utakarra Racecourse in Geraldton and Stage 2 of works at Northam Race Club has been completed. Pinjarra Race Club has completed the first stage of the upgrade of its track and stages 2 and 3 are planned for the winter of 2006 and 2007 respectively.

A project to replace a number of Thoroughbred starting barriers commenced in February and will be finalised in October 2006. A total of 12 clubs will benefit from this \$366,000 initiative.

Other highlights included:

- Greyhounds WA Mandurah – New Track, lighting and facility improvements
- Perth Racing - New horse pool (Ascot)
- Gloucester Park - Roofing and ancillary building works to two grandstands.

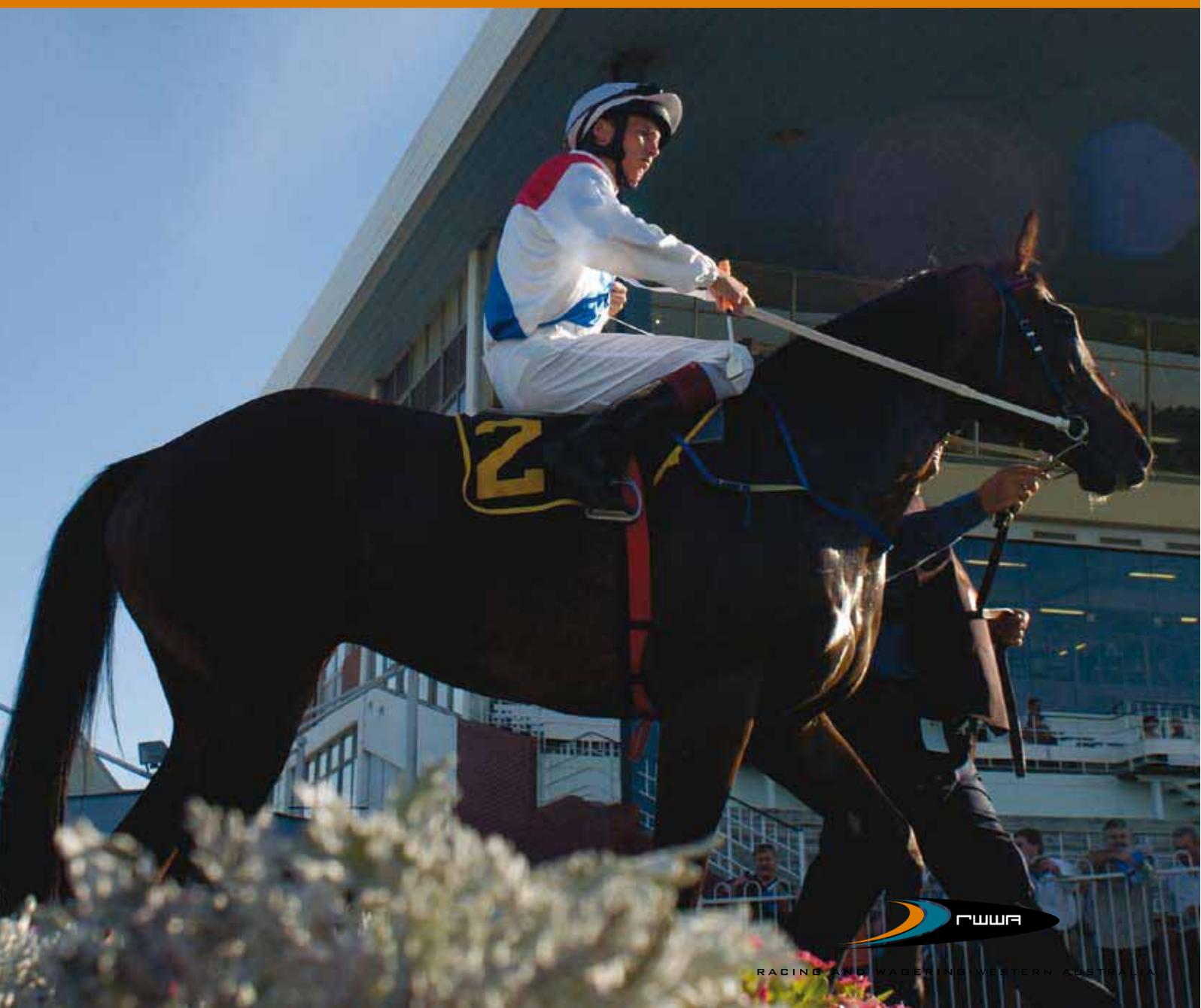
The acquisition of the Byford harness complex has been completed with RWWA securing the freehold of the property, assuring the future tenure of this important industry-training centre for stakeholders.

RACING INDUSTRY SUBSIDIES

To assist the development of wagering on the WA racing product on a national scale the cost of vision delivery from the racecourse gate to the vision provider (CFM 12 or Sky Channel) is now funded by RWWA rather than the clubs. In addition many costs and charges previously paid by clubs are now funded and paid by RWWA. Any comparison between the levels of funding provided to the racing industry in 2006 with earlier years needs to take this into account.



THOROUGHBRED RACING



THOROUGHBRED RACING

In relation to thoroughbred racing:

- RWWA provided race clubs with payments for stakes and owners incentives of \$37.7 million
- The very popular Westspeed scheme provided owners and breeders with an additional \$1.78 million in bonuses
- Race clubs conducted a total of 301 race meetings (including non-TAB meetings) and paid \$41 million in stakes and owners incentive payments for the season, representing a 30% increase on the previous year
- TAB wagering on Western Australian Thoroughbred racing exceeded \$200 million for the first time, up from \$185 million in the prior year
- On-course totalisator turnover of \$52 million was up 5% on the previous year
- Perth Racing conducted a very successful Ascot Summer Carnival including a record attendance of 11,716 patrons at the Railway Stakes meeting, up 83% on the same meeting last year
- Record WA TAB turnover was achieved for all Ascot Summer Carnival meetings with turnover on the Perth Cup meeting exceeding \$4 million
- The Railway Stakes (G1) was run for total stakes of \$750,000 for the first time with Covertly victorious in Western Australia's only Group 1 handicap event
- Perth Racing introduced the \$1 million stayers triple bonus for any horse winning the Fruit 'N' Veg Stakes (G1), CB Cox Sakes (G2) and BMW Perth Cup (G2). Although Early Express won the first two legs, the bonus was not collected after the gelding finished third behind Black Tom in the Perth Cup
- The Bunbury Turf Club conducted a very successful 'Carnaval' promotion during Bunbury Cup week with record attendance and turnover both on and off course on Cup Day
- In the autumn Cats Fun won the WATC Derby (G1) and the Karrakatta Plate (G2) was taken out by Canny Jack
- Magic Millions conducted a very successful yearling sale in February, recording an aggregate for the sale of \$11.2 million (up 39%) and an average price of \$38,892 per lot (up 24%). A new Western Australian yearling price record was set when a Key Business filly out of the mare Cold Fusion was sold for \$210,000.





HARNESS RACING



HARNESS RACING

Major activities during the year in harness racing included:

- RWWA provided harness racing clubs with \$16.8M in Base and Feature Stakes for 2006
- RWWA paid out \$1.098M in Westbred bonus payments
- Race clubs conducted 276 meetings and 2204 races
- TAB wagering on Harness racing product was \$64.5M, up from \$59.5M in the year prior
- Sky Channel Coverage was granted for WA local harness racing on Saturday evenings Turnover growth is expected to increase with this expanded vision service
- Western Australian Trotting Association and Fremantle Harness Club concluded successful Summer Carnival features during January for the three Group 1 events, the Fremantle Cup, the Australian Pacing Championship and the WA Pacing Cup. Turnover, both on and off course wagering increased over the previous year
- In association with the 2006 Inter Dominion series, RWWA selected a young harness driver to compete in the Australasian Young Drivers' Championship series in Auckland. Ryan Bell was selected as the Western Australian representative and he did the state proud winning one heat and finishing second in another and 4th in the point score series
- The \$200,000 Be Active Pacing Cup was won by Maheer Lord. Other major feature winners during the period were:
 - WA Derby - Mr Yankee
 - WA Oaks - Dilingers Reign
 - Golden Nugget - Gee Whiz Fizz
 - Fremantle Pacing Cup – Money Magnet
 - Australian Pacing Championship – Looklikelighting.
- Gloucester Standardbreds recorded 152 sales with a clearance rate of 78%. The February sale grossed \$1.71m with an average of \$11,260 and two lots at \$40K each being the top prices paid.





GREYHOUND RACING



GREYHOUND RACING

Significant activities during the period in review for greyhound racing include:

- RWWA provided Greyhound clubs with Base and Feature Stake funding of \$6.8m in 2006, up from \$5.1m in 2005
- Race Clubs conducted 259 race meetings and provided a record 3,118 racing opportunities
- Strong turnover growth on local greyhound racing in 2006 saw TAB and on-course turnover at all three venues increase on a per meeting basis. TAB turnover broke \$50m for the first time (up 13.2%) and on-course turnover reached \$7.9m (up 15.4%). Mandurah contributed strongly, up 17.6% and 25.1% respectively
- The first stage of the Mandurah venue redevelopment was completed with the new 16-bay kennel building used for the first time on Tuesday 31 January. Construction of the new 603-metre track commenced in March 2006 but was later put on hold due to track builder Brian Barrington's long-standing interstate commitment to complete a new track at Dapto in NSW
- Race numbers at Friday night meetings have gradually increased from 11, two years ago, with the first 15-race meeting scheduled for Friday 4 August 2006
- SKY Channel vision of local chasing received a significant boost when coverage of South African Thoroughbreds commenced on SKY on Wednesday 19 October 2005. This virtually assured year round vision of the Cannington Wednesday night meeting, which previously only received coverage in conjunction with Hong Kong Thoroughbreds. Further opportunities eventuated later in the year when SKY Channel vision of the Tuesday Mandurah meeting commenced on 4 July 2006. This became the first WA Greyhound meeting to be seen interstate in the prime evening timeslot. At year end 4 of the 5 weekly Greyhound meetings in WA had SKY Channel vision
- Breeders and Owners Incentive Scheme (BOIS) payments totalled \$355.7K for the year following substantial changes made to the scheme, a massive increase from \$125K in 2005
- Significant growth in Greyhound numbers following the stakes and BOIS increases implemented in 2006 became evident during the year. Weekly surplus Greyhounds increased from levels near 40 at the end of 2005 to near 100 in 2006
- Victorian trained Superman was victorious in the Group 1 SKY Channel Perth Cup in March after setting a new track record on 30.12 in the heats the week prior. Local greyhound Ronray Dancer took the Group 3 Swan Draught Interstate Stayers Challenge and Group 2 Galaxy stayers double
- The carnival was an outstanding success culminating in attendance, TAB and on-course turnover records on Perth Cup Final night following WAGRA's decision to promote free entry. Cannington was packed with the largest crowd seen since the opening night of Greyhound racing in December 1974 with over 5,300 attendees.



STEWARDS



STEWARDS

The Stewards major focus during the year was the continued development of the Stewards' panels under RWWA. Cadet Stewards from the Thoroughbred and Greyhound codes were recently promoted to Stipendiary Steward status to uphold the high standard of integrity in the racing industry in Western Australia. Cross coding and interchange of Stewards also continues to be of high priority.

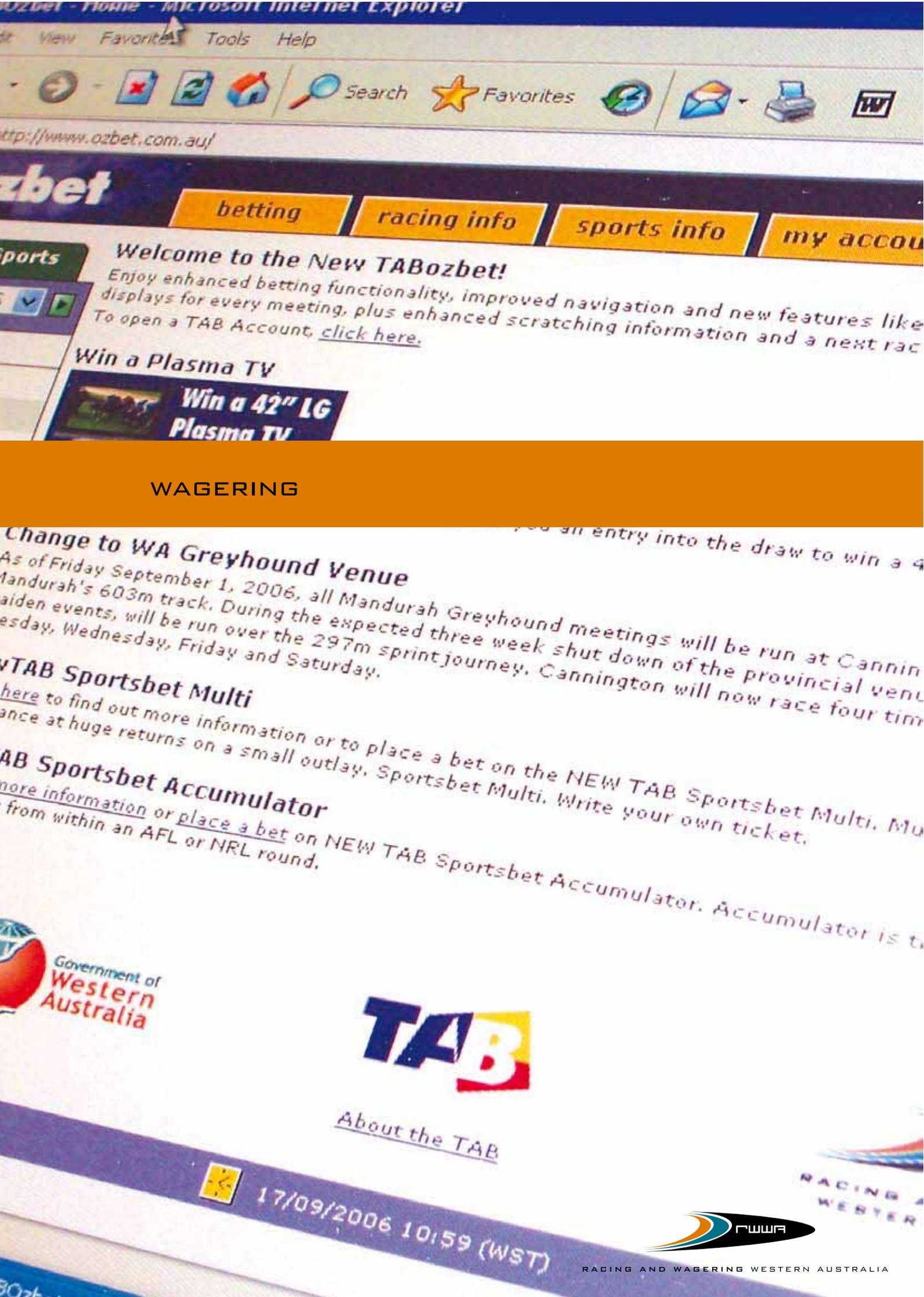
Another significant development this year was RWWA's involvement in the National Jockey Safety Review. RWWA joined with Racing NSW and Racing Victoria to participate in the most comprehensive safety review ever undertaken in Australian Racing. Significant findings and proposals on jockey protective gear, health and nutrition, minimum weights, field sizes and careless riding penalties were arrived at, with subsequent recommendations being made to the Australian Racing Board. A number of these recommendations have already been actioned by RWWA. Nevertheless RWWA Stewards are constantly reviewing and improving safety standards across the three codes with end of season racing reports highlighting Stewards areas of concern for Race Clubs to address.

Minimum medical and veterinary standards were also introduced for Harness Official Trials, to safeguard both Drivers safety and enhance horse welfare.

Other prime issues addressed through the year included:

- Development of the Primary Inquiry Stewards' Panel
- Review and streamlining of all code licensing procedures
- Review of all code swabbing procedures.





WAGERING

Change to WA Greyhound Venue
As of Friday September 1, 2006, all Mandurah Greyhound meetings will be run at Cannington. Mandurah's 603m track. During the expected three week shut down of the provincial venue, maiden events, will be run over the 297m sprint journey. Cannington will now race four times a week, Tuesday, Wednesday, Friday and Saturday.

NEW TAB Sportsbet Multi
[Click here](#) to find out more information or to place a bet on the NEW TAB Sportsbet Multi. Multi bets offer huge returns on a small outlay. Sportsbet Multi. Write your own ticket.

NEW TAB Sportsbet Accumulator
[Click here](#) for more information or [place a bet](#) on NEW TAB Sportsbet Accumulator. Accumulator is to be placed from within an AFL or NRL round.



[About the TAB](#)

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WAGERING

The TAB achieved a record turnover of \$1.324 billion for the 2006 year. This represents growth of 9.8% or \$118.5M over the previous year. Underpinning this was product growth with an additional 801 races, along with increase in the Fixed Odds Betting turnover up from \$34.6M to \$54.3M or 57%, and, growth in the Internet betting channel which grew at a rate of 47.1% from \$74.6M in the prior year to \$109.8M in 2006.

Last years Melbourne Cup was one of the greatest days in Australian racing history as Makybe Diva achieved immortality via her third consecutive Cup success. TAB records were set in nearly every aspect of trading, including a Melbourne Cup turnover of \$11.7M up 22.8% on last year and \$19M or 19.3% for the day.

The dedication and enthusiasm of TAB staff is showcased on this day more than any other and Cup day 2005 was a notable occasion.

Other significant outcomes for the year include:

- The implementation of problem gambling program across the offcourse wagering network, metropolitan oncourse totes and RWWA. This involved the training of all agents and staff in recognising and dealing with problem gambling issues and the ongoing distribution and prominent placement of problem gambling messages for customers and the community
- Successful implementation of TVN's sales agent agreement to minimise the impact of the dispute between TVN and Sky channel
- Upgraded agency facilities were opened in Rockingham and Fremantle and the retail network service to Western Australians particularly in the regions was widened with the opening of 5 new Pubtabs at Katanning, York, Boyup Brook, Mandurah and South Fremantle
- The re-negotiation of new full time agency contract for 72 agencies was ongoing throughout the year
- Working with Information Services on the trial of the Self-Service Wagering Terminals and Customer Information Terminals. The trial during 2005 at 20 agencies located throughout Western Australia provided essential operational and customer information in performance and customer take up to be used as the basis for the business case to roll out of the new information wagering services to the community
- The Sportsbet Multibet and Accumulator products introduction was a significant enhancement to the wagering product mix demonstrating RWWA's ongoing commitment to revitalising the TAB betting products on offer
- Wagering services delivered smooth and efficient services to meet the peak load and record betting activity for the 2005 Melbourne cup
- Improvements to Account opening procedures utilising the internet and an on-line identification confirmation process as well as a re-development of the Ozbet Internet betting site should deliver continued growth in Account based transactions in the future
- Completion of the upgrade of video surveillance closed circuit TV systems in retail agencies to a digital service allowing uninterrupted recording and retrieval of real time vision in full time outlets
- Introduction of Wednesday evening Thoroughbred meetings from South Africa complemented by Cannington Greyhound Meetings that have been moved from Thursday night to provide a late night programme with Sky Channel, nationally.

INFORMATION SERVICES

INFORMATION SERVICES - OPERATIONS

The 2006 year was a great success and from a technical perspective the result was well supported by the system hardening and load testing work completed in the six months leading up to the 2005 Spring Carnival. Of note RWWA's main betting system was modified to operate until 3:30 am in support of the Soccer World Cup activity.

In another major initiative 240 ticket terminals, purchased from South Australia, were refurbished and modified to suit RWWA's wagering environment. With the co-operation of Perth Racing, they were used to relocate and deploy extra terminals across the TAB retail network. Also in a complex research initiative, RWWA successfully resolved a significant problem related to having its existing ticket terminals communicate with the mainframe bet engine using older protocols alongside modern communication standards, required for new generation terminals. This work enables RWWA to avoid the need for any duplicate communication lines to those outlets with a combination of new Customer Information Terminals and existing ticket terminals.

Other activities included :

- Upgrades to RWWA's Head Office PABX and Call Centre voice-recording infrastructure
- The relocation of 1206 Racing Radio's transmitters to a new site on 16 December 2005
- The Installation of a new Geraldton Racing Radio transmitter on 14 October 2005
- The relocation of the Thoroughbred Racing system from the Ascot office of Perth Racing onto upgraded infrastructure at the RWWA Head office.

INFORMATION SYSTEMS - DEVELOPMENT PROJECTS

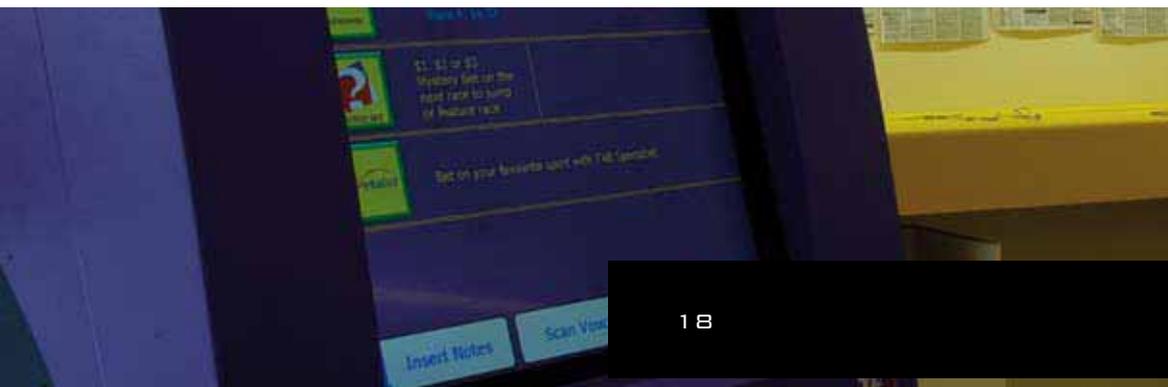
The delivery of the RWWA program of works progressed effectively during the year, with a significant portion of the implementation focus being on wagering system research and development activities.

Development projects included:

- Further enhancement to the performance, functionality, content and navigation of the TABozbet wagering site was achieved when the new site was launched in August 2006. The project expenditure during 2006 was \$755K and it is estimated \$826K will be incurred in early 2007
- A successful trial of Self-Service Terminals, including touch screen Wagering Terminals, touch screen Customer Information Terminals and the implementation of the required communications network to support the trial
- The introduction of the new Multi and Accumulator bet types.

Significant research and business case development was also undertaken with the aim of improving RWWA Racing systems and Corporate processes on a ongoing basis.

Project delivery during 2007 will focus mainly on wagering strategic business initiatives such as upgrading the communication lines across the retail network, initiating the refurbishment or replacement of the Bet Engine and implementing touch screen Customer Information



INFORMATION SERVICES

Terminals in all TAB outlets. An evaluation of alternative retail wagering terminals will also be initiated during the 2007 year.

The Project Office and Information Services will also orchestrate the replacement and upgrade of the RWWA Web site, so knowledge can be shared and collaboration improved within the racing industry. Updated Corporate Reporting systems and Budgeting and Forecasting models will also be implemented over the course of the year ahead.



STRATEGIC PLANNING & CORPORATE DEVELOPMENT

The division is responsible for preparation of the Strategic Development Plan. During 2006 this involved rescheduling and coordinating efforts by the Finance and Business Services Division to bring the annual budget and long-term financial outlook together with the Racing Industry Distribution Model, which was formulated with the input and direction of the Operations and Racing Divisions. The process was more streamlined than previous years, resulting in clearer communication and adoption of the strategic and funding outlook for RWWA and the industry for 2007.

In March 2006 stakeholders were updated on the recent progress made on Back on Track strategic objectives. They were also provided with insights into the success factors of the 2006 Bunbury Cup and Carnival and a report on research findings into trends and directions that are likely to impact the industry in the future. The Board also announced the Staying on Track Review, details of this can be found on the RWWA website at www.rwwa.com.au.

During 2005 a dispute between existing racing vision provider Sky Channel and Thoroughvision (TVN), created issues for all racing enthusiasts around Australia. During the period arrangements were made for RWWA to distribute TVN in WA. This effectively minimised any disruptions due to the dispute.

On behalf of Thoroughbred clubs, RWWA coordinated a significant contract renewal for the production of racing vision for transmission to Sky Channel Studios. A similar tender process is being developed for the Harness clubs for 2007.

CORPORATE INFORMATION

A key achievement for the Corporate Information Centre was the integration of various aspects of racing code information into data warehouse tables and this is expected to continue into 2007. The group also provided technical support and made improvements to the financial model used to calculate and allocate distributions. Other initiatives were, information analysis and reporting in relation to the SKY and TVN changes, analysis and projections of the Agents remuneration model and information support for strategic projects such as the self-service terminal pilot. The Racing Industry Status Report was also reviewed and improved and finally, the area also worked on the business case and proof of concept for a new corporate reporting toolset to be implemented in 2007.

HUMAN RESOURCES

The Human Resources activities during the reporting period focused on further development of RWWA's people and on employee relation practices.

During the period additional policies and guidelines to ensure consistency for all RWWA employees were developed and a comprehensive review of the performance management process for all employees was undertaken. Recruitment has been a major focus as the labour market has tightened with RWWA's efforts focusing on the attraction and retention of talented employees. Importantly a number of leadership development courses were conducted for managers and executives during the course of the year.

An Enterprise Bargaining Agreement (EBA) was signed off between RWWA and the Australian Services Union during the year for all Call Centre, Customer Service Centre, Control and Managed Agency employees. Negotiations with the Media, Entertainment and Arts Alliance Union for a new EBA for Racing Radio employees were also finalised.

The Human Resources Branch also assisted in implementing changes to the Apprentice Jockey wage structures to ensure these are comparable to national pay rates and assisted in the implementation of initiatives as identified in the Racing Industry Training Review of 2005.



STRATEGIC PLANNING & CORPORATE DEVELOPMENT

MARKETING AND MEDIA

In addition to promoting and developing racing and sport wagering products, the marketing and media area coordinated corporate communications during the year. Highlights for the year included:

- Introduction of new UK and South African racing plus an expanded Hong Kong racing programme
- The Melbourne Cup, our premier event, achieved 19.3% growth with turnover on Cup Day a record \$19 M
- New Multi and Accumulator bet types developed and launched in May 2006
- A World Cup Soccer result of \$7.9m in Turnover and expanded wagering audience.



FINANCE AND BUSINESS SERVICES

Managing the organisation's medium and long-term financial exposure has been critical this year in the face of significant commitments to the racing industry and the start of some of the largest capital expenditure projects RWWA has ever undertaken. The Division's financial modelling team provide invaluable support as RWWA's outlook has evolved.

The year also saw the implementation of RWWA's responsible wagering risk management program. This program has been very successful and enabled RWWA to contact and provide assistance to punters whose gambling habits may be causing them or the community harm.



CEO'S STATEMENT OF COMPLIANCE

HUMAN RESOURCES

At the end of the reporting year the number of people employed was 424 and RWWA's full time equivalent (FTE) was 288 including full-time, part-time and casual employees.

EQUAL EMPLOYMENT OPPORTUNITY

Equal Employment Opportunity (EEO) principles were applied to all recruitment and selection processes for employees and in the implementation of human resource management practices.

OCCUPATIONAL SAFETY AND HEALTH

RWWA's Occupational Safety and Health Advisory Committee continues to examine and address a variety of organisational issues including ergonomic assessments, first aid and fire evacuation.

WORKERS' COMPENSATION AND REHABILITATION

During the reporting period nine claims were made under the Workers' Compensation and Rehabilitation Act. The following table outlines the indicators as required by the Treasurer's Instruction 903(4)(vii)c:

Item	01/07/2005 - 30/06/2006	
Total Number of Claims accepted by RiskCover		9
Estimated Cost of Claims per \$100 payroll (includes ongoing claims from 2005)	1.7833	
Premium Rate	0.96	
Rehabilitation Success rate	-	

Note: Frequency rate not applicable as RWWA has less than 2,500 employees.

INSURANCE PREMIUMS PAID TO INDEMNIFY MEMBERS OF THE BOARD

An insurance policy has been taken out to indemnify members of the Board against any liability incurred under sections 13 or 14 of the Statutory Corporations (Liability of Directors) Act 1996. The amount of the insurance premium paid for 2006 was \$27,527.50.

RECORD KEEPING

RWWA is committed to ensuring its record keeping activities are in accordance with the requirements of the State Records Act (WA) 2000. The efficiency & effectiveness of the organisation's recordkeeping system is evaluated not less than once every 5 years. The organisation conducts a regular recordkeeping training and awareness program. The organisation's induction program addresses employees' roles and responsibilities with regards to their compliance with the organisation's recordkeeping plan.



CEO'S STATEMENT OF COMPLIANCE

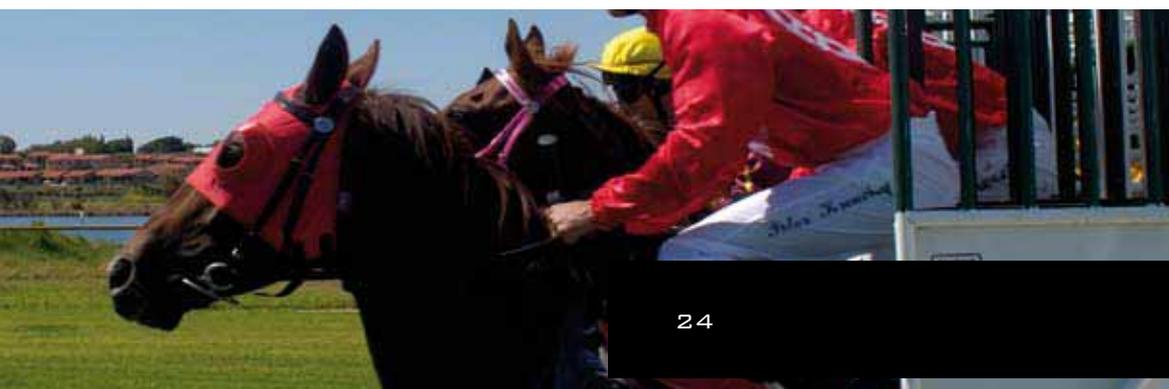
MARKETING EXPENDITURE - ALL FIGURES ARE EX GST

Advertising Agencies	Bowtell Clarke & Yole	\$188,627.30
	Total	\$188,627.30
Market Research Organisations	Media Monitors	\$12,963.10
	Research Solutions	\$22,536.40
	Colmar Brunton	\$24,823.00
	Total	\$60,322.50
Media Advertising Organisations	Southern Cross Broadcasting	\$74,918.20
	British League Football Club	\$3,636.40
	Sport FM / Radio Fremantle	\$3,250.00
	Footy Goss	\$2,376.40
	Wisdom Sports Media	\$6,000.00
	Total	\$90,181.00
Media Agencies	Media Decisions	\$926,538.70
	Wright Media	\$37,933.00
	TABCorp	\$28,100.00
	Total	\$992,571.70

PUBLIC INTEREST DISCLOSURES ACT 2003

The Principal Executive Officer has appointed the Executive Manager Human Resources as RWWA's Public Interest Disclosure Officer. Internal procedures have been developed and implemented for all RWWA employees with the relevant information being included on the RWWA intranet Portal.

Nil public interest disclosures were received during the 2006 reporting period.



THE ACT AND COMPLIANCE WITH THE WRITTEN LAW

RWWA commenced operations on 1 August, 2003 upon the promulgation of 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 regulate 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 2003, no Thoroughbred, Harness or Greyhound race for prize or reward (exceeding \$50 in value) may be held without a license from RWWA.

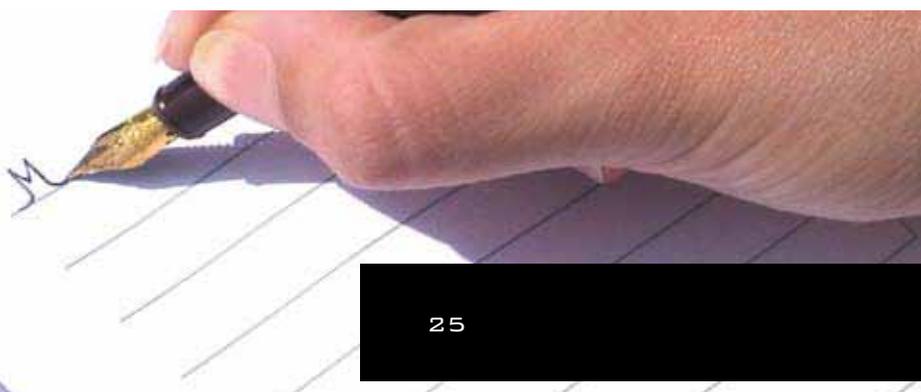
ENABLING LEGISLATION

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
- 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.

- Corruption and Crime Commission Act 2003
- Clerks (Racing Industry Betting) Award 1978
- Electoral Act 1907
- Equal Opportunity Act 1984
- Financial Administration and Audit Act 1984
- Freedom of Information Act 1992



THE ACT AND COMPLIANCE WITH THE WRITTEN LAW

- Gaming and Betting (Contract and Securities) Act 1985
- Government Officers' Salaries, Allowances and Conditions Award 1989
- Industrial Relations Act 1979
- Occupational Safety and Health Act 1984
- Public Interest Disclosure Act 2003
- State Superannuation Act 2000
- Superannuation Guarantee (Administration) Act 1992
- Unclaimed Money Act 1990
- Workplace Agreements Act 1993 (Cwth)
- Workplace Relations Amendment (Work Choices) Act 2005
- Workers Compensation and Assistance 1981.

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



BOARD MEMBERS

1. MR ROSS GREGORY BOWE

Chairman

Former Under Treasurer of Western Australia and former Chairman of the Western Australian Treasury Corporation and is currently a Board member of Landcorp and Chairman of the Metropolitan Cemeteries Board. Has had extensive high-level experience in financial administration particularly in the State Government sector. Chairman of the Western Australian TAB (2004).

2. MR ROSS ALAN COOPER

Was a licensed bookmaker at Thoroughbred, Harness and Greyhound race meetings in WA (1976-2001). Is a life member of the WA Bookmakers' Association. Was a delegate to both the WA Thoroughbred Racing Industry Council and Harness Racing Industry Council. He was also a member of the Betting Control Board (1994-98). Ross also operated as a Form Analyst with the Western Australian Trotting Association providing analytical assessment of race performance and assisting in maintaining confidence and integrity in the conduct of racing. Western Australian TAB Board Member (2002 to 2004).

3. MR JAMES MALCOLM FREEMANTLE

Deputy Chairman

Formerly CEO of Home Building Society Ltd following more than 30 years in banking in Australia and overseas. Consultant to various land development companies associated with Home and to organisations in the banking and finance sector. Director of a number of public and private companies. Western Australian TAB Board Member (2004).

4. MR GEOFFREY ALFRED MARTIN

Majority of working life spent with family company as a director of Archie Martin and Sons (Holdings) Ltd. Director of companies associated with Archie Martin and Sons and boards and committees pertaining to the electrical retailing industry. Board member of WAGRA 2002 and Chairman 2003. Western Australian TAB Board Member (2004).



BOARD MEMBERS

5. MR RONALD JAMES MCFARLANE

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

6. MR ROBERT CHARLES PEARSON

Chairperson of Statewide Oil Distributors since 1985 and Managing Director from 1985 - 2005. Extensive involvement in the Oil Industry particularly for logistical and marketing of lubricants throughout WA. Currently a Vice Patron of East Perth Football Club. Previous President East Perth Football Club (1990-1992), Committee WATC (1992-1994), Betting Control Board Member (1993-1994), Board Member WA Swimming Association (2000-2002), Currently Principal Director Australian Racing Board (ARB) and Director Racing Information Services (RISA). Owner/Part owner of a number of thoroughbred horses in WA and Eastern States. Western Australian TAB Board Member (2004).

7. MR MICHAEL JAMES RYAN

Has had over 30 years experience in Management in the Information, Communications & Technology Industries, primarily with IBM, Data General and Optus. TAB board member from 2002 to 2004 and has been a Board member at His Majesty's Theatre Foundation and Starlight Foundation.

8. MR IAN FREDERICK TAYLOR

Currently self employed in the Abalone Industry and various consultancies. MLA for Kalgoorlie 1981-1996. Minister in a range of portfolios 1986-1993 including Health, Conservation, Police and State Development, Deputy Premier and Leader of the Opposition. Past Patron Kalgoorlie Boulder Racing Club. Western Australian TAB Board Member (2004).



FINANCIAL STATEMENTS

	Cost comun	Consum	Cost	Total GCA
80.60	80.60	1439.83 u	205.86	2.66471
66.43	66.43	1185.67 u	169.52	2.194867
50.52	50.52	635.29 u	90.83	1.462872
80.60	80.60	178.42 u	25.51	1.462872
66.43	66.43	1634.60 u	233.70	2.194867
50.52	50.52	1243.71 u	177.82	1.462872
80.60	80.60	1594.61 u	227.99	2.207201
66.43	66.43	1284.47 u	183.64	1.462872
50.52	50.52	2919.00 u	417.34	2.738
80.60	80.60	928.22 u	132.71	2.178229
66.43	66.43	1785.99 u	255.35	4.631975
50.52	50.52	914.43 u	130.74	1.852467
80.60	80.60	4657.70 u	665.92	2.993270
66.43	66.43	1679.49 u	240.12	1.686088
50.52	50.52	937.78 u	134.08	6.944402
80.60	80.60	1277.09 u	182.59	2.851635
66.43	66.43	469.90 u	238.75	1.865170
50.52	50.52	1277.09 u	75.40	2.168411
80.60	80.60	1277.09 u	401.34	2.970693
66.43	66.43	1679.49 u	128.21	1.319320
50.52	50.52	937.78 u	9.41	4.351314
80.60	80.60	1277.09 u	51	1.662569
66.43	66.43	1785.99 u	151.35	2.046641
50.52	50.52	937.78 u	1.59	2.539009
80.60	80.60	1277.09 u	1.59	2.118691
66.43	66.43	1785.99 u	2.094	2.094



FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

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INCOME STATEMENT

FOR THE YEAR ENDED 31 JULY 2006

	Notes	2006 \$000	2005 \$000
INCOME			
Revenue			
Margin		225,726	205,815
Interest revenue		4,097	3,896
Other revenue	3	14,791	16,421
Gains			
Gains on disposals of non-current assets	4	491	379
Total Income		245,105	226,511
EXPENSES			
Cost of sales	2	77,920	71,718
Racing Services	5	12,133	11,353
Wagering Services	5	60,266	55,055
Support Services	5	18,022	15,538
Projects		1,589	3,455
Grants and subsidies	6	5,579	10,231
Distribution to racing and sports industries	7	83,545	66,576
Total Expenses		259,054	233,926
Profit/(loss) before grants and subsidies from State Government		(13,949)	(7,415)
Grants and subsidies from State Government	2	20,380	18,749
Profit for the period		6,431	11,334

THE INCOME STATEMENT SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES.

BALANCE SHEET

AS AT 31 JULY 2006

	Notes	2006 \$000	2005 \$000
ASSETS			
Current Assets			
Cash and cash equivalents	19	73,740	64,223
Inventories	8	1,237	1,535
Receivables	9	10,481	4,499
Other current assets	11	2,191	1,596
Total Current Assets		87,649	71,853
Non-Current Assets			
Other financial assets	10	352	352
Property, plant and equipment	12	28,163	25,436
Capital works in progress		2,829	1,137
Intangible assets	13	1,554	1,467
Total Non-Current Assets		32,898	28,392
Total Assets		120,547	100,245
LIABILITIES			
Current Liabilities			
Payables	15	19,598	9,708
Provisions	16	2,459	2,370
Other liabilities	17	11,470	10,342
Total Current Liabilities		33,527	22,420
Non-Current Liabilities			
Payables	15	307	307
Provisions	16	752	775
Total Non-Current Liabilities		1,059	1,082
Total Liabilities		34,586	23,502
Net Assets		85,961	76,743
EQUITY			
Contributed equity		60,884	60,884
Reserves		25,077	15,859
Retained earnings		0	0
Total Equity		85,961	76,743

THE BALANCE SHEET SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2006

	Notes	2006 \$000	2005 \$000
Balance of equity at start of period		76,743	65,409
Contributed Equity			
Balance at the start of period		60,884	60,884
Contributions		0	0
Distributions		0	0
Balance at the end of period		60,884	60,884
Reserves			
Asset revaluation reserve:			
Balance at the start of period		0	0
Net revaluation increments/(decrements):			
Land		2,482	0
Buildings		305	0
Balance at the end of period		2,787	0
General reserve:			
Balance at the start of period		15,859	4,525
Transfer from Retained Earnings		6,431	11,334
Balance at the end of period		22,290	15,859
Balance of reserves at end of period		25,077	15,859
Retained Earnings			
Balance at the start of period		0	0
Result for the period		6,431	11,334
Transfer to General Reserve		(6,431)	(11,334)
Balance at the end of period		0	0
Balance of equity at end of period	18	85,961	76,743
Total income and expense for the period		9,218	11,334

THE STATEMENT OF CHANGES IN EQUITY SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2006

	Notes	2006 \$000	2005 \$000
Cash Flow From Operating Activities			
Receipts			
Receipts from customers		1,286,034	1,177,549
Interest received		4,097	3,896
GST receipts on sales		26,311	23,049
GST receipts from taxation authority		0	0
Other receipts		0	0
Payments			
Payments to customers, creditors and employees		(1,212,291)	(1,118,334)
Distributions		(83,545)	(66,576)
Interest paid		(45)	(42)
GST payments on purchases		(7,794)	(5,898)
GST payments to taxation authority		(18,517)	(17,152)
Other payments		0	0
Net cash provided by/(used in) operating activities		(5,750)	(3,508)
Cash Flows From Investing Activities			
Proceeds from sales of non-current assets		1,438	3,037
Purchase of non-current assets		(6,551)	(8,072)
Proceeds from sale of investments			
Purchase of investment			
Net cash provided by/(used in) investing activities		(5,113)	(5,035)
Cash Flows From State Government			
GST reimbursement		20,380	18,749
Net cash provided by State Government		20,380	18,749
Net Increase/(decrease) in cash and cash equivalents		9,517	10,206
Cash and cash equivalents at the beginning of period		64,223	54,017
Cash and Cash Equivalents at the end of period	19	73,740	64,223

THE CASH FLOW STATEMENT SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

FIRST TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

General

This is the Authority's first published financial report prepared under Australian equivalents to International Financial Reporting Standards (AIFRS).

Accounting Standard AASB 1 'First time Adoption of Australian Equivalents to International Financial Reporting Standards' has been applied in preparing these financial statements. Until 31 July 2005, the financial statements have been prepared under the previous Australian Generally Accepted Accounting Principles (AGAAP).

The Australian Accounting Standards Board (AASB) adopted the Standards of the International Accounting Standards Board (IASB) for application to reporting periods beginning on or after 1 January 2005 by issuing AIFRS which comprises a Framework for the Preparation and Presentation of Financial Statements, Australian Accounting Standards and the Urgent Issues Group (UIG) Interpretations.

All comparative information has been prepared under the AIFRS basis and restated to correspond to the current year's presentation.

Early adoption of standards

The Authority cannot early adopt an Australian Accounting Standard or UIG Interpretation unless specifically permitted by Treasurers' Instruction (TI) 1101 'Application of Australian Accounting Standards and Other Pronouncements'. This TI requires the early adoption of revised AASB 119 'Employee Benefits' as issued in December 2004, AASB 2004-3 'Amendments to Australian Accounting Standards', AASB 2005-3 'Amendments to Australian Accounting Standards [AASB 119]', AASB 2005-4 'Amendments to Australian Accounting Standards [AASB 139, AASB 132, AASB 1, AASB 1023 & AASB 1038]' and AASB 2005-6 'Amendments to Australian Accounting Standards [AASB 3]' to the annual reporting period beginning 1 August 2005. AASB 2005-4 amends AASB 139 'Financial Instruments: Recognition and Measurement' so that the ability to designate financial assets and financial liabilities at fair value is restricted. AASB 2005-6 excludes business combinations involving common control from the scope of AASB 3 'Business Combinations'.

Reconciliations explaining the transition to AIFRS as at 1 August 2004 and 31 July 2005 are provided at note 28 'Explanation of the transition to AIFRS'.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

1. Accounting Policies

(a) Statement of Compliance

The financial statements constitute a general purpose financial report, which has been prepared 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 Administration and Audit Act and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over the Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

Modifications or clarifications to accounting standards through the Treasurer's Instructions are intended to provide certainty and ensure consistency and appropriate reporting across the public sector. Where modification is required and has 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 using the historical cost convention, modified by the revaluation of land and buildings, 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 report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000).

(c) Income

Revenue

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

Interest

Revenue is recognised as the interest accrues.

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

Gains may be realised or unrealised and are usually recognised on a net basis. These include gains arising on the disposal of non-current assets.

(d) 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. The tax rate for Parimutuel turnover is 5.0%, Fixed Odds Betting (FOB) Sports 0.5% and FOB racing 2.0%.

In February 2001 the State Government announced its intention to reduce the tax on Parimutuel turnover (excluding Sports) to 4.5%. As an interim measure a 0.5% turnover tax rebate is applicable, which is an arrangement between the Department of Racing, Gaming and Liquor and the Department of Treasury and Finance.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

(e) Property, Plant and Equipment

Capitalisation/Expensing of assets

Items of property, plant and equipment costing over \$1,000 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 \$1,000 are expensed direct to the Income Statement (other than where they are considered to be an attractive item or 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

After recognition as an asset, the Authority uses the revaluation model for the measurement of land and buildings and the cost model for all other property, plant and equipment. Land and buildings are carried at fair value less accumulated depreciation on buildings 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 evidence is available, the fair value of land and buildings 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.

The revaluation of land and buildings is an independent valuation provided on an annual basis by the Department of Land Information (Valuation Services).

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.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method, using rates which are reviewed regularly. Estimated useful lives for each class of depreciable assets are:

- Buildings 10 to 40 years
- Motor vehicles, Equipment and Fittings 5 to 15 years
- Leasehold Improvements 5 to 15 years
- Software ^(a) 5 to 15 years

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

(f) Intangible Assets

Capitalisation/Expensing of assets

Acquisitions of intangible assets costing over \$1,000 and internally generated intangible assets costing over \$5,000 are capitalised. The cost of utilising the assets is expensed (amortised) over their useful life. Costs incurred of less than \$1,000 (where purchased) and \$5,000 (where internally generated) are immediately expensed directly to the Income Statement.

All acquired and internally developed intangible assets are initially measured at cost. For assets acquired at no cost or for nominal cost, cost is their fair value at the date of acquisition.

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

The carrying value of intangible assets is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

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 annually. All intangible assets controlled by the Authority have a finite useful life and zero residual value. The expected useful lives for each class of intangible asset are:

- Software^(a) 3 to 10 years
- Web site costs 3 to 5 years

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

Research and Development

Research costs are expensed as incurred. Development costs incurred for an individual project are carried forward and capitalised where the future recoverability can reasonably be regarded as assured.

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.

(g) Impairment of Assets

Property, plant and equipment and intangible assets are tested for any indication of impairment at each reporting date. 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 in the income statement.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated or where the replacement cost is falling. 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.

(h) Leases

The Authority 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.

(i) Financial Instruments

The Authority has two categories of financial instrument:

- Loans and Receivables (includes cash and cash equivalents, receivables, term deposits); and
- Non-trading financial liabilities (includes payables, unclaimed dividends, account betting deposits, agent deposits).

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.

(j) Cash and Cash Equivalents

For the purpose of the Cash Flow Statement, cash and cash equivalents includes restricted cash and cash equivalents. These include 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 not subject to insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

(k) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on an average cost basis.

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.

(l) Receivables

Receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Authority 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.

(m) Payables

Payables are recognised when the Authority 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.

(n) Provisions

Provisions are liabilities of uncertain timing and amount. The Authority only recognises a provision where there is a present legal, equitable or constructive obligation as a result of a past event and when the outflow of economic benefits is probable and can be measured reliably. Provisions are reviewed at each balance date and adjusted to reflect the current best estimate.

(i) Provisions - Employee Benefits

Annual Leave and Long Service Leave

The liability for annual and 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. Annual and 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.

All annual leave and unconditional long service leave provisions are classified as current liabilities as the Authority does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Superannuation

The Government Employees Superannuation Board (GESB) administers the following superannuation schemes.

Employees may contribute to the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme now closed to new members. Employees who are not members of GSS become non-contributory members of the West State Superannuation Scheme (WSS), an accumulation fund. The Authority contributes to this accumulation fund in compliance with the Commonwealth Government's *Superannuation Guarantee (Administration) Act 1992*.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

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

The Gold State Superannuation Scheme 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

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 not included as part of the Authority's 'Employee benefits expense' and the related liability is included in Employment on-costs provision.

(o) Superannuation Expense

The superannuation expense of the defined contribution plans is recognised as and when the contributions fall due.

(p) Accrued Salaries

Accrued salaries (refer note 18 'Other liabilities') represent the amount due to staff but unpaid at the end of the financial year, as the end of the last pay period for that financial year does not coincide with the end of the financial year. Accrued salaries are settled within a few days of the financial year end. The Authority considers the carrying amount of accrued salaries to be equivalent to the net fair value.

(q) Comparative Figures

Comparative figures have been restated on the AIFRS basis.

Future impact of Australian Accounting Standards not yet operative

As referred to in Note 1, TI 1101 has only mandated the early adoption of revised AASB 119, AASB 2004-3, AASB 2005-3, AASB 2005-4 and AASB 2005-6. Consequently, the Authority has not applied the following Australian Accounting Standards and UIG Interpretations that have been issued but are not yet effective. These will be applied from their application date:

- a. AASB 7 'Financial Instruments: Disclosures' (including consequential amendments in AASB 2005-10 'Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]'). This Standard requires new disclosures in relation to financial instruments. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007. The Standard is considered to result in increased disclosures of an entity's risks, enhanced disclosure about components of a financial position and performance, and changes to the way of presenting financial statements, but otherwise there is no financial impact.
- b. AASB 2005-9 'Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 & AASB 132]' (Financial guarantee contracts). The amendment deals with the treatment of financial guarantee contracts, credit insurance contracts, letters of credit or credit derivative default contracts as either an "insurance contract" under AASB 4 'Insurance Contracts' or as a "financial guarantee contract" under AASB 139 'Financial Instruments: Recognition and Measurement'. The Authority does not undertake these types of transactions resulting in no financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2006.
- c. UIG Interpretation 4 'Determining whether an Arrangement Contains a Lease'. This Interpretation deals with arrangements that comprise a transaction or a series of linked transactions that may not involve a legal form of a lease but by their nature are deemed to be leases for the purposes of applying AASB 117 'Leases'. At reporting date, the Authority has not entered into any arrangements as specified in the Interpretation resulting in no impact when the Interpretation is first applied. The Interpretation is required to be applied to annual reporting periods beginning on or after 1 January 2006.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

The following amendments are not applicable to the Authority as they will have no impact:

AASB Amendment Affected Standards

2005-1	AASB 139 (<i>Cash flow hedge accounting of forecast intragroup transactions</i>)
2005-5	'Amendments to Australian Accounting Standards [AASB 1 & AASB 139]'
2006-1	AASB 121 (<i>Net investment in foreign operations</i>)
UIG 5	'Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds'
UIG 6	'Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment'.
UIG 7	'Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies'.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

	2006	2005
	\$000	\$000
2 Cost of Sales		
Goods and Services Tax	20,380	18,749
Tax on turnover	63,877	58,811
Tax rebate	(6,337)	(5,842)
	77,920	71,718
<p>The Goods and Services Tax (GST) is not applied to the consumption of gambling services. It is however, applied to the operators' margin defined as the subscription (wagering less sales commission) less the amount of prizes (dividends). The State provides reimbursement to gaming operators (including RWVA) for GST paid on the operators' margin.</p> <p>The GST paid on the operators' margin is disclosed as a cost of sales (as above). Treasurers' Instruction 1102, however, requires the reimbursement of the GST to be disclosed as a grant from the State Government rather than offset against the cost to which it applies.</p>		
3 Other Revenue		
External settlement recoup	1,672	1,558
Recoup accounts	13,119	14,863
	14,791	16,421
4 Net gain/(loss) on disposal of Property, Plant and Equipment		
Costs of disposal of non-current assets Property, Plant & Equipment and Vehicles	947	2,658
Proceeds from Disposal of non-current assets Property, Plant & Equipment and Vehicles	1,438	3,037
	491	379
5 Racing, Wagering and Support Services		
Employee Benefit Expense	20,917	19,430
Depreciation and Amortisation	3,885	3,045
Finance Costs	44	42
Supplies and Services	37,649	35,027
Advertising & Promotions	12,728	11,139
Communications	5,414	5,544
Accommodation	5,129	4,391
Other Expenses	4,655	3,328
	90,421	81,946
6 Grants and subsidies		
Grants	4,010	8,945
Other subsidies	1,569	1,286
	5,579	10,231

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

		2006	2005
		\$000	\$000
7	Distributions to Racing & Sports Industries		
	Thoroughbreds	47,836	37,760
	Harness	23,845	19,002
	Greyhounds	10,315	8,868
	Sports	1,549	946
		83,545	66,576
8	Inventories		
	Current		
	Inventories not held for resale:		
	Tickets	875	956
	Terminal Parts	357	579
	Inventories held for resale:		
	At cost:		
	Clothing	5	0
		1,237	1,535
9	Receivables		
	Current		
	Receivables	7,573	4,317
	Other Debtors	2,913	187
	Provision for Doubtful Debts	(5)	(5)
		10,481	4,499
10	Other Financial Assets		
	Non Current		
	At cost:		
	Unlisted Shares	352	352
		352	352
11	Other Assets		
	Current		
	Prepayments	2,191	1,596
		2,191	1,596

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

	2006	2005
	\$000	\$000
12 Property, Plant & Equipment		
Freehold land		
At fair value	15,033	11,245
Accumulated impairment losses		
	15,033	11,245
Buildings		
At fair value	5,169	4,873
Accumulated depreciation	(848)	(476)
Accumulated impairment losses		
	4,321	4,397
Leasehold improvements		
At cost	4,664	5,234
Accumulated amortisation	(1,476)	(935)
Accumulated impairment losses		
	3,188	4,299
Motor Vehicles, Equipment & Fittings		
At cost	9,377	7,688
Accumulated depreciation	(3,756)	(2,193)
Accumulated impairment losses		
	5,621	5,495
	28,163	25,436

Freehold land, buildings and leasehold improvements were revalued as at 1 July 2005 by the Department of Land Information (Valuation Services). The fair value of all land and buildings has been determined by reference to recent market transactions.

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the reporting period are set on the next page.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

	Freehold Land	Buildings	Leasehold Improvements	Motor vehicles, Equipment & Fittings	Total
	\$000	\$000	\$000	\$000	\$000
2006					
Carrying amount at start of year	11,245	4,397	4,299	5,495	25,436
Additions	1,899	(13)	2	2,814	4,702
Transfers		138	76	(277)	(63)
Disposals	(593)	(128)	(431)	(301)	(1,453)
Revaluation increments	2,482	305			2,787
Impairment losses					0
Impairment losses reversed					0
Depreciation		(378)	(758)	(2,110)	(3,246)
Carrying amount at end of year	15,033	4,321	3,188	5,621	28,163

	Freehold land	Buildings	Leasehold Improvements	Motor vehicles, Equipment & Fittings	Total
	\$000	\$000	\$000	\$000	\$000
2005					
Carrying amount at start of year	12,670	4,797	3,886	2,749	24,102
Additions		91	282	6,201	6,574
Transfers			748	(748)	0
Disposals	(1,425)	(148)		(1,046)	(2,619)
Revaluation increments					0
Impairment losses					0
Impairment losses reversed					0
Depreciation		(343)	(617)	(1,661)	(2,621)
Carrying amount at end of year	11,245	4,397	4,299	5,495	25,436

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

		2006	2005
		\$000	\$000
13 Intangible Assets			
	Computer software		
	At cost	2,765	2,027
	Accumulated amortisation	(1,211)	(560)
	Accumulated impairment losses		
		1,554	1,467
	Reconciliation		
	Carrying amount at start of year	1,467	616
	Additions	667	1,299
	Transfers (from Fixed Assets)	63	
	Revaluation increments		
	Impairment losses recognised in Income Statement		
	Impairment losses reversed in Income Statement		
	Disposals	(4)	(39)
	Amortisation	(639)	(409)
	Carrying amount at end of year	1,554	1,467

14 Impairment of Assets

There were no indications of impairment to property, plant and equipment and intangible assets at 31 July 2006. The authority held no intangible assets with an indefinite useful life during the reporting period. No surplus assets are held by the authority as at 31 July 2006.

15 Payables

Current

Trade Payables	10,259	1,644
Unclaimed dividends and refunds	4,142	3,672
Account betting deposits	4,393	3,662
Agents deposits and property bonds	804	730
	19,598	9,708

Non Current

Payables	307	307
	307	307

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

	2006	2005
	\$000	\$000
16 Provisions		
Current		
Employee benefits provision		
Annual Leave	1,416	1,441
Long Service Leave	896	779
	2,312	2,220
Other provisions		
Employment on-costs	147	150
	147	150
	2,459	2,370
Non Current		
Employee benefits provision		
Long Service Leave	566	650
	566	650
Other provisions		
Employment on-costs	36	50
Interdominion Funding	150	75
	186	125
	752	775

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 year	200	473
Additional provisions recognised	1,232	701
Payments/other sacrifices of economic benefits	(1,249)	(974)
Unwinding of discount		
Carrying amount at end of year	183	200
Interdominion Funding provision		
Carrying amount at start of year	75	0
Additional provisions recognised	75	75
Payments/other sacrifices of economic benefits		
Unwinding of discount		
Carrying amount at end of year	150	75

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

		2006	2005
		\$000	\$000
17	Other liabilities		
	Current		
	Accrued expenses	11,470	10,342
		11,470	10,342
18	Equity		
	Contributed equity		
	Balance at the start of the year	60,884	60,884
	Contributions		
	Distributions		
	Balance at the end of the year	60,884	60,884
	Reserves		
	Asset revaluation reserve:		
	Balance at the start of the year	0	0
	Net revaluation increments/(decrements):		
	Land	2,482	
	Buildings	305	
	Balance at the end of the year	2,787	0
	General reserve:		
	Balance at the start of the year	15,859	4,525
	Transfer from Retained Earnings	6,431	11,334
	Balance at the end of the year	22,290	15,859
	Balance of reserves at end of year	25,077	15,859
	Retained earnings		
	Balance at the start of the year	0	0
	Result for the period	6,431	11,334
	Transfer to General Reserve	(6,431)	(11,334)
	Balance at the end of the year	0	0

General Reserve

The purpose of the general reserve is to cushion the effect of turnover fluctuations; 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 equipping of premises used by RWWA or its agency.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

19 Notes to the Statement of Cash Flow

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 Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	2006	2005
	\$000	\$000
Cash and cash equivalents		
Cash at bank	8,191	425
Cash on hand	18	18
Short-term deposits	65,531	63,780
	73,740	64,223
Reconciliation of profit to net cash flow provided by operating activities		
Profit for the period	6,431	11,334
Non cash items:		
Depreciation and amortisation expense	3,885	3,045
Doubtful debts expense		
Net (gain)/loss on sale of property, plant and equipment	(491)	(379)
(Increase)/decrease in assets:		
Current receivables	(5,982)	(674)
Current inventories	298	6
Prepayments / Accrued Income	(595)	(1,340)
Increase/(decrease) in liabilities:		
Trade creditors	9,346	630
Other creditors	544	(21)
Other liabilities	1,128	2,237
Annual leave and long service leave provisions	8	328
Other current provisions	58	75
Change in GST in receivables/payables	(20,380)	(18,749)
Net cash provided by/(used in) operating activities	(5,750)	(3,508)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

20 Financial instruments

Interest Rate Risk Exposure

	Weighted Average Effective Interest Rate %	Variable Interest Rate	Fixed Interest Rate Within 1 year	Fixed Interest Rate More than 5 years	Non Interest Bearing	Total
		\$000	\$000	\$000	\$000	\$000
2006						
Financial Assets						
Cash and cash equivalents	5.98	8,191	65,531		18	73,740
Receivables					10,481	10,481
Other financial assets					352	352
		8,191	65,531	0	10,851	84,573
Financial Liabilities						
Payables					19,105	19,105
Agent deposits	5.25			730	70	800
		0	0	730	19,175	19,905

	Weighted Average Effective Interest Rate %	Variable Interest Rate	Fixed Interest Rate Within 1 year	Fixed Interest Rate More than 5 years	Non Interest Bearing	Total
		\$000	\$000	\$000	\$000	\$000
2005						
Financial Assets						
Cash and cash equivalents	5.64	425	63,780		18	64,223
Receivables					4,499	4,499
Other financial assets					352	352
		425	63,780	0	4,869	69,074
Financial Liabilities						
Payables					9,290	9,290
Agent deposits	4.63			640	85	725
		0	0	640	9,375	10,015

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

21 Commitments

2006	2005
\$000	\$000

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	3,581	2,472
Later than one year but not later than five years	0	757
Later than five years	0	0
	3,581	3,229

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	2,590	2,112
Later than one year but not later than five years	5,960	4,418
Later than five years	1,155	1,419
	9,705	7,949
Representing:		
Cancellable operating leases	0	0
Non-cancellable operating leases	9705	7,949
Future finance charges on finance leases	0	0
	9,705	7,949

Expenditure Commitments

Other expenditure commitments (ie. Projects) contracted for at the reporting date but not recognised as liabilities, are payable as follows:

Within one year	1,330	2,060
Later than one year but not later than five years	0	735
Later than five years	0	0
	1,330	2,795

22 Contingent liabilities

A claim has been received in relation to an alleged breach of licence agreement. Any liability has been denied and any legal claim will be defended.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

23 Remuneration of members of the Accountable Authority and senior officers

2006	2005
\$000	\$000

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:

\$20,001-\$30,000	7	7
\$40,001-\$50,000		1
\$50,001-\$60,000	1	
The total remuneration of Members of the Accountability Authority is:	239	236

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

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:

\$60,001-\$70,000	1	
\$110,001-\$120,000		1
\$150,001-\$160,000	1	1
\$160,001-\$170,000	2	1
\$170,001-\$180,000		1
\$180,001-\$190,000	1	
\$200,001-\$210,000		2
\$210,001-\$220,000	1	
\$220,001-\$230,000	1	
\$360,001-\$370,000		1
\$380,001-\$390,000	1	
The total remuneration of senior officers is:	1,556	1,385

No senior officers are members of the Pension Scheme.

24 Remuneration of Auditor

Remuneration payable to the Auditor General for the financial year is as follows:

Auditing the accounts, financial statements and performance indicators	93	85
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25 Supplementary Financial Information

Bad Debts Write-off	2	8
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

26 Schedule of Income and Expense by Service

	Racing 2006 \$000	2005 \$000	Wagering 2006 \$000	2005 \$000	Unallocated 2006 \$000	2005 \$000	Total 2006 \$000	2005 \$000
INCOME								
Revenue								
Margin		205,815	225,726	205,815			225,726	205,815
Interest revenue		431	596	431	3,501	3,465	4,097	3,896
Other revenue	4,257	3,765	10,101	12,656	434		14,792	16,421
Gains on disposals of non-current assets					491	379	491	379
Total Income	4,257	3,765	236,423	218,902	4,426	3,844	245,105	226,511
EXPENSES								
Cost of sales			77,920	71,718			77,920	71,718
Racing Services	12,133	11,353					12,133	11,353
Wagering Services			60,266	55,055			60,266	55,055
Support Services					18,022	15,538	18,022	15,538
Projects	273	704	315	2,021	1,001	730	1,589	3,455
Grants and subsidies	4,010	8,951	1,569	1,280			5,579	10,231
Distribution to racing and sports industries	81,996	65,631			1,549	945	83,545	66,576
Total Expenses	98,412	86,639	140,070	130,074	20,572	17,213	259,054	233,926
Profit/(Loss) before Grants and Subsidies	(94,155)	(82,874)	96,352	88,827	(16,146)	(13,369)	(13,949)	(7,415)
Grants and subsidies from State Government (GST Reimbursement)			20,380	18,749			20,380	18,749
Profit/(Loss) for the period	(94,155)	(82,874)	116,732	107,576	(16,146)	(13,369)	6,431	11,334

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

27 Explanatory Statement

	Comment	2006 Actual \$000	2006 Budget \$000	2005 Actual \$000
Revenue				
Margin	(1)	225,726	217,633	205,815
Interest Revenue	(3)	4,097	3,245	3,896
Other Revenue		14,791	14,856	16,421
Gains				
Gains on disposals of non-current assets	(2)	491	125	379
Total Income		245,105	235,859	226,511
Expenses				
Cost of sales		77,920	75,428	71,718
Racing services	(4)	12,133	12,307	11,353
Wagering Services	(4)	60,266	60,023	55,055
Support Services	(4)	18,022	19,056	15,538
Projects	(3)	1,589	8,773	3,455
Grants and subsidies	(5)	5,579	2,247	10,231
Distribution to racing and sports industries	(6)	83,545	83,084	66,576
Total Expenses		259,054	260,918	233,926
Grants and subsidies from State Government (GST reimbursement)		20,380	19,785	18,749
Profit for the period		6,431	(5,274)	11,334

Comment

Significant variations are considered to be those in excess of 10% or where the amount is deemed significant in context.

Despite the 2006 year being one week shorter than the 2005 year (53 weeks), turnover increased by \$50.4M (4.0%) over the budget and \$118.5M (9.8%) over last year. Additional meetings and races contributed to the positive growth across all racing codes.

- (1) The margin and cost of sales are directly linked to turnover and consequently display similar growth rates over budget and last year.
- (2) During the 2006 year a \$0.5M profit was realised from the sale of Land and Buildings.
- (3) The increase in interest revenue is mainly due to the increase in cash holding due to higher revenue and lower than budgeted project expenditure. Spending on a number of large projects has been deferred to the 2007 year as a result of resource constraints.
- (4) Although in the 2006 year turnover exceeded budget, expenses remained within budget. Both turnover and expenses increased when compared against the prior year. The largest increases in Wagering, Racing and Support Services included: FTE / Contract Labour \$1.7M; Direct Wagering Costs (primarily Agency Commission) \$1.5M; and Media, promotions and product fees \$1.0M.
- (5) Grants totalling \$8.3M were issued to the Racing Industry during the year. The RWWA funded portion was \$4.0M and the majority of these grants were allocated to metropolitan clubs. The remaining \$4.3M was funded by the WA Government (not shown in Income Statement) and distributed throughout the state for the development of country clubs. An additional \$1.5M was paid out by RWWA in Subsidies.
- (6) The significant increase of \$17.0M in Distributions over 2005 is reflective of the higher turnover and Industry funding levels.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

28 Explanation of transition to Australian equivalents to International Financial Reporting Standards (AIFRS)

Reconciliation of Equity Statement at the date of transition to AIFRS: 1 August 2004	Previous GAAP 1 August 2004	Adjustments		AIFRS 1 August 2004
		Intangible Assets (Software) AASB 138	Employee Benefits AASB 119	
ASSETS				
Current Assets				
Cash and cash equivalents	54,017			54,017
Inventories	1,541			1,541
Receivables	3,825			3,825
Other current assets	256			256
Total Current Assets	59,639			59,639
Non-Current Assets				
Other financial assets	352			352
Property, plant and equipment	24,718	(616)		24,102
Capital Work in Progress	953			953
Intangible Assets	0	616		616
Total Non-Current Assets	26,023			26,023
Total Assets	85,662			85,662
LIABILITIES				
Current Liabilities				
Payables	17,183			17,183
Provisions	2,205		155	2,360
Other current liabilities	0			0
Total Current Liabilities	19,388		155	19,543
Non-Current Liabilities				
Payables	328			328
Provisions	537		(155)	382
Total Non-Current Liabilities	865		(155)	710
Total Liabilities	20,253			20,253
Net Assets	65,409			65,409
EQUITY				
Contributed Equity	60,884			60,884
Reserves	4,525			4,525
Retained Earnings	0			0
Total Equity	65,409			65,409

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

	Comment	GAAP 31 July 2005	Adjustments	AIFRS 31 July 2005
Reconciliation of Equity Statement at 31 July 2005				
			Intangible Assets (Software) AASB 138	Employee Benefits AASB 119
ASSETS				
Current Assets				
Cash and cash equivalents	(1)	64,223		64,223
Inventories		1,535		1,535
Receivables		4,499		4,499
Other current assets	(2)	1,596		1,596
Total Current Assets		71,853		71,853
Non-Current Assets				
Other financial assets		352		352
Property, plant and equipment		28,040	(1,467)	26,573
Capital Work in Progress		0		0
Intangible Assets		0	1,467	1,467
Total Non-Current Assets		28,392		28,392
Total Assets		100,245		100,245
LIABILITIES				
Current Liabilities				
Payables		9,708		9,708
Provisions		1,820		550
Other current liabilities	(3)	10,342		10,342
Total Current Liabilities		21,870		550
Non-Current Liabilities				
Payables		307		307
Provisions		1,325		(550)
Total Non-Current Liabilities		1,632		(550)
Total Liabilities		23,502		23,502
Net Assets		76,743		76,743
EQUITY				
Contributed Equity		60,884		60,884
Reserves		15,859		15,859
Retained Earnings		0		0
Total Equity		76,743		76,743

(1) Equivalent AGAAP line item "Cash Assets" (AIFRS "Cash and Cash Equivalents")

(2) Equivalent AGAAP line item "Other Assets" (AIFRS "Other current assets")

(3) Equivalent AGAAP line item "Other Liabilities" (AIFRS "Other current liabilities")

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

	Comment	GAAP 31 July 2005	Adjustment		AIFRS 31 July 2005
Reconciliation of Income Statement (Profit and Loss) for the year ending 31 July 2005					
			Net gain/(Loss) on disposal AASB 116	Function of Expense Analysis AASB 101	
INCOME					
Revenue					
Margin	(1)	134,097		71,718	205,815
Interest revenue		3,896			3,896
Proceeds from disposal of non-current assets		3,037	(3,037)		0
Other revenue		16,421			16,421
Gains					
Gains on disposals of non-current assets		0	379		379
Total Income		157,451	(2,658)	71,718	226,511
EXPENSES					
Expenses					
Cost of sales	(1)	0		71,718	71,718
Racing Services		11,353			11,353
Wagering Services		55,055			55,055
Support Services		15,538			15,538
Carrying amount of non-current assets disposed of		2,658	(2,658)		0
Projects		3,455			3,455
Grants and subsidies		10,231			10,231
Distribution to racing and sports industries		66,576			66,576
Total Expenses		164,866	(2,658)	71,718	233,926
Profit/(Loss) before grants and subsidies		(7,415)	0	0	(7,415)
Grants and subsidies from State Government (GST Reimbursement)		18,749			18,749
Profit for the period		11,334	0	0	11,334

(1) Reclassified to financial expense format under AIFRS.

CERTIFICATION OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2006

The accompanying financial statements of Racing and Wagering Western Australia have been prepared in compliance with the provisions of the Financial Administration and Audit Act 1985 from proper accounts and records to present fairly the financial transactions for the year ended 31 July 2006 and the financial position as at 31 July 2006.

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.



JAMES MALCOLM
FREEMANTLE

Deputy Chairman

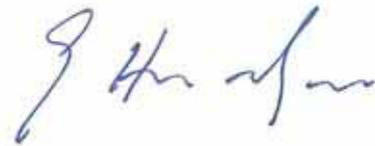
9 October 2006



ROSS ALAN
COOPER

Board Member

9 October 2006



JULIAN
HILTON-BARBER

**General Manager Finance
and Business Services and
Chief Financial Officer**

9 October 2006

PERFORMANCE INDICATORS

OUTCOME

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

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

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

		Note	2006 Actual	2006 Budget	2005 Actual
1	Margin	\$000	225,726	217,633	205,815
2	Number of Bets Processed	'000	191,027		184,201
3	Operating Profit (excluding the profit from sale of assets) before distribution to codes.	\$000	89,485	77,685	77,531
4	Distribution to Industry	\$000	83,545	83,084	66,576
5	Grants to Industry (RWWA Funded)	\$000	4,010	862	8,945
	Grants to Industry (WA Government Funded)	(a) \$000	4,329	10,000	0
	Number of Clubs and allied bodies assisted (Combined Funding)	No.	42		33
6	% of Winners Swabbed / Returned Negative	(b)			
	Thoroughbreds	%	99.4		99.4
	Harness	%	99.7		99.9
	Greyhounds	%	99.9		99.5
	Average number of starters in WA Races	(c)			
	Thoroughbreds (excludes non-TAB meetings)	No.	10.1		10.4
	Harness	No.	10.1		9.7
	Greyhounds	No.	7.8		7.8
7	Staff (FTE)	(d) No.	283	287	268
8	Margin per employee	\$000	796	758	768
9	Profit per employee	\$000	316	271	289
10	Return on assets (Operating profit as a percentage of total assets)	%	74.2	79.5	77.3
11	Primary Betting System availability	%	99.99	100.00	99.91

Comments

- 1 Turnover increased by 4.0% over the budget. The increased growth was achieved across all the codes.
- 3 Increased contribution from turnover was offset by increases in costs, grants and distribution to clubs.
- 4 RWWA's distribution policy to the Racing codes has provided an increase of 25.5% over the prior year.
- 5 Total of \$8.3M in Grants was provided to the industry in 2006. The \$5.7M of unspent Government Grants has been carried forward to 2007. RWWA's grants to industry included unbudgeted funding to Harness & Greyhound clubs. The number of Clubs assisted in 2006 increased primarily as a result of additional Country clubs being eligible for Government Funded Grants.
- 10 A higher level of working capital in 2006 has resulted in a reduction in the Return on Assets.

Above performance indicators are grouped as follows:

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

Note

- (a) This indicator addresses the development aspect of the racing industry
- (b) This indicator addresses the integrity aspect of the racing industry
- (c) This indicator addresses the welfare aspect of the racing industry
- (d) The FTE represents the full year average.

CERTIFICATIONS OF PERFORMANCE INDICATORS FOR THE YEAR ENDED 31 JULY 2006

We hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the performance of Racing and Wagering Western Australia (RWVA) and fairly represents the performance of the RWVA for the financial year ended 31 July 2006.



JAMES MALCOLM
FREEMANTLE

Deputy Chairman

9 October 2006



ROSS ALAN
COOPER

Board Member

9 October 2006

OPINION OF THE AUDITOR GENERAL (FINANCIAL STATEMENTS & PERFORMANCE INDICATORS)



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

RACING AND WAGERING WESTERN AUSTRALIA FINANCIAL STATEMENTS AND PERFORMANCE INDICATORS FOR THE YEAR ENDED 31 JULY 2006

Audit Opinion

In my opinion,

- (i) the financial statements are based on proper accounts and present fairly the financial position of Racing and Wagering Western Australia at 31 July 2006 and its financial performance and cash flows for the year ended on that date. They are in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions;
- (ii) the controls exercised by Racing and Wagering Western Australia provide reasonable assurance that the receipt, expenditure and investment of moneys, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (iii) the key effectiveness and efficiency performance indicators of Racing and Wagering Western Australia are relevant and appropriate to help users assess Racing and Wagering Western Australia's performance and fairly represent the indicated performance for the year ended 31 July 2006.

Scope

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

The financial statements consist of the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, and the Notes to the Financial Statements.

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

Summary of my Role

As required by the Act, I have independently audited the accounts, financial statements and performance indicators to express an opinion on the financial statements, controls and performance indicators. This was done by testing selected samples of the evidence. Further information on my audit approach is provided in my audit practice statement. Refer "<http://www.audit.wa.gov.au/pubs/Audit-Practice-Statement.pdf>".

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

A handwritten signature in blue ink, appearing to read 'John Doyle'.

JOHN DOYLE
ACTING AUDITOR GENERAL
12 October 2006

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