

Minister for Racing and Gaming

I hereby submit for your information and presentation to Parliament, the Annual Report of the Totalisator Agency Board of Western Australia (TAB) for the year ended 31 July 2001 which has been prepared in accordance with the provisions of the Financial Administration and Audit Act 1985.

Ray Walker AM
Chairman

Vision Statement

To establish the TAB as a demonstrably competitive and respected community organisation in the wagering and gaming industry providing the major source of funding to sport in Western Australia.

Mission Statement

To support Western Australia's community by providing funding for sports bodies through the delivery of an efficient and responsible service.

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1. Chairman's Report

The TAB has continued its solid growth of recent years, resulting in record turnover of \$854 million for the 2000/2001 year. This, in conjunction with the 0.5% reduction in the rate of turnover tax from March 2001, has enabled total disbursements of \$57.1 million to the racing codes in addition to a contribution of \$42.5 million to the government and the community, in general, by way of turnover tax.

The expenses of the TAB have increased by 3.5% to \$56.5M (1999/00 \$54.6M). This movement is due to an increase in direct selling costs of \$1.2M, additional Sky cost relating to Pay Television of \$0.4M, and \$0.35M in provisions to support cost reduction strategies which will be implemented in 2001/2, and which are expected to make ongoing savings in excess of \$1M per annum.

Several initiatives have occurred during the year to improve TAB performance. The amalgamation of Trifecta pools with TABcorp was a significant project that will play an important part in developing customer interest in this product. Importantly, customer service will be significantly improved with the implementation of the centralised help desk service, the introduction of the new automated phone betting service *Phone TAB Express* and the redevelopment of the Internet betting service. These changes facilitate customer needs and reflect the continued growth of customer interest in betting through the electronic channels.

Focus on customers will be enhanced with the implementation of a performance orientated staff assessment program and the adoption of core values by TAB staff centred on customer focus, teamwork and professionalism.

The wagering marketplace is becoming more open with Western Australians having easier access to competitive gambling organisations outside of the state. The advent of sophisticated phone and internet betting services by eastern state TABs and bookmakers requires that the TAB constantly monitors customer sentiment regarding service and performance levels in line with that offered by eastern state competitors.

The TAB constantly reviews the range of products, pooling arrangements and race day planning to ensure it remains competitive. Major changes to Sky Channel coverage of Australian and New Zealand racing over the next twelve months will require that the TAB undertake a detailed analysis of implications in programme coverage to ensure that the TAB, in meeting customer needs, implements programme changes that lead to increased turnover.

Organisational efficiency is of the utmost importance and the Board and Executive of TAB constantly review and introduce strategies that reduce operating costs. We are confident that core-operating costs will be contained or even reduced for next year. However development expenditure will need special attention and judgement.

Over the next five years the Board will face the challenge of providing funds for further development of infrastructure and systems and introduction of new products.

The Board and management undertook an exhaustive review of industry issues and TAB requirements as part of its submission to the Racing Industry Review, announced by the Western Australian government in September 2000.

The TAB has been well served by Board members who have used their knowledge and experience to govern and oversee another successful year. I wish to acknowledge their valuable contribution.

During the year Ms Valerie Davies and Mr Piers Dudman resigned from the Board to attend to other business interests and the terms of appointment for Mr Peter Hawkins and Mr Reg Webb expired during the year. I would like to thank the outgoing members for their significant and valuable contribution to the Board and the TAB. Subsequent to 31 July 2001 Mr Ian McFarlane resigned from the Board.

I take this opportunity to welcome to the Board five new members, Mrs Judith McGowan, Mr Ross Cooper and Professor John Yovich (Deputy Chairman) who joined on 28 June 2001. Mr Mike Ryan and Mrs Nena Snooks were appointed to the Board on 7 August 2001. They bring to the board a wealth of racing industry and commercial experience.

The Chief Executive Officer, Mr Ray Bennett has provided sound management and leadership and has been instrumental in achieving the good growth this year. I wish to record the appreciation of the Board for his efforts.

Finally I would like to thank the staff and our agents for their good work and loyalty. They play an important part in the performance of a successful Western Australian organisation.

Ray Walker AM
Chairman

2. Chief Executive Officer's Report

Review of Operations

The TAB recorded another strong performance during 2000/2001 with record sales of \$854million, an increase of 4.5% over the previous year. Business records were achieved in the key sales divisions. Growth of 4.02% was achieved in betting on racing and a 105.3% increase on sports betting.

The positive growth in turnover was diminished by a decline in the gross margin due to the reduction of 0.5% in place betting commission for bets linked to the SuperTAB place pools, however the impact on the organisation was offset by tight control over operating costs.

At the end of the year we significantly increased our returns to the Western Australian Government and the racing industry.

Item	Return
Normal Distributions	\$50.5m
Tax Rebate*	\$2.029m
Special Allocation- Ministerial Direction	\$1.5m
Racecourse Development Trust and Unclaimed Dividends	\$3.1m
Government Distribution	\$42.5m
Return to Customers	82%

(*) The Government reduced parimutuel race betting tax by 0.5% from 5% to 4.5% effective March 1 2001. This reduction has been paid in the form of a tax rebate and has been fully passed onto race clubs as distributions.

The most significant events for 2000/01 were external issues impacting on the TAB, primarily those events centred on the increasingly volatile nature of the Australian wagering marketplace.

The privatisation of the major eastern state TABs has intensified pressure for growth, which in turn has impacted on the profitability of the WATAB. In particular, the experimentation by TAB Limited and TABcorp in reduction in the commission take out of the key wagering products, win & place betting. The impact of the 0.5% reduction in place betting commission by our pooling partner TABcorp equates to a full year impact on TAB profit of \$750,000.

During the past twelve months internet betting was under a cloud as the Federal Government implemented the Interactive Betting Moratorium during 2000 followed in May of 2001 with the introduction of the Interactive Gambling Ban legislation designed to make it illegal for Australian residents to bet on the internet. Following significant lobbying by many sectors of the racing industry the bill was amended to exclude wagering. Subsequently the TAB completed a comprehensive upgrade of its Internet betting service, TABozbet to meet competitive service offers and responded to customer service and functionality requirements. The new service will be launched in September 2001 in readiness for the Spring Racing Carnival.

The Western Australian Government announced in September 2000 a review of the WA racing industry, including the role of the TAB. The TAB submission included a comprehensive assessment of the state of the industry in 2000 and comment on the key issues facing the TAB and racing industry in WA. The TAB also outlined a number of operational and structural

changes that it believed that would assist in securing the long-term prosperity of the industry in WA.

Despite the significant external issues impacting on the TAB during 2000/01 the TAB was able to implement a number of key operational initiatives, including:

- Implementation of an advanced centralised help desk service to accurately record and manage customer complaints;
- Development and launch of linked Trifecta pools with the Victorian TAB, TABcorp. This significant project enabled the TAB to join with what has become the Australia's largest Trifecta pool;
- The introduction of a new automated phone betting service, *PhoneTAB Express*, designed to speed up access for TAB telephone betting customers; and
- Redevelopment of the Internet betting service, including significant changes to the firewall and communication links.

The TAB has identified a number of key stabilisation projects to core operating systems that will be the focus of TAB developmental activities over the next twelve months. It is considered inappropriate to embark on a major product development and market expansion and branding campaigns until the outcomes of the Racing Industry Review are known. Nevertheless the TAB is confident that it has in place a number of strategies that will assist in meeting the record turnover and revenue targets set for financial 2001/02.

Sales & Marketing

The year 2000/2001 was another record year in terms of turnover and profit growth for the TAB. A Corporate turnover result of \$854M was achieved representing growth over the previous year of \$37M or 4.5%, with racing achieving a increase in turnover of \$33M or 4.02% and sports betting achieving growth of \$4M or 105.3%.

The TAB has two different types of business systems, these being Parimutuel, largely driving betting on racing and Fixed Odds Betting

Parimutuel

The Parimutuel Business, which generates the majority of the organisations turnover and revenue, achieved incremental growth over the previous year of \$30.8M.

Whilst additional Eastern States fixtures generated the bulk of the growth achieved during the year, the strong contribution from a number of key WA fixtures also assisted the year's result. Of particular importance was the resurgence of interest in wagering on metropolitan trotting and country greyhounds events, which were aided by the exposure of these fixtures on Sky Channel.

Increased awareness and use of the TAB's Electronic Internet and Call Centre services together with improvements in wagering product availability via free to air and pay TV, also assisted in generating growth.

The TAB's SuperTAB pooling partner's decision to reduce the Place pool commission rate in February 2001, from 14.25% to 13.75%, negatively impacted the overall parimutuel gross profit

result. Steps are being undertaken to remove future loss of margin caused by this initiative by reviewing the commission rates on other parimutuel products.

Fixed Odds Betting

The 2000/2001 year was the first full year of operation for Fixed Odds Betting (FOB). An encouraging \$7.1M turnover result was achieved. In light of FOB's introduction in June 2000, the focus during 2001 was to establish the "Fixed Odd" brand in the minds of existing and new customers through the use of high profile advertising. Impressively, customer research of the new product indicated a general public awareness of 63% and 90% from existing customers following the FOB media campaign.

Fixed Odds were introduced by the TAB to not only be a source of new revenue growth for the organisation, but importantly, to also provide a product with much wider customer appeal than traditional wagering products.

Fixed Odds betting on sporting and feature racing events are expected to generate a 30% turnover growth in 2002.

General Developments

A number of other developments were introduced throughout the year. The TAB's new automated phone service, *PhoneTAB Express*, was introduced. Comprehensive race-day information and betting on wagering and Fixed Odds can now be accessed 20 hours a day via this fast interactive service.

A new Advanced Help Desk system was introduced to support the TAB's centralised Customer Service Centre (CSC). The CSC provides vital support to the retail agency network together with assisting the TAB's substantial customer base.

The TAB redeveloped the TABOzbet Internet site in 2001 to provide customers with a much faster more customer friendly integrated information and betting service. Importantly, legislation to restrict Australian's from betting via the Internet was amended to allow wagering and Fixed Odds on racing and sporting events.

The TAB continued its retail agency upgrade program that saw an additional country and three metropolitan agencies upgraded to the new image format. It is planned to continue this program with locations that provide an immediate return on investment and fulfil a long-term role in the retail network.

The TAB owned and operated Racing Radio service was expanded significantly throughout 2001. Ten new FM services were introduced in remote country areas ranging from Kununurra to Kalbarri and Meekatharra to Southern Cross. These new transmitters assist the TAB to provide a comprehensive state-wide live racing coverage and information service.

The introduction of the new agent Bonded Agreement last year proved so successful from a customer service and growth perspective that the program was increased during the year to encapsulate a further 5 previously managed agencies.

The coming year is recognised as providing even further challenges, with the need to achieve increased efficiency and productivity from the TAB's race-day systems and retail and electronic distribution channels as a result of the planned expansion of further racing and sporting fixtures.

Increased attention will also be applied towards maintaining and growing the TAB's traditional wagering customer base through the development of customer management initiatives, communication and exciting new promotional strategies.

Finance and Administration

A relatively smooth transition to the Goods and Services Tax regime marked the early part of the year. The new Financial Management System (FMS) was successfully implemented in 1999/2000, but required considerable effort this year to provide training and to improve usability features for a wide range of decentralised non-financial users. Several initiatives are currently underway which will be completed early in 2001/2002. These include a project to make the data interfaces to the FMS more robust, and the development of a forecasting and cost allocation system to assist the organisation's planning and decision-making.

A new contract for the supply of agency betting tickets was signed and implemented during the year. This will enable the cost of tickets to be maintained at a reasonable level despite significant cost pressures arising through the low Australian dollar.

Considerable effort was expended to assist business units to develop performance management plans for all permanent staff, and also to develop appropriate Service Level Agreements, which will form the basis of the Business Unit assessment for phase II of the organisational Business Performance Model, which will be effective from 1 August 2001.

A number of staff initiatives were conducted during the year relating to the establishment of a set of shared organisational values. This process was initiated by the commissioning of a consultant to conduct a staff survey. The survey revealed a relatively high job satisfaction rating amongst TAB employees, however some concerns were also raised and are being addressed. The feedback from the survey was valuable in the formulation of core organisational values which were developed by employee representatives, and which represent the key themes of "*Customer Focus, Teamwork and Professionalism.*"

Corporate Planning and Development

The key function of the division is the identification and implementation of new business and product opportunities as part of the organisation's strategic business direction. The division also assisted the Board with the coordination and preparation of the Strategic Development Plan. There were a number of significant achievements over the past twelve months, which are outlined below.

Racing Industry Review Submission

The government called for a review of the racing industry in September 2000. This was the first comprehensive review for over a decade. The division coordinated the TAB submission to the Racing Industry Review with the assistance of specialist economic and social impact specialists, *ERM Mitchell McCotter*.

The TAB produced a comprehensive submission detailing the recent history of the racing industry of WA and the recent changes brought about by the privatisation of eastern state TAB's. The TAB also highlighted what it believed to be the key issues and concerns impacting on the future viability of the racing industry in WA. The submission also presented a number of options to overcome the key problems including preferred operating structures for managing wagering and governance of the racing industry.

Internet Sales and Marketing

The TAB approved, in December 2000, the upgrade of the TAB Internet sales platform, *OZBET*. The site was developed in 1996/97 and launched in June 1997. In response to customer needs and significant upgrades of competitor's sites, the TAB significantly upgraded its site's performance by improving navigation around the site and including additional functionality.

Not only was the site totally revamped the TAB also integrated the racing and sports sites into one service www.tabozbet.com.au.

In addition, the TAB upgraded the firewall and replaced its microwave communication link with a fibre optic service to meet the expected demands on the "tabozbet" wagering and information services.

New Product and Service Initiatives

In April 2001 the TAB joined what became Australia's largest Trifecta pool. By pooling with Victoria's TABcorp the TAB benefited from a significant increase in pool size, to \$1B, which is anticipated to stimulate interest by customers in this higher gross margin product. The linking of the pools was a significant project for the TAB, requiring regulation changes, significant software changes and testing and alterations in the method by which the TAB checked its collations with the host state, Victoria.

No additional product development was undertaken during 2000/01 as the TAB concentrated on bedding down the introduction of fixed odds sports betting, launched in June 2000.

Future Initiatives

The TAB is assessing the feasibility of introducing a new bet type, *Quadrella* during 2002. This bet calls for customers to select the winners of four races. It is proposed to pool with TABcorp thus taking advantage of an existing large pool. The product is attractive to customers due to the large dividends.

This seven from thirty (7/30) wager (Favourite Numbers), based on the outcome of Saturday races, will be upgraded over the next twelve to eighteen months in response to customer requests. Favourite Numbers has been with the TAB for over 15 years, during which time, the product has established a regular following. Without a significant change to the product there is little scope to lift turnover on this attractive high margin product.

Future Threats

The TAB is heavily dependent on pooling arrangements with eastern state TAB's. Because of their regulatory constraints on their ability to increase commission beyond their legislated maximum average commission takeout does pose problems for the WA TAB. In February of 2001 TABcorp reduced its Place commission by 0.5%, which equates to an annualised loss of some \$750,000 to the WATAB. Continued discounting by other TAB's may force TABcorp to match the changes, impacting on pooling partners.

This margin squeeze is a serious issue and it will be essential that the TAB explore non traditional product initiatives in an attempt to overcome some of the inflexibilities associated with current pooling arrangements to ensure that the TAB can continue to grow distributions to the racing industry.

The TAB generates 75% of its turnover from sales to eastern state racing. Any move by eastern state racing clubs to impose fees for use of their product vision will impact on the TAB's ability to maintain distributions to the racing industry.

Corporate Services

During the year the TAB completed its Competitive Neutrality Review, which will be considered in conjunction with the Racing Industry Review Committee recommendations.

The TAB also adopted a revised purchasing process designed to ensure compliance with the State Supply Commission policies and improve the efficiency and effectiveness of TAB purchasing. Further enhancements were also made to the contract management processes of the TAB with the adoption of a Model Contract Management Plan.

In addition a complete restructuring of the TAB records system was undertaken. This included the establishment of an archive management system, development of a TAB Retention and Disposal Schedule and implementation of new systems and procedures for document management.

A compliance audit program was implemented throughout the year focusing on risk-based audits for internal operations as well as for the Agency network. Terminations and warnings were issued to Agent's where considered appropriate due to legislative and TAB policy breaches.

Technology and Operations

A comprehensive review of the business and technical options available to the TAB was undertaken during the second half of 2000, with a number of observations and recommendations being presented to the Board in October 2000. The recommended areas of focus included:

- Self Serve Terminals (Low Cost Outlets, Kiosks);
- Electronic Information Distribution;
- Customer Management (Player Tracking/Loyalty Programs);
- New Era Bet Engine; and
- New Products.

A self-serve terminal *Proof of Concept* project was initiated in January 2001 and the trial terminals arrived in Perth in July 2001. The outcome of this project will determine whether it is viable to proceed to a pilot project, which would see a number of units deployed for customer use.

A combination of technical and business related projects were implemented throughout the year to improve the technical infrastructure and provide an improved business offering to the TAB customer base. These projects included:

- the introduction of SuperTAB Trifecta pooling;
- the implementation of a new Interactive Voice Recognition System;
- An upgrade of the Internet bandwidth to improve customer response times;
- implementation of an advanced internet firewall security system; and
- engagement of an alternate Internet Service Provider to improve reliability and include redundancy in the service provision.

The focus of activities planned for the 2001/2002 year has been defined in a *Program of Works*, comprising projects that will address issues impacting the reliability and efficiency of business systems, whilst also implementing a number of new technologies and business initiatives.

Primarily the focus of the *Program of Works* is on the stabilisation of the existing business systems, however a number of new business products including *Shut The Gate* mystery Trifecta will be implemented during the 2001/2002 period.

Ray Bennett
Chief Executive Officer

3. Board Members

A Board appointed by the Minister for Racing and Gaming governs the TAB. The Board comprises six (6) individuals, appointed for a three-year term, who have “*expertise relevant to the functions of the TAB and its operations, including expertise in management, finance, business or commerce or knowledge of, and expertise in, the racing industry.*”

The role of the Board is to set policies and strategies for the future direction of the organisation and to make decisions necessary to meet the TAB’s objectives and performance targets. The Board also appoints the Chief Executive Officer.

Board members as at 31 July 2001 and their terms of office are outlined below:

Board Members During 2000/2001	First Appointed	Current Term Expires
Mr Raymond (Ray) Walker, AM (Chairman) <i>Company Director. Was employed by HBF from 1952, Chief Executive 1975-93 and on the board until 1998. Director Lifecare Health Ltd</i>	28 June 1996	30 November 2002
Professor John Vincent Yovich (Deputy Chairman) <i>Executive Dean, Division of Veterinary Biomedical Sciences, Murdoch University WA. Is a leader in veterinary profession; also has vast knowledge of all facets of the WA Racing Industry. Former Vice-Chairman of the Western Australian Turf Club (1994-98) and a member of the Racecourse Development Trust (1994-99).</i>	28 June 2001	31 December 2001
Mr Ian McFarlane <i>(Managing Director of AeM Consulting Group, a WA IT management consulting firm. He is an experienced IT executive in both technical and operational perspective and has a unique background in the establishment and management of IT services)</i>	28 June 1996	31 December 2001
Mr Ross Alan Cooper <i>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. Licensed bookmaker at thoroughbred, harness and greyhound race meetings in Western Australia (1976-2001). Life member of the WA Bookmakers’ Association and has been a delegate to both the WA Thoroughbred Racing Industry Council and the Harness Racing Industry Council. Member of the Betting Control Board (1994-1998)</i>	28 June 2001	31 December 2001
Mrs Judith McGowan <i>Barrister and solicitor of the Supreme Court of WA. Lecturer in law at Curtin University since 1976 and has vast experience in business law education both at the University and for private industry. Former part time referee on the Small Claims Tribunal. Has served on Law Society committees, the University Staff Credit Union, the Aquinas College Board and the Dental Board of WA.</i>	28 June 2001	31 December 2001

The Board has also established an *Internal Audit Sub-committee* and a *Disputes Review Committee* to oversee specific aspects of the organisation’s administration.

Mr Ray Walker, as Chairman of the TAB is an ex-officio member of the Betting Control Board and Prof. Yovich is a Deputy Member.

4. CEO's Statement of Compliance

Human Resources

The TAB's full-time equivalent (FTE) staffing including full-time, part-time and casual employees has increased from 173 to 176 in this reporting period.

Equal Employment Opportunity (EEO)

Equal Employment Opportunity principles were applied in the advertising and selection of staff for the filling of vacant positions and in the implementation of human resource management practices. In addition, an EEO and Diversity Management Plan has been developed for the TAB and is currently being readied for implementation during the next reporting period.

Disability Services Plan

The TAB's Disability Services Plan has been reviewed and rewritten for implementation during the next reporting period. The Plan focuses on four outcomes which address identified key issues concerned with access to TAB services and provision of information about TAB services to people with disabilities, and the provision of appropriate awareness training for staff dealing with customers with disabilities.

The outcomes to be achieved during the forthcoming reporting period are:

- Existing services are reviewed, and where possible adapted to meet the needs of people with disabilities;
- Access to buildings and facilities to be reviewed and where practical improved;
- Provision of information about TAB services in formats which assist in meeting the communication requirements of people with disabilities; and
- Advice and services are delivered by staff that are aware of and understand the needs of people with disabilities.

Occupational Safety & Health (OSH)

During the current reporting period, the TAB has established an Occupational Safety and Health Advisory Committee consisting of a number of staff who volunteered for this role. The Committee has further developed an OSH Plan for the TAB, which has been implemented for a twelve-month period.

Workers' Compensation and Rehabilitation

During the reporting period one claim was made under the Workers' Compensation and Rehabilitation Act.

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

Item	Year	
	2000 / 2001	1999 / 2000
Total No. of Claims	1	3
Frequency Rate	0	0
Estimated cost of claims per \$100 of payroll <i>(includes ongoing claims from 1998/9)</i>	0.0177	0.630
Premium Rate	1.2	1.13
Rehabilitation success rate	N/A	N/A

Employee Relations

During this reporting period 100% of full-time and permanent part-time employees became party to the TAB Individual Workplace Agreement 2000. Current Government changes to Modes of Employment are being incorporated into the organisation.

Negotiations with the Australian Services Union are also current in relation to the Enterprise Bargaining Agreement for casual staff.

Public Sector Standards

1. In the administration of the TAB I have complied with the Public Sector Standards in Human Resource Management, the Western Australian Public Sector Code of Ethics and the TAB Code of Conduct.
2. Policies and guidelines are documented and available to all staff. New staff are made aware of this information during their induction.
3. The Manager Human Resources is responsible for ensuring compliance with public sector standards and ethical codes through providing a monitoring and advisory role to line managers. This responsibility is reflected in the position's duty statement. Human Resource Officers check all transactions for recruitment and selection, transfer, secondment and termination against TAB policies.
4. I have put in place procedures designed to ensure such compliance and conducted appropriate internal assessments.
5. Applications made for breach of standards review and the corresponding outcomes for the reporting period are:
 - Number lodged – nil.
 - Number of breaches found, including details of multiple breaches per application – N/A.
 - Number still under review – N/A.
 - Material breaches – N/A.
 - Non-material breaches – N/A.

Freedom of Information

One application for the release of information under the Freedom of Information Act 1992 was received during the reporting period. The application was for information of a non-personal nature and was refused under Schedule 1 Part 4 on the basis of it being commercial or business information. The applicant was given the opportunity to have an internal review, but subsequently withdrew his application.

Executive Members of the TAB

The Executive Members of the TAB as at 31 July 2001 were:

General Manager Sales and Marketing – Mr Richard Burt
 General Manager Corporate Planning and Development – Mr Ric Wimmer
 General Manager Corporate Services – Mr John Field
 Chief Information Officer – Mr Glen Fee
 General Manager Finance and Administration – Mr Julian Hilton-Barber

TAB Board Committee Members

Internal Audit Subcommittee – Mr Ian McFarlane (Chairman), Mr Ross Cooper, Prof. John Yovich

Disputes Review Committee – Mr Peter Hawkins (Member), Mr Peter McFarlane (Deputy)

Affiliated Boards – TAB Nominees

Betting Control Board – Mr Ray Walker (Member), Mr John Yovich (Deputy)

Analysis of Marketing Expenditure

The TAB expended the following amounts on advertising throughout the year.

Item	Amount
Advertising	
303 Advertising	\$679,577
Interaction Micro Marketing	\$132,227
Market Research	
Market Research Service Audits	\$20,898
Market Equity	\$48,079
Hides Consulting	\$42,287
Direct Marketing	
Post Data	\$40,599
Media Advertising	
Media Decisions	\$1,186,343

5. The Act and Compliance with Relevant Written Laws

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

The Totalisator Agency Board (Betting) (Modification of Operation) Act 2000 Act and the Totalisator Agency Board (Betting) (Modification of Operation) Regulations 2000 were adopted and required that total dividends from wagering on racing, pacing and chasing shall be paid to the codes in accordance with the following:

- WATC - 55.26%;
- WATA - 29.76%; and
- WAGRA - 14.98%.

If the amount available for distribution is less than \$65m the TAB must pay the total amount in accordance with the above, however where the available distribution exceeds \$65m the excess (i.e. over \$65m) is to be distributed to the following bodies under the direction of the Minister for Racing and Gaming:

- WATC;
- WATA;
- Fremantle Trotting Club;
- WAGRA; or
- Racing clubs registered with the WATC or WATA and conducting races outside the Metropolitan Area.

A further amendment was made to the Regulations, (Regulation 12(3)(b)) which increased the time in which a cheque for the payment of a bet is to be banked from the next banking day to three days.

Enabling Legislation

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

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

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

- Anti-corruption Commission Act 1988
- Betting Control Act 1954
- Betting Control Regulations 1978
- Clerks (Racing Industry Betting) Award
- Electoral Act 1907
- Equal Opportunity Act 1984

- Financial Administration and Audit Act 1985
- Financial Transaction Reports Act 1988 (Cwlth)
- Freedom of Information Act 1992
- Government Employees Superannuation Act 1987
- Government Officers Salaries, Allowances and Conditions Award 1989
- Industrial Relations Act 1979
- Library Board of Western Australian Act 1951
- Occupations Safety and Health Act 1984
- Public Sector Management Act 1994
- State Supply Commission Act 1991
- Totalisator Agency Board Betting Act 1960
- Totalisator Agency Board (Betting) Regulations 1988
- Totalisator Agency Board (Betting) Tax Act 1960
- Unclaimed Money Act 1990
- Workers Compensation and Assistance 1981

6. Ministerial Directives

Under Section 5(3) of the Totalisator Agency Board (Betting) Act, the Minister for Racing and Gaming may give to the Board directives in writing of a general character as to the exercise of its functions and the Board shall give effect to any such directives. Under Section 5(3) of the Act, the text of any such directive shall be included in the Annual Report.

A Ministerial Directive, issued on 2 January 2001, is detailed below:

“ I, Norman Moore, Minister for Racing and Gaming, acting in accordance with section 7(3) of the Totalisator Agency Board Betting (Modification of Operation) Act 2000, direct the TAB to use the \$1,500,000 specified in regulation 37C of the Totalisator Agency Board (Betting) Regulations 1988, to make payments of-

- (a) \$962,400 to thoroughbred racing clubs registered by the Western Australian Turf Club to conduct race meetings outside the metropolitan area in such amounts and by such installments as detailed in the schedule annexed hereto and marked “ Schedule A”;*
- (b) \$377,600 to the Western Australian Trotting Association in such amounts as detailed in the schedule annexed hereto and marked “Schedule B”;*
- (c) \$160,000 to the Western Australian Greyhound Racing Authority in such amounts and by such installments as detailed in the schedule annexed hereto and marked “Schedule C”.*

SCHEDULE A

	Payment required by 31-Jan-01 \$	Payment required by 31-Jul-01 \$	Total payments \$
Albany Racing Club	14,800.00	58,300.00	73,100.00
Bunbury Turf Club	99,900.00	83,400.00	183,300.00
Coolgardie Racing Club	6,100.00	9,400.00	15,500.00
Geraldton Turf Club	-	-	-
Kalgoorlie-Boulder Racing Club	75,800.00	43,400.00	119,200.00
Mt Barker Turf Club	64,800.00	-	64,800.00
Narrogin Race Club	26,800.00	-	26,800.00
Northam Race Club	110,600.00	87,100.00	197,700.00
Pinjarra Race Club	114,600.00	35,700.00	150,300.00
York-Beverley Turf Club	26,400.00	25,300.00	51,700.00
Broome Turf Club	8,300.00	4,100.00	12,400.00
Carnarvon Race Club	5,970.00	3,980.00	9,950.00
Collie Race Club	725.00	725.00	1,450.00
West Kimberley Turf Club (Derby)	800.00	800.00	1,600.00
Dongara-Irwin Race Club	1,500.00	-	1,500.00
Esperance Bay Turf Club	10,620.00	7,080.00	17,700.00
Exmouth Race Club	-	950.00	950.00
Junction Race Club	-	550.00	550.00
Kojonup Polo & Polocrosse Club	1,200.00	-	1,200.00
Kununurra Race Club	-	1,050.00	1,050.00
East Gascoyne Racing Club (Landor)	-	2,950.00	2,950.00
Laverton Racing Club	-	750.00	750.00
Leinster District Race Club	1,225.00	1,225.00	2,450.00
Lenora Racing Club	2,270.00	1,130.00	3,400.00
Marble Bar Amateur Race Club	-	200.00	200.00
Meekatharra Race Club	600.00	1,250.00	1,850.00
Mingenew Race Club	1,350.00	-	1,350.00
Mt Magnet Race Club	450.00	900.00	1,350.00
East Pilbara Race Club (Newman)	450.00	900.00	1,350.00
Norseman Turf Club	1,000.00	1,000.00	2,000.00
Ashburton Race Club (Onslow)	625.00	625.00	1,250.00
Pingrup Race Club	1,600.00	-	1,600.00
Port Hedland Turf Club	2,850.00	1,400.00	4,250.00
Nor-West Jockey Club (Roebourne)	575.00	575.00	1,150.00
Walkaway Turf Club	2,100.00	2,100.00	4,200.00
Wyndham Turf Club	-	1,200.00	1,200.00
Yalgoo Jockey Club	350.00	-	350.00
Total	584,360.00	378,040.00	962,400.00

SCHEDULE B

	Payment required by 31-Jan-01 \$	Payment required by 31-Jul-01 \$	Total payments \$
Western Australian Trotting Association	208,000.00	169,600.00	377,600.00
Total	208,000.00	169,600.00	377,600.00

SCHEDULE C

	Payment required by 31-Jan-01 \$	Payment required by 31-Jul-01 \$	Total payments \$
Western Australian Greyhound Racing Authority	80,000.00	80,000.00	160,000.00
Total	80,000.00	80,000.00	160,000.00

FINANCIAL STATEMENTS

**TOTALISATOR AGENCY BOARD
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 JULY 2001**

	Notes	2001 (\$000)	2000 (\$000)
Revenue			
Revenue from ordinary activities			
Trading profit	2(a)	105,804	99,784
Interest revenue		1,757	1,677
Profit on disposal of non-current assets		936	6
Other revenue	2(b)	2,962	3,286
		111,459	104,753
Expenses from ordinary Activities			
Commissions - agents		19,028	18,682
Staffing costs		12,168	10,437
Communications - data & telephone		1,369	1,341
Broadcasting & raceday information		4,023	3,680
Marketing & advertising		2,677	2,053
Printing, raceday issues, form guides & tickets		3,974	3,870
Occupancy and maintenance		3,304	3,378
Computing rental & terminal maintenance		3,429	3,546
Charges to provisions		196	435
Depreciation and amortisation		3,468	3,249
Finance charges	3(a)	545	782
General administration	3(b)	2,307	3,121
Total expenses from ordinary Activities		56,488	54,574
Profit from ordinary activities before transfers to reserves and distributions		54,971	50,179
Transfers to reserves and distributions under section 28 of TAB Act.			
Transfer to Deferred Sports Promotion	21	-	(21)
Transfer from / (to) reserve	9	(901)	119
		54,070	50,277
Distribution to racing and sports industries	8	(54,050)	(50,262)
Unappropriated profit	5	20	15

TOTALISATOR AGENCY BOARD
STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2001

	Notes	2001 (\$000)	2000 (\$000)
Current Assets			
Cash Assets	11	24,959	23,677
Receivables	13	3,632	3,912
Prepayments		168	92
Inventories	12	1,111	753
Total Current Assets		29,870	28,434
Non-Current Assets			
Property, Plant & Equipment	10	18,090	20,774
Capital Work-in-progress		1,109	2,295
Receivables	13	374	415
Deferred Expenses	21	0	320
Total Non-Current Assets		19,573	23,804
Total Assets		49,443	52,238
Current Liabilities			
Payables	14	12,748	16,499
Provisions	15	1,047	1,041
Total Current Liabilities		13,795	17,540
Non Current Liabilities			
Provisions	15	303	274
Total Non-Current Liabilities		303	274
Total Liabilities		14,098	17,814
Net Assets		35,345	34,424
Equity			
Capital account		14,744	14,744
Capital reserve	9	4,455	8,325
Asset replacement reserve	9	15,582	10,011
General reserve	9	500	1,300
Retained Profits	5	64	44
Total		35,345	34,424

**TOTALISATOR AGENCY BOARD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JULY 2001**

	Notes	2001 (\$000) Inflows (Outflows)	2000 (\$000) Inflows (Outflows)
Cash Flows from Operating Activities			
Receipts			
Receipts from customers		857,475	819,237
Interest received		1,680	1,647
Dividends received		0	126
Payments			
Payments to customers, creditors and employees		(805,131)	(766,239)
Amount distributed		(54,050)	(50,262)
Interest paid	3	(30)	(27)
Net Cash provided by Operating Activities	6	(56)	4,482
Cash Flows from Investing Activities			
Payments for Land, Improvements, Equipment & Fittings		155	(3,567)
Proceeds from Land, Improvements, Equipment & Fittings	2	1,183	6
Dividend received			102
Net cash (used in)/provided by Investing Activities		1,338	(3,459)
Net increase in cash held		1,282	1,023
Cash Assets at the beginning of the financial year		23,677	22,654
Cash Assets at the End of the Financial Year	7	24,959	23,677

TOTALISATOR AGENCY BOARD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 31 July 2001

1. ACCOUNTING POLICIES

Policies adopted in the preparation of the accounts for the year ended 31 July 2001 are consistent with those in previous years.

a. Basis of Accounting

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

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

b. Allocation of funds of the TAB

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

c. Changes in Comparative Figures

Where necessary, comparative figures for 2000 have been adjusted to conform with changes in presentation made in 2001.

d. Depreciation and Amortisation

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

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

e. Accrued Employee Benefits

These entitlements are calculated at the current remuneration rate. Unpaid benefits due for annual and long service leave which have accrued to employees during the year have been fully provided for in the accounts in accordance with AAS30 (“Accounting for Employee Entitlements”).

f. Receivables, Payables, Accrued Salaries

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

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised where some doubts as to collection exists and in any event where the debt is more than 60 days overdue.

Accounts Payable, including accruals not yet billed, are recognised when the TAB becomes obliged to make future payments as a result of a purchase of assets or services. Accounts payable are generally settled within 30 days.

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

g. Superannuation

Government Employees Superannuation

Staff may contribute to the Gold State Superannuation Scheme, a defined benefit and lump sum scheme now closed to new members. All staff who do not contribute to this scheme become non-contributory members of the West State Superannuation Scheme, an accumulation fund complying with the Commonwealth Government’s Superannuation Guarantee (Administration) Act 1992.

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

The note disclosure required by paragraph 51(e) of AAS 30 (being the employer’s share of the difference between employees’ accrued superannuation benefits and the attributable net market value of plan assets) has not been provided. State scheme deficiencies are recognised by the State in its whole of government reporting. The Government Employees Superannuation Board’s records are not structured to provide the information for the TAB. Accordingly, deriving the information for the TAB is impractical under current arrangements, and thus any benefits thereof would be exceeded by the cost of obtaining the information.

Racing Industry Superannuation Fund

This is an accumulated fund for casual staff, managed by GIO.

h. Net Fair Values of Financial Assets and Liabilities

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

i. Inventories

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

j. Operating leases

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

k. Revenue

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

l. Deferred expenses

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

TOTALISATOR AGENCY BOARD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONT.
FOR THE YEAR ENDED 31 JUL 2001

	Notes	2001 (\$000)	2000 (\$000)
2 (a) Trading Profit			
Turnover		854,166	817,166
Dividends & On-course operation		<u>(708,019)</u>	<u>(676,566)</u>
Commission on Turnover		146,147	140,600
Tax on turnover	4	<u>(40,343)</u>	<u>(40,816)</u>
		<u>105,804</u>	<u>99,784</u>
2 (b) Other revenue			
Bureau revenue		0	105
External settlement recoup		2,082	2,202
Dividend received		0	126
Recoup accounts		<u>880</u>	<u>853</u>
Total other revenue		2,962	3,286
Other disclosure items			
Sale proceeds of fixed assets		1,183	6
3 (a) Expenses from ordinary Activities			
Interest expense		30	27
3 (b) Expenses from ordinary Activities			
Write-off of sports promotion expenses (note21)		320	339
Provision for doubtful debts		0	5
4. Tax on Turnover			
Section 25(b) of the Totalisator Agency Board Betting Act 1960 requires the TAB to pay tax in respect of bets at the rate imposed by Section 2 of the Totalisator Agency Board Betting Tax Act 1960. The tax rate for tote turnover was 5%, FOB sports was 0.5% and FOB racing was 2%.			
Turnover Tax Payable to Consolidated Revenue		<u>42,393</u>	<u>40,816</u>
Tax Rebate			
Turnover Tax rebate received / receivable from Department of Racing, Gaming & Liquor.		<u>(2,050)</u>	<u>0</u>
		<u>40,343</u>	<u>40,816</u>
In February 2001 the State Government announced its intention to reduce the tax on tote (excluding sports) Turnover (Betting Tax) to 4.5%. The above rebate of 0.5% is an interim arrangement between the Department of Racing, Gaming & Liquor and the Treasury Department.			
5. Retained profit			
Opening balance		44	29
Net profit		<u>20</u>	<u>15</u>
Closing balance		<u>64</u>	<u>44</u>

TOTALISATOR AGENCY BOARD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONT.
FOR THE YEAR ENDED 31 JULY 2001

	2001	2000
	(\$000)	(\$000)
6. Reconciliation of Net Cash provided by Operating Activities to Operating Profit		
Operating profit-net of distribution	921	(82)
(Less) items classified as investing/financing activities:		
Gain on sale of assets	(936)	(6)
Add/(Less) non-cash items:		
Depreciation and amortisation	3,468	3,249
Provision for annual leave and long service	35	137
Net cash provided by operating activities before change in assets and liabilities	3,488	3,298
Changes in assets and liabilities		
(Decrease) in accounts receivables	347	(989)
(Increase)/Decrease in accrued income / prepayments	(144)	(209)
(Increase) / Decrease in inventories	(358)	(101)
(Decrease) in trade creditors	(3,750)	4,756
Increase in other creditors	361	(2,273)
Net cash provided by operating activities	(56)	4,482

7. Reconciliation of cash

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

Cash and short term deposits	(Note 11)	24,959	23,677
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For the purpose of the statement of cash flows, cash includes cash on hand, at bank & at agencies.

TOTALISATOR AGENCY BOARD
NOTES TO AND FORMING PART OF THE ACCOUNTS CONT.
FOR THE YEAR ENDED 31 JULY 2001

	2001	2000
	(\$000)	(\$000)
8. Amount Distributed		
Racing	30,002	27,777
Trotting	16,016	14,957
Greyhounds	8,032	7,528
Total	54,050	50,262

Unclaimed Dividends and unclaimed refunds paid during the year

Section 23A provides that dividends and refunds uncollected after seven months shall be paid to the Racecourse Development Trust, Greyhound Racing Authority and Sports Betting Fund as directed by the TAB Act.

Amount paid during the year

Racecourse Development Trust (Racing & Trotting)	2,427	2,391
Greyhound Racing Authority	774	521
Sports Betting Fund	25	16
Total	3,226	2,928

9. Capital Reserve, Asset Replacement Reserve and General Reserve

	Balance 31/07/00	Transfer from / (to) Operating Statement	Transfer from / (to) Other Reserves	Balance 31/07/01
	(\$000)	(\$000)	(\$000)	(\$000)
Capital Reserve (*)	8,325	-	(3,870)	4,455
Asset Replacement Reserve (**)	10,011	1,701	3,870	15,582
General Reserve (***)	1,300	(800)		500
		901	-	

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

**Asset Replacement Reserve represents amounts set aside for future capital expenditure. Movements in any year arise from the transfer of 2% of otherwise distributable profits, any profit on sale of non-current assets and cash equivalent of the depreciation charge. From time to time, transfers may also occur to fund significant project development costs not capitalised. The 2% transfer is set by the Board on an annual basis. Transfers will also occur between this and the capital reserve accounts as non-current assets are purchased or disposed.

*** Special distribution of \$1,500,000, as directed by the Minister was funded from General Reserve

General Reserve	
Balance brought forward	1,300
Transfer to General Reserve from current years profit	200
Subtotal	1,500
Amount funded for special distribution	(1,500)
Balance of current years profit to General Reserve	500
Balance carried forward	500

TOTALISATOR AGENCY BOARD
NOTES TO AND FORMING PART OF THE ACCOUNTS CONT.
FOR THE YEAR ENDED 31 JULY 2001

	2001	2000
	(\$000)	(\$000)
10. Property, Plant & Equipments		
Land (at cost)	<u>1,250</u>	<u>1,302</u>
Buildings (at cost)	12,972	12,813
Less accumulated depreciation	<u>(4,318)</u>	<u>(2,167)</u>
	<u>8,654</u>	<u>10,646</u>
Leasehold improvements (at cost)	7,311	6,987
Less accumulated amortisation	<u>(3,657)</u>	<u>(5,072)</u>
	<u>3,654</u>	<u>1,915</u>
Equipment & Fittings (at cost)	19,993	22,059
Less accumulated depreciation	<u>(15,461)</u>	<u>(15,148)</u>
	<u>4,532</u>	<u>6,911</u>
Total	<u>18,090</u>	<u>20,774</u>

Reconciliation of opening and closing balances

	Land	Buildings	Leasehold	Equipments & Fittings
Carrying amount at start of the year	1,302	10,646	1,915	6,911
Additions			845	188
Transfer		(1,419)	1,419	
Disposals	(52)	(189)		(7)
Depreciation		(384)	(525)	(2,560)
Carrying amount at end of the year	<u>1,250</u>	<u>8,654</u>	<u>3,654</u>	<u>4,532</u>

11. Cash assets

Cash at bank	3,150	2,860
Asset replacement short term investments	13,929	8,811
Other short term investments	<u>7,880</u>	<u>12,006</u>
Total	<u>24,959</u>	<u>23,677</u>

Interest rates at 31 July 01:

- Cash accounts - Between 4.43% and 6.00%
(2000 between 4.35% and 5.67%)
- Short term investments - Between 5.02% and 6.39% (maturing within 60 days)
(2000 between 4.87% 6.24%)

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

TOTALISATOR AGENCY BOARD
NOTES TO AND FORMING PART OF THE ACCOUNTS CONT.
FOR THE YEAR ENDED 31 JULY 2001

	2001 (\$000)	2000 (\$000)
12. Inventories		
Tickets in agencies	272	200
Tickets in store	839	553
Total	1,111	753

13. Receivables

Current

Accounts receivable - agents settlement	2,691	2,820
- others	776	937
Provision for doubtful debts	(5)	(5)
Accrued income	170	160
	3,632	3,912

Non-Current

Accounts receivable - others	374	415
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- a. Credit Risk Exposure - TAB has minimal credit risk since its business is predominantly cash based. Weekly settlements are due from agents in the normal course of business. The TAB does not have any significant exposure to any individual customer or counterparty.
- b. Other receivables and prepayments are non interest bearing.
- c. The TAB considers the carrying amounts of receivables represents the TAB's maximum exposure to credit risk in relation to those assets.

14. Payables

Account betting deposits	2,073	1,947
Accounts payable	4,088	5,877
Accrued expenditure	3,194	5,572
Unclaimed dividends & refunds	2,765	2,521
Agents deposits & property bonds	628	582
Total	12,748	16,499

All financial liabilities are unsecured

- a. Agents deposits and property bonds attract interest at the rate of 5% and these amounts are repayable at end of the contract.
- b. All other creditors, accruals and other payables are non interest bearing.
- c. The TAB considers the carrying amounts of creditors, accruals and other payables represents the TAB's maximum exposure to credit risk in relation to those liabilities.

15. Provisions

a. Current - Long service leave	380	521
- Annual leave	667	520
	1,047	1,041
b. Non-current - Long service leave	303	274

16. Leases - Operating Lease Commitments

Commitments payable		
- within one year	1,293	1,436
- later than one year and not later than two years	2,113	1,602
- later than two years and not later than five years	1,744	1,924
- later than five years	383	800
Rentals charged to operating results during the year	1,884	2,021

TOTALISATOR AGENCY BOARD
NOTES TO AND FORMING PART OF THE ACCOUNTS CONT.
FOR THE YEAR ENDED 31 JULY 2001

17. Segment Reporting

	Racing		Sports		Eliminations		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000
Operating revenue								
Sales to customers outside the consolidated entity	845,776	813,080	8,390	4,085	0	0	854,166	817,165
Other revenue from customers outside the consolidated entity	5,655	4,969			0	0	5,655	4,969
Total revenue	851,431	818,049	8,390	4,085	0	0	859,821	822,134
Segment results	55,176	50,828	(205)	(549)	0	0	54,971	50,279
Unallocated expenses					0	0	0	0
Consolidated entity operating profit							54,971	50,279
Segment assets								
Total unallocated assets							49,443	52,238

18. Remuneration of Accountable Authority and Senior Officers

2001 2000
(\$000) (\$000)

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

101 105

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

657 869

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

	No.	No.
\$0 - \$10,000	-	-
\$10,000 - \$20,000	5	5
\$20,000 - \$30,000	1	1

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

\$40,000 - \$50,000	-	1
\$50,000 - \$60,000	-	1
\$70,000 - \$80,000	-	1
\$90,000 - \$100,000	2	2
\$100,000 - \$110,000	1	1
\$110,000 - \$120,000	1	1
\$120,000 - \$130,000	1	-
\$140,000 - \$150,000	1	2
\$150,000 - \$160,000	1	-

**NOTES TO AND FORMING PART OF THE ACCOUNTS CONT.
FOR THE YEAR ENDED 31 JUL 2001**

19. Retirement Benefits

2001 2000
(\$000) (\$000)

In respect of the Accountable Authority, the following amounts were paid or became payable for the financial year:

Contributions to Government Employees Superannuation Act Scheme	8	7
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In respect of Senior Officers other than members of the Accountable Authority, the following amounts were paid or became payable for the financial year:

Contributions to Government Employees Superannuation Act Scheme	70	66
Other Schemes	17	24

20. Remuneration of Auditor

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

Fees for external audit - Auditor General	74	71
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21. Deferred Sports Promotion

A major sports promotion project was carried out during the year and the expenses were treated as deferred expenses. The sports betting distribution for the year (as per Section 28 of TAB Act), was utilised to set off against the deferred sports promotion account.

The carrying amount is as follows :

Total cost of sports promotion brought forward	320	677
Total cost of sports promotion during the year	-	3
Less : Allocation of Sports Betting Distribution	-	(21)
Write-off during the year	(320)	(339)
	0	320
	0	320

22. Related Party transactions

None

23. Contingent Liability

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

TOTALISATOR AGENCY BOARD
NOTES TO AND FORMING PART OF THE ACCOUNTS CONT.
FOR THE YEAR ENDED 31 JULY 2001

24. Variations between Actuals and Budgets

	2000/01	2000/01	1999/00
	Actual	Budget	Actual
	(\$000)	(\$000)	(\$000)
Revenue			
Turnover	854,166	836,000	817,166
Less dividends & on-course operations	708,019	693,842	676,566
Commission on turnover	146,147	142,158	140,600
Less tax on turnover	40,343	40,735	40,816
Trading profit	105,804	101,423	99,784
Less: Direct costs	28,408	27,376	27,189
Contribution after tax and direct cost	77,396	74,047	72,595
Other Revenue			
Interest	1,757	1,978	1,677
Profit on sale of fixed assets	936	0	6
Other	2,962	2,253	3,286
Net revenue after tax	83,051	78,278	77,564
Less : Indirect costs			
Sales & Marketing	10,694	11,042	9,187
Information Technology	10,683	10,584	9,767
Finance & Administration	5,206	5,322	5,368
Development cost	1,497	1,259	3,063
Profit from ordinary activities	54,971	50,071	50,179

Comments

Turnover increased by \$37.1 million (4.53%) over 99/00 and \$35.4 million (4.32%) over the 00/01 budget. The budgeted turnover for 01/02 is based on a 3.23% growth over 00/01.

Commission on turnover and Tax on turnover are directly linked to turnover. Turnover Tax rate for Tote was at 5% and a rebate of 1/2% of Racing turnover from February 2001 was deducted from gross turnover tax. Turnover Tax rates for Fixed Odds Betting were 0.5% for sports and 2% for Racing.

Cost of services (Direct Costs) increased by \$1.2 million in costs relating to increased turnover. Cost of Services as a percentage of turnover decreased from 6.64% in 99/00 to 6.61% in 00/01 (6.51% in the budget for 01/02). The cost of services for the year includes major projects of \$1,497,000 (\$2,739,000 in 99/00).

Increase in Other Revenue is mainly due to profit on sale assets (00/01 -\$936,000 & 99/00 - \$6,000).

Distribution funds made available to the industry have increased by 7.54% over 99/00 and by 10.35% over the budget. The increase includes the turnover tax rebate of 1/2%.

CERTIFICATION OF FINANCIAL STATEMENTS

The accompanying financial statements of the Totalisator Agency Board have been prepared in compliance with the provisions of the Financial Administration and Audit Act 1985 from proper accounts and records to present fairly the financial transactions for the year ended 31 July 2001 and the financial position as at 31 July 2001.

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.

R R D WALKER
Chairman

JOHN YOVICH
Member

J HILTON-BARBER
General Manager Finance
and Administration
and Principal Accounting Officer

OPINION OF THE AUDITOR GENERAL

Financial Statements for the year ended 31 July 2001.

To the Parliament of Western Australia

**TOTALISATOR AGENCY BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2001**

Scope

I have audited the accounts and financial statements of the Totalisator Agency Board for the year ended July 31, 2001 under the provisions of the Financial Administration and Audit Act 1985.

The Board is responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing and presenting the financial statements, and complying with the Act and other relevant written law. The primary responsibility for the detection, investigation and prevention of irregularities rests with the Board.

My audit was performed in accordance with section 79 of the Act to form an opinion based on a reasonable level of assurance. The audit procedures included examining, on a test basis, the controls exercised by the Board to ensure financial regularity in accordance with legislative provisions, evidence to provide reasonable assurance that the amounts and other disclosures in the financial statements are free of material misstatement and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and the Treasurer's Instructions so as to present a view which is consistent with my understanding of the Board's financial position, the results of its operations and its cash flows.

The audit opinion expressed below has been formed on the above basis.

Audit Opinion

In my opinion,

- (i) the controls exercised by the Totalisator Agency Board provide reasonable assurance that the receipt, expenditure and investment of moneys and the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions; and
- (ii) the Statement of Financial Performance, Statement of Financial Position and Statement of Cash Flows and the Notes to and forming part of the financial statements are based on proper accounts and present fairly in accordance with applicable Accounting Standards, other mandatory professional reporting requirements and the Treasurer's Instructions, the financial position of the Board at July 31, 2001 and the results of its operations and its cash flows for the year then ended.

D D R PEARSON
AUDITOR GENERAL
September 26, 2001

PERFORMANCE INDICATORS

TOTALISATOR AGENCY BOARD PERFORMANCE INDICATORS

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

OUTCOME

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

To achieve optimum level of profitability.

		2001	2000		1999	1998	1997	
1	Turnover	\$000	854,166	817,166	The increase of \$37.0 million is largely due to additional meeting coverage from the eastern states.	782,072	735,427	678,454
	% Increase	%	4.53	4.49		6.34	8.40	9.31
2	Number of Bets Processed	'000	110,674	104,946	The increase of 5.7 million bets was achieved with a reduction of average bet value from 7.64 to 7.57.	99,601	93,580	89,816
	% Increase/Decrease	%	5.46	5.37		10.89	4.19	3.54
3	Operating Profit (excluding abnormal items and the profit from sale of assets)	\$000	54,043	50,512	Increase was mainly due to 3.95% increase in margin and 1/2 % reduction in turnover tax rate. Reduction in major projects / developments also contributed towards the increase in Operating profit.	52,271	46,704	42,428
	% Increase	%	6.99	-3.37		11.92	10.08	10.15
	% of Sales	%	6.33	6.18		6.68	6.35	6.25
4	Distribution to Industry	\$000	54,050	50,262	Racing +7.85% Trotting +6.92% Greyhounds +6.52%	48,984	43,163	42,673
	% Increase	%	7.54	2.61		14.79	1.15	20.06
5	Return to customers as a percentage of turnover	%	82.89	82.79	Marginally increased by 0.10% in each dollar invested	82.80	82.78	82.64
6	Staff (FTE)	No.	170	173	Decrease in FTE is mainly due to the rationalisation of casual staff in account betting center.	169	155	158
7	Turnover per employee	\$000	5,025	4,724		4,637	4,745	4,294
8	Profit per employee	\$000	318	292		310	301	269
9	Staff and contractors cost as a % of turnover	%	1.40	1.27		1.19	1.18	1.21
10	Agents' commission as a % of turnover	%	2.23	2.29	Decrease is due to the increase in TAB managed agencies.	2.22	2.23	2.23
11	Return on assets (Operating profit as a percentage of total assets)	%	111.20	96.70	The increase in operating profits (6.99%) and decrease in total assets (5.35%) resulted in increased return on assets.	105.13	102.54	106.61
12	Computer system availability	%	99.97	99.98		99.99	99.98	99.99
	Central betting processor	%	99.99	99.96		99.97	99.98	99.99
	Account sales	%	99.99	99.99		99.99	99.98	99.99
	Sales betting outlet	%	99.99	99.99		99.99	99.98	99.99
	Agency information services	%	99.92	99.99		99.99	99.98	99.99

Note: Above performance indicators are grouped as follows:

Efficient indicators

3, 5, 7, 8, 9 & 11

Effective indicators

2, 4, 6 & 12

Accessibility indicators

2 & 12

Service oriented indicators

4,5 & 12

Profitability indicators

3, 8 & 11

CERTIFICATION OF PERFORMANCE INDICATORS

We hereby certify that the performance indicators are based on proper records and fairly represent the performance of the Totalisator Agency Board for the year ended 31 July 2001.

R R D Walker
CHAIRMAN

John Yovich
MEMBER

To the Parliament of Western Australia

**TOTALISATOR AGENCY BOARD
PERFORMANCE INDICATORS FOR THE YEAR ENDED JULY 31, 2001**

Scope

I have audited the key effectiveness and efficiency performance indicators of the Totalisator Agency Board for the year ended July 31, 2001 under the provisions of the Financial Administration and Audit Act 1985.

The Board is responsible for developing and maintaining proper records and systems for preparing and presenting performance indicators. I have conducted an audit of the key performance indicators in order to express an opinion on them to the Parliament as required by the Act. No opinion is expressed on the output measures of quantity, quality, timeliness and cost.

My audit was performed in accordance with section 79 of the Act to form an opinion based on a reasonable level of assurance. The audit procedures included examining, on a test basis, evidence supporting the amounts and other disclosures in the performance indicators, and assessing the relevance and appropriateness of the performance indicators in assisting users to assess the Board's performance. These procedures have been undertaken to form an opinion as to whether, in all material respects, the performance indicators are relevant and appropriate having regard to their purpose and fairly represent the indicated performance.

The audit opinion expressed below has been formed on the above basis.

Audit Opinion

In my opinion, the key effectiveness and efficiency performance indicators of the Totalisator Agency Board are relevant and appropriate for assisting users to assess the Board's performance and fairly represent the indicated performance for the year ended July 31, 2001.

D D R PEARSON
AUDITOR GENERAL
September 26, 2001