



IN THE AUSTRALIAN COMPETITION TRIBUNAL

Statement

No. ACT of 2017

Tabcorp Holdings Limited

Proposed acquisition of Tatts Group Limited by Tabcorp Holdings Limited by way of scheme of arrangement

Statement of: Richard Burt
Address: 14 Hasler Road, Osborne Park, Western Australia, 6017
Occupation: Chief Executive Officer
Date: 7 March 2017

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The views and opinions expressed in this statement are my own and made in my capacity as CEO of RWWA and do not necessarily reflect the views or opinions of the WA State Government.

This document contains confidential information which is indicated as follows:

[HIGHLY Confidential to Tabcorp and Racing and Wagering Western Australia] [....]

[HIGHLY Confidential to Racing and Wagering Western Australia] [....]

I, Richard Burt, Chief Executive Officer of Racing and Wagering Western Australia (**RWWA**) in the State of Western Australia, say that:

PERSONAL BACKGROUND

- 1 I am currently the CEO of Racing and Wagering Western Australia (**RWWA**) and have held this role since 2007. I have been involved in the racing and wagering industries for over 15 years.
- 2 As the CEO of **RWWA**, I am responsible for managing the day to day operations of **RWWA** and implementing the organisation's strategic plan for the Western Australian TAB (**WATAB**) and three codes of thoroughbred, harness and greyhound racing.
- 3 Prior to commencing the role at **RWWA**, I was:
 - (a) the Managing Director and Chief Executive Officer of Ezenet Limited from 2004-2007;
 - (b) Divisional General Manager, **WATAB**, from 1997 – 2004.
- 4 I have a bachelor of business degree from the Curtin University of Technology.
- 5 I make this statement in my position as CEO of **RWWA** in relation to an application by Tabcorp Holdings Limited (**Tabcorp**) to the Australian Competition Tribunal (the **Tribunal**) for the authorisation of the proposed merger of Tatts Group Limited (**Tatts**) and Tabcorp.

RACING AND WAGERING WESTERN AUSTRALIA (RWWA)

- 6 I have drawn on publicly available **RWWA** information accessible from the **RWWA** website in setting out the background information relating to **RWWA** in the following paragraphs, including the following documents:
 - (a) **RWWA**'s 2015-2016 Annual Report (included as **Annexure RB-1**); and
 - (b) **RWWA**'s 2015-2016 Statement of Corporate Intent (**Annexure RB-2**).

Background to establishment of RWWA

- 7 **RWWA** was established following a State Government commissioned study into the Western Australian racing industry, the result of which was the "Turner Report". The Turner Report recommended, amongst other things, that Western Australian TAB operations and principal club responsibilities for each code be conducted within one entity.



- 8 RWWA was established on 1 August 2003 as the controlling authority for thoroughbred, harness and greyhound racing in Western Australia, together with responsibility for off-course TAB wagering under the Racing and Wagering Western Australia Act 2003 (**the Act**). Implementation of RWWA's responsibilities occurred in two stages:
- (a) effective 1 August 2003, RWWA assumed the principal/ controlling club authority responsibilities of the WA Turf Club, WA Trotting Association and WA Greyhound Racing Authority; and
 - (b) on 30 January 2004, the *Totalisator Agency Board Betting Act 1960 (WA)* was repealed and RWWA assumed responsibility for the conduct of off-course TAB wagering in Western Australia through the WATAB.

Legislative and governance framework

- 9 The principal legislation governing RWWA is:
- (a) *Racing and Wagering Western Australia Act 2003*;
 - (b) *Racing and Wagering Western Australia Tax Act 2003*;
 - (c) *Racing Restriction Act 2003*;
 - (d) *Racing Bets Levy Act 2009*;
 - (e) *Gaming and Wagering Commission Act 1987*; and
 - (f) *Betting Control Act 1954*.
- 10 The Hon Brendon Grylls MLA (Minister for Racing and Gaming) is currently the Minister responsible for Racing and Wagering Western Australia. RWWA is governed by an eight person board and a seven person executive team.

RWWA's purpose and priorities

- 11 RWWA's charter under the Act is to foster development, promote the welfare and ensure the integrity of metropolitan and country thoroughbred, harness and greyhound racing in the interests of the long-term viability of the racing industry in Western Australia. RWWA also has responsibility for the off-course wagering functions trading as the WATAB.
- 12 RWWA's stated purpose is "to provide a positive sustainable future for the Western Australian Racing Industry." RWWA's mission, in achieving this purpose, is to position itself "as a competitive and responsible gambling organisation providing a major source of funding for the development of racing and sports in Western Australia." (Annexure RB-1, page 7).



- 13 As set out in RWWA's statement of corporate intent for 2015-2016 (Annexure RB-2 at page 4), RWWA's management priorities are as follows:
- (a) working with industry to increase the effectiveness and utilisation of racing assets;
 - (b) increase our share of the competitive wagering market through enhanced product and services in both the retail and digital channels and cross channel;
 - (c) strengthen the level of government support for infrastructure and new product licences by demonstrating the financial benefits of the current model and the economic and social benefits of the racing industry;
 - (d) implement strategies to demonstrate best practice in animal welfare, as well as the promotion and delivery of responsible wagering;
 - (e) improve quality of the core racing product and track attendance through increasing stakes distribution, improved quality of fields, race programming and product fees; and
 - (f) strengthen integrity standards across WA racing to ensure public confidence and support.

RWWA's organisation structure and governance

- 14 The management of the business and affairs of RWWA is under the direction of the RWWA Board. The Act gives RWWA broad powers in relation to the management of its affairs and also in the management and regulation of the Western Australia racing industry. The Gaming and Wagering Commission of Western Australia regulates RWWA's commercial wagering activities.
- 15 The Act provides that RWWA's Board is to be structured, in terms of its composition and membership as follows:
- (a) one chairperson, appointed by the Minister responsible for RWWA;
 - (b) four members selected for expertise in management, finance, business, commerce or IT, one of which has knowledge/ experience in regional development; and
 - (c) three members representing each of the racing codes.
- 16 RWWA has an executive management team in place that reports to the RWWA board. The organisational structure of the executive management of RWWA is based on a corporate model comprising a number of divisions which oversee the varying activities of RWWA. Set out below is an organisational chart, extracted from the 2015-2016 RWWA Annual Report (Annexure RB-1 at page 16) illustrating the current structure and composition of RWWA's executive management team:





RACING INDUSTRY IN WESTERN AUSTRALIA

- 17 Western Australia has one of the biggest country racing precincts in the world, with 48 of 51 race clubs located in regional areas and over 75% of race meetings conducted at country race tracks (Annexure RB-1, page 14).
- 18 In 2016, RWWA engaged IER to conduct a review of the size and scope of the Western Australian racing industry. The key highlights from the IER Report on the “*Size and Scope of the Western Australian Racing Industry*”, published in January 2016 (**IER Report**) (as summarised in RWWA’s Annual Report, Annexure RB-1 at page 14) based on the 2014/2015 racing season are:
- (a) The racing industry creates more than \$821 million in real gross value-added to the WA economy and total direct expenditure of \$682.3 million.
 - (b) More than 24,400 people participate in racing (around 1/ 79 people in WA) and over 8000 people directly employed in racing.
 - (c) In excess of 823,000 people attend race meetings through WA.
 - (d) On average, 260 community organisations and charities are financially assisted by the industry and over 150 community organisations share race club facilities and resources.

- 19 As outlined in the IER Report referred to above that the Western Australian racing industry comprises 52 racing clubs, that (in 2014-2015) conducted 8,206 races across 88 race meetings, with more than 57% of attendances being at regional race courses (at page 12).
- 20 RWWA schedules meetings and provides funding for prizemoney, rider fees, event and training fees and capital grants to clubs. Clubs own, operate and maintain assets to support racing, including racing tracks and courses, public facilities and associated supporting infrastructure. Club's operational revenue comprises of admission fees, food and beverage, margin from on-course wagering activities and event and training fees from RWWA.

RWWA/ WA RACING INDUSTRY FUNDING ARRANGEMENTS

RWWA's distribution model

- 21 With the establishment of RWWA in 2003, RWWA became the Principal Racing Authority for each of the three racing codes. In return for having the exclusive retail wagering rights in Western Australia, RWWA assumed the obligation to fund the Western Australian racing industry (comprising race clubs and racing participants) pursuant to the licence for this exclusive wagering capacity.
- 22 RWWA's funding obligations to the Western Australian Racing industry are reflected in s50(i)(c) of the Act, as outlined below:
- 50(i) the functions of RWWA in relation to gambling include the following –*
- [...]*
- (c) to develop and implement a scheme for the distribution of net profits and to negotiate funding arrangements with individual racing clubs."*
- 23 RWWA distributes funds to the racing industry using a structured framework called the Distribution Model – which meets statutory requirements. Distributions, grants and implicit subsidies are made to the racing industry and sports industry by RWWA, with the majority of distributions being funded out of the WATAB.
- 24 RWWA receives revenue from two primary sources:
- (a) the WATAB, based on the pari-mutuel and fixed odds betting carried out by punters through the WATAB. This represents the majority of RWWA's revenue; and
 - (b) racefields grant income, which is collected by the Western Australian Department of Racing, Gaming and Liquor in relation to the publication and use of Western Australian race fields information. RWWA is then tasked with distributing these amounts back to the



racing industry by crediting these levies to thoroughbred, harness or greyhound racing clubs.

- 25 After paying Wagering Taxes to the WA Government, costs of WATAB sales including pooling/ fixed odds management fees, product fees and rebates, operating costs for the TAB and Racing Services, RWWA pays the balance as distributions and other funding to the Western Australian racing industry.
- 26 As set out in the current RWWA Annual Report, in the 2015/16 financial year RWWA contributed \$136.2 million in distributions and a total of \$152 million in funding to the Western Australian racing and sporting industry, with an additional \$20.5m in funding towards racing and integrity services (Annexure RB-1, page 13). The allocation and purpose of RWWA's different funding streams for the 2015-16 financial year are as follows:
- (a) **\$136.2 million distributions** to WA racing industry as prize money, owners and breeders bonuses, participant payments, event fees and training services, as well as providing funding for initiatives such as the Australian Jockey Association;
 - (b) **\$12 million in grants and club subsidies** to assist clubs with infrastructure grants outside the Racing Infrastructure Grants Program and Royalties for Regions funding;
 - (c) **\$4 million** towards community sports through the Sports Wagering Account with the Department of Sport and Recreation.
- 27 In July 2016, RWWA approved new racing season (2016/2017) funding allocation of \$145 million.
- 28 As is evident from the funding allocation outlined at paragraph 26 above, the major source of funding to the Western Australian racing industry is in the form of distributions paid by RWWA, which are funded by the wagering industry, and largely the operations of the WATAB. RWWA distributions largely determine the prizemoney that is available for distribution to the racing codes and race clubs, which is a critical driver of the industry. As outlined in the current RWWA Annual Report, RWWA recognises the ongoing need to increase returns to participants (via prizemoney) in order to maintain a vibrant, sustainable industry. As Western Australia is geographically isolated and exposed nationally to competition for owner's investments in horses and greyhounds, it is necessary to apply competitive prizemoney levels against the Eastern States (see RWWA Annual Report, Annexure RB-1, page 10).
- 29 Towards the end of 2016, RWWA and Sky Racing executed new arrangements for a range of key agreements, including media rights for all thoroughbreds, harness and greyhound racing (not including metropolitan thoroughbreds) and retail agency, on-course and digital streaming distribution. As part of the new media rights arrangement, RWWA will receive income from



national digital sales of competing wagering operators, together with improved income from international wagering operators, betting on Western Australian racing product – which will contribute to increased funding to racing in 2017(see RWWA Annual Report, Annexure RB-1, page 10) .

RWWA distributions for 2015-2016

30 Pursuant to the distribution model and as extracted from RWWA’s 2015-2016 Statement of Corporate Intent (Annexure RB-2 at page 11), RWWA distributed funds to the three racing codes for the 2015-2016 year as outlined below:

Track Class	Thoroughbreds		Harness		Greyhounds	
	(\$000's)	% of Code	(\$000's)	% of Code	(\$000's)	% of Code
Metropolitan	47,884	58.8%	19,921	57.3%	9,654	55.0%
Country	32,756	40.2%	14,482	41.7%	7,886	45.0%
RWWA *	842	1.0%	350	1.0%	0	0.0%
Grand Total	81,482	100.0%	34,752	100.0%	17,540	100.0%

** Represents distributions which by their nature cannot be separated by location*

31 The source of the above distribution funds, as allocated between wagering revenue and racefields grant income, also extracted from RWWA’s 2015-2016 Statement of Corporate Intent (at Annexure RB-2 page 11) for the 2015-2016 year is as outlined below:

Distribution Funding Source	(\$000's)	Thoroughbreds	Harness	Greyhounds	Total
Racefields Grants Income		25,415	10,650	5,586	41,651
Wagering Revenue		56,067	24,102	11,954	92,123
Total Racing Distributions		81,482	34,752	17,540	133,774
Racefields revenue code allocation %		61.02%	25.57%	13.41%	100.00%

32 As is evident from the above, wagering revenue from the WATAB is a significantly greater source of funding than racefields grants income.

Wagering trends impacting on RWWA funding

33 As outlined in the current RWWA Annual Report, in 2015/2016 (at Annexure RB-1 page 38), wagering customers continue to migrate from traditional pari-mutuel pools to fixed odds betting products. RWWA’s retail channels face particular challenges as customers migrate to the digital channel and mobile devices in particular (see RWWA 2015-2016 Statement of Corporate Intent, Annexure RB-2, page 5).

VIEWS ON THE PROPOSED MERGER OF TABCORP AND TATTS

- 34 I am aware of Tabcorp's proposal to acquire the issued shares of Tatts by way of scheme of arrangement (the **Proposed Transaction**). I have held discussions with Tabcorp executives regarding the Proposed Transaction.
- 35 Following the announcement of the Proposed Transaction, RWWA identified three principal commercial concerns relating to the Proposed Transaction, which it relayed both to the ACCC and in various meetings with senior representatives of Tabcorp.
- 36 Our commercial concerns were that:
- (a) the transaction may reduce the commercial attractiveness to Tabcorp of continuing to pool with RWWA, given that the current Tabcorp/RWWA pooling agreement governing the SuperTAB pool is due to expire in 2024. We considered that access to competitive pooling services beyond 2024 was important both for RWWA and, in the event of any privatisation, for any acquirer;
 - (b) RWWA would need to continue to be able to utilise particular intellectual property rights in the 'TAB' brand; and
 - (c) the removal of one potential bidder (Tatts) from any potential future privatisation process may reduce competition for the potential acquisition of the WATAB wagering licence.

As a consequence of RWWA raising the above concerns with Tabcorp, the parties engaged in commercial discussions from late 2016 to present. As a result of these discussions, a confidential commercial arrangement is being finalised between RWWA and Tabcorp which, if completed satisfactorily, provides RWWA with a sufficient degree of certainty around the commercial concerns raised in points 36 (a) and (b) **[HIGHLY Confidential to Racing and Wagering Western Australia and Tabcorp]** [REDACTED]

[REDACTED]

- 37 **[HIGHLY Confidential to Racing and Wagering Western Australia and Tabcorp]** [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

del

38 [HIGHLY Confidential to Racing and Wagering Western Australia] [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

39 I also understand that, prior to the Tribunal proceedings, Tabcorp and Tatts had applied to the Australian Competition and Consumer Commission (ACCC) for informal merger clearance of the Proposed Transaction. RWWA also participated in the ACCC process.

40 In light of RWWA's commercial concerns being addressed, I view the Proposed Transaction as broadly positive for the Australian wagering and racing industry and in particular for the racing industry and punters in current Tatts states and territories (such as Queensland and South Australia).

41 As RWWA holds the exclusive retail and totalisator wagering licence in Western Australia and already has a pooling arrangement with Tabcorp, I consider that these direct benefits from the transaction will be of less relevance to the Western Australian racing industry or punters.

ANNEXURES

42 Set out in Schedule "A" of my statement is a table of annexures that I refer to in my statement.



Signature

Richard Burt, Chief Executive Officer, Racing and Wagering Western Australia

Date: 7 March 2017

SCHEDULE A

TABLE OF ANNEXURES REFERRED TO IN STATEMENT OF RICHARD BURT

Annexure	Description	Confidentiality
RB-1	Racing and Wagering Western Australia (RWVA) 2015-2016 Annual Report	-
RB-2	RWVA 2015-2016 Statement of Corporate Intent	-



RACING AND WAGERING WESTERN AUSTRALIA



2016

ANNUAL REPORT

STATEMENT OF COMPLIANCE

STATEMENT OF COMPLIANCE

For the year ended 31 July 2016

Hon Brendon Grylls MLA
Minister for Housing; Racing and Gaming

In accordance with Section 61 of the Financial Management Act 2006, we hereby submit for your information and presentation to Parliament, the Annual Report of Racing and Wagering Western Australia for the financial year ended 31 July 2016.

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



JEFF OVENS
RWWA Board Chairman

17 October 2016



GARY GLIDDON
Chairman Audit and Risk Committee

17 October 2016



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CHAPTER ONE. OVERVIEW

CHAPTER 1 / OVERVIEW

RACING AND WAGERING WESTERN AUSTRALIA

ABOUT US

Racing and Wagering Western Australia (RWVA) was established on 1 August 2003. RWVA's Charter under the Racing and Wagering Western Australia Act 2003 is to foster development, promote the welfare and ensure the integrity of metropolitan and country thoroughbred, harness and greyhound racing in the interests of the long-term viability of the racing industry in Western Australia. RWVA also has responsibility for the off-course wagering functions trading as the TAB.

PURPOSE

To provide a positive sustainable future for the Western Australian racing industry.

MISSION

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

VISION

To make racing great.

CHAIRMAN AND CEO REPORT

It is our pleasure to present the Annual Report for Racing and Wagering Western Australia (RWWA).

As raised in the previous year’s report, 2016 was anticipated to be a more challenging year with softening economic conditions in Western Australia impacting consumer confidence, increased levels of competition both on and off-course for the wagering dollar and a broad range of strategic programs being implemented throughout RWWA’s wagering and racing businesses.

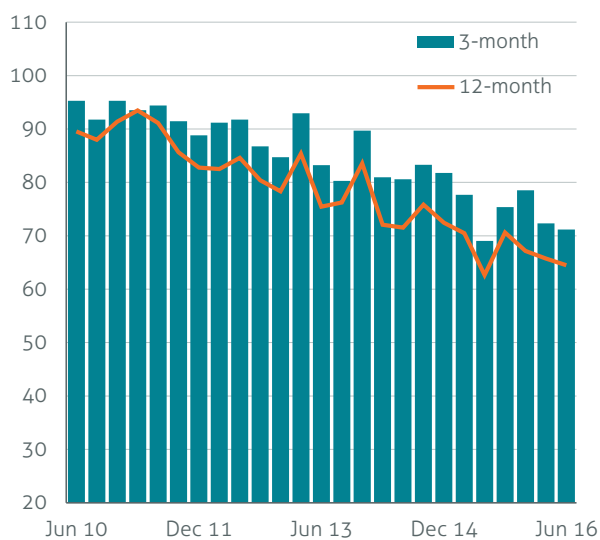
When taking these important issues into account, 2016 was a productive year, where RWWA has been able to provide the required leadership during very uncertain times for the organisation and its many stakeholders.

FINANCIAL PERFORMANCE

RWWA’s revenue from all sources was 1.2% below the prior year, largely resulting from a fall in wagering revenue from the TAB of \$5.5M or 1.6%. Importantly, RWWA’s wagering activity measured by bet volumes was up 2.7% for the twelve months, however, bet value was down 4.7% contributing significantly to the revenue decline. This result is superior to many state economic trends such as consumer confidence, inflation and wages growth, both of which declined materially in 2016 as detailed in Charts 1 and 2 below.

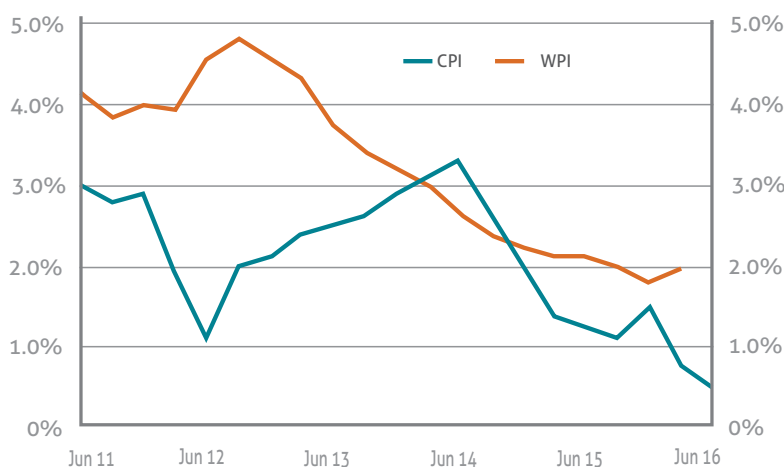
RWWA operating expenses, excluding direct funding to industry, increased by \$8.9M or 3.5% for the year as a result of significant investment in wagering initiatives both on and off-course, together with increased investment in racing and integrity services to industry.

Chart 1 – Consumer Confidence
Western Australia
Economic Conditions



Source: CCI surveys

Chart 2 – Inflation and Wages Growth in WA
Annual Percentage Change, WPI & CPI



Source: CCI Economics

CHAPTER 1 / OVERVIEW

CHAIRMAN AND CEO REPORT CONT.

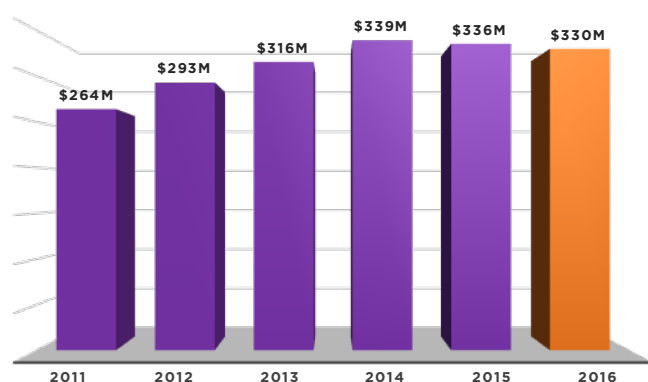
These expense increases complement RWWA's longer term strategic agenda ensuring the TAB remains competitive and as Western Australia's economic conditions improve, the organisation is well placed to generate growth in wagering revenues.

In addition, RWWA continues to invest in club infrastructure to improve the customer experience and assist clubs to increase income from on-course activities. Investment in drug testing was elevated in 2016 as was the commitment in new technology for on-course integrity systems, to provide greater visibility of racing competition for stewards.

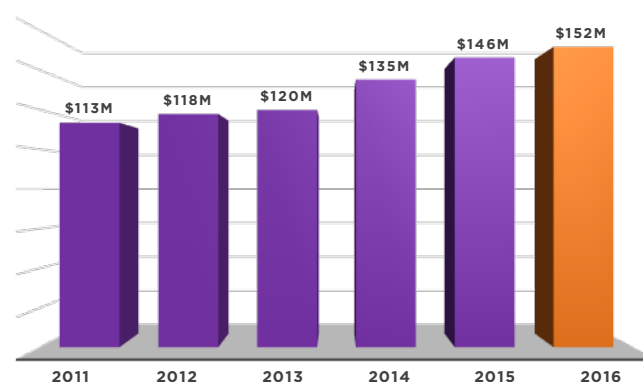
All of RWWA's profit from operations in 2016 was distributed to racing and sports stakeholders. A further \$9.1M was provided to race clubs for racing infrastructure grants - funded in part by RWWA's reserves - taking the total funding to racing and sports to \$152M.

This record level of industry funding was made possible by RWWA's long term strategy of building cash reserves to manage key racing infrastructure projects such as those detailed later in this Report. In addition, the Western Australian Government through the Royalties for Regions and Racing Industry Grants Programs provided a further \$1.28M to support metropolitan and regional race clubs.

Wagering Revenue (2011-2016)



Distributions, Grants and Subsidies (2011 - 2016)



CHAIRMAN AND CEO REPORT CONT.

RACING

2016 was a positive year for racing with record prizemoney levels provided to the three codes in Western Australia.

Key highlights from the year include the following Western Australian feature racing achievements:

Thoroughbreds

- *Railway Stakes (Group One)*: won by Good Project; C Waller (trainer); C Williams (jockey); and C Cheong Lai (owner).
- *Winterbottom Stakes (Group One)*: won by Buffering; R Heathcote (trainer); D Brown (jockey); and V Heathcote, S Krslovic, C Moore, R Ciobo, D Merola, C Lord, Crafty Racing Syndicate, Aspariamo Racing Syndicate and B Harry (owners).
- *Kingston Town Classic (Group One)*: won by Perfect Reflection; G Williams (trainer); W Pike (jockey); and Peters Investments Pty Ltd Syndicate (owners).
- *Perth Cup (Group Two)*: won by Delicacy; G Williams (trainer); P Hall (jockey); and Peters Investments Pty Ltd Syndicate (owners).
- *WATC Derby (Group Two)*: won by Arcadia Dream; G Williams (trainer); W Pike (jockey); and Peters Investments Pty Ltd Syndicate (owners).
- *Karrakatta Plate (Group Two)*: won by Whispering Brook; S Miller (trainer); P Knuckey (jockey); and A Macalister, B Macalister, K Wardle, C Macalister, R Lear (owners).

Harness

- *Inter Dominion (Group One)*: won by Lennytheshark; D Aiken (trainer); C Alford (driver); and K and M Riseley (owners).
- *Fremantle Pacing Cup (Group One)*: won by Beaudiene Boaz NZ; G Hall Snr (trainer); G Hall Jnr (driver); and B Richardson, G Moore, K Hall, G Ralston, M Walker, A Curran (owners).

- *WA Pacing Cup (Group One)*: won by My Hard Copy NZ; G Hall Snr (trainer); C Hall (driver); and S Chapman, C Chapman and D Chapman (owners).
- *WA Derby (Group One)*: won by Chicago Bull NZ; G Hall Snr (trainer); G Hall Jnr (driver); and B Richardson, G Richardson, G Moore, D Roberts, S Beven, S Simmonds (owners).
- *WA Oaks (Group One)*: won by Dodolicious; G and S Bond (trainer); R Warwick (driver); and G Bond (owner).

Greyhound

- *Perth Cup (Group One)*: won by Ima Wagtail; J Iwanyk (trainer); and N Burke (owner).
- *Galaxy (Group One)*: won by Seeking Justice; K Harding (trainer); and Fast Track Racing Syndicate (owner).
- *All Stars Sprint (Group Two)*: won by Tureaud; P Stuart (trainer/owner).

It is important to explain RWWA's decision to distribute funds totalling \$152M in 2016 being \$7M higher than the organisation's \$145M profits from operations.

RWWA recognises the ongoing need to increase returns to participants in order to maintain a vibrant, sustainable industry. While geographically isolated from the rest of Australia and reliant on a smaller state population base from which to generate wagering income, racing in Western Australia is exposed nationally to competition for owner's investments in horses and greyhounds. This requires the application of competitive prizemoney levels against the Eastern States.

Western Australian racing has benefited to date through RWWA's capacity to protect it from economic and other headwinds such as those presently impacting the state. Recognising this need, RWWA consciously held back distributing the full extent of available profits over the past five years to have the capacity to meet the demand for assistance in more telling times.

CHAPTER 1 / OVERVIEW

CHAIRMAN AND CEO REPORT CONT.

Even with the increased funding, the thoroughbred and harness industries in particular, continue to suffer declines in breeding and foaling numbers as well as ownership. As a result of this fragile base, RWWA undertook a range of key long term racing initiatives throughout the year, including:

- Elevating the profile of the Group 1 Winterbottom Stakes and Kingston Town Classic races;
- Securing the Inter Dominion heats and final events to Western Australia from 2016-2018;
- Construction of the new Cannington greyhound facility to secure wagering income for all codes, and racing and trialling opportunities for greyhound participants;
- Introduction of 'Owners Only' to promote ownership across all sectors of racing;
- Relaunch of WA Country Cups to promote iconic regional racing events;
- Installation of large screen semaphore board and racewall technology at selected metropolitan and provincial venues to improve patron experience;
- Promotion of Western Australian thoroughbred and harness racing through new mass media marketing; and
- Supporting Western Australian race clubs with cooperative funding through Community TAB.

WAGERING

2016 was an intense year of wagering activity for the TAB. As a result of softening economic conditions in Western Australia, together with increased levels of competition from national operators, RWWA was required to invest significantly more in all areas of its wagering business to meet its core objectives of funding the racing industry and maintaining the long term value of the TAB licence.

During the year a new long-term retail agency agreement was finalised with TAB agents, better aligning the organisation's

objectives with agents. The agreement that is now in place will promote account business in agencies and provide agents with the opportunity to generate recurring income from customer account turnover, irrespective of the customer's location.

Towards the end of 2016, RWWA together with Sky Racing, executed new arrangements for a range of key agreements, including media rights for all thoroughbred, harness and greyhound racing (not including metropolitan thoroughbreds) and retail agency, on-course and digital streaming distribution. These agreements are important in underpinning the TAB's ability to generate revenues. As part of the new media rights arrangement, RWWA will for the first time receive income from national digital sales of competing wagering operators together with improved income from international wagering operators, betting on Western Australian racing product. This additional benefit will contribute to RWWA being able to provide increased funding to racing in 2017.

SIGNIFICANT ISSUES AND TRENDS

The matter of whether the Western Australian TAB will be privatised continued to test the efficiency and effectiveness of our wagering operations throughout the year. From our Board's perspective, this uncertainty cannot continue if we are to protect the value of the TAB and its ability to make returns for the racing industry, either as a continuing in-house operation or under the banner of a privatised entity.

The Western Australian Racing Representative Group (WARRG) and RWWA have progressed the discussion with Government to resolve this matter for the benefit of the State and the racing industry. It is fair to say that there are many moving parts to this complex matter.

WARRG as a representative group of the racing industry, should be complimented on the work that they have done to understand the complexities of the wagering operations,

CHAIRMAN AND CEO REPORT CONT.

and to be in a position to adequately discuss options and the impacts of a privatisation scenario.

During the year, the New South Wales Government moved to ban greyhound racing in that State from July 2017, following adverse reports regarding animal welfare and in particular instances of live baiting on the eastern seaboard. At the time of publishing this Report, the NSW ban has been overturned on a conditional basis by the Baird Government. Whilst details of the ban and any revised framework for greyhound racing are not known at this stage, there is still the potential for a significant reduction in the amount of racing product available to TAB customers with likely challenges for accommodating unwanted greyhounds migrating from that State to other licensed jurisdictions.

RWWA is of the view that this decision may still impact the performance of the TAB given the significant support from Western Australian based customers for New South Wales based greyhound racing. Whilst there is likely to be some wagering substitution, it is likely that turnover may be adversely affected and as a result impact the Western Australian TAB's profitability in the shorter term.

The events leading up to the ban in New South Wales and subsequent conditional overturning are a timely reminder to all jurisdictions and racing codes of the importance of having and implementing appropriate codes of conduct and effective animal welfare strategies that ensure community support for its ongoing operation. Elsewhere in this Report we comment on the effectiveness of our animal welfare programs and an Integrity unit that is dedicated to ensuring compliance with our Rules of Racing.

Whether privatisation of the Western Australian TAB happens or not, there is a need for the government to recognise the need for tax parity with other major wagering States, so as to not hamstring the Western Australian

TAB in its endeavour to be competitive and to be able to generate a commensurate return to the racing bodies in this State as happens elsewhere. RWWA will be looking to achieve tax parity with Victoria and New South Wales as recommended in the Joint Standing Committee Report to the Western Australian Parliament of 2010.

Recently, the South Australian Government announced the introduction of a Point of Consumption Tax on wagering transactions to apply from mid-2017.

This is a significant issue for wagering operators and parties who receive financial benefit from the proceeds of wagering. RWWA is undertaking its own external review to understand the impact on the customer, the wagering competitive landscape at state and national levels and potential flow on effects such as product pricing and substitution.

In 2016 RWWA completed a review of the size and scope of the Western Australian racing industry. The findings from the report again highlight the important economic and social role racing plays in the State.

A summary of key highlights from the report include:

- The racing industry creates more than \$821M in real gross value-added to the Western Australian economy;
- Racing generates total direct expenditure of \$682.3M;
- More than 24,400 people participate in racing, with around 1 in every 79 people in Western Australia involved in racing;
- Over 8,000 people are directly employed in racing; and
- In excess of 823,000 people attend race meetings throughout the State.

CHAPTER 1 / OVERVIEW



CHAIRMAN AND CEO REPORT CONT.

RECOGNISING THE ORGANISATION

The racing industry is being challenged in these very uncertain times by many factors, some from within over which we have some influence and others that are simply global, demanding flexibility and ingenuity to prevail. It is against this background that our racing clubs and RWWA itself has had to adapt to ensure that our industry remains viable and sustainable for the longer term.

We would like to recognise the people within the industry at all levels who were contributors to the greatness of racing in the past year. Many of these people are volunteers at club level and deserve recognition for the many hours of toil without which our industry would falter.

Within RWWA, our CEO and executive leaders have been able to deliver outcomes which the Board views as outstanding given the current economic climate and increasing competition in the marketplace. Let me pay tribute to my fellow Directors who continue to give so much of their time in the interests of the racing industry and to Director Matthew Benson-Lidholm who stepped down from the RWWA Board at year's end.



JEFF OVENS

Chairman



RICHARD BURT

CEO

INDUSTRY FUNDING

In the financial year 2015/16, RWWA contributed \$152M in funding to the Western Australian racing and sporting industry, and \$20.5M in funding towards its racing and integrity services, a total increase of \$7.5M from the previous financial year. This significant increase was made possible by the WA TAB, the brand that funds the industry.



PURPOSE OF FUNDING

- **Distributions:** more than \$136.2M of funding was distributed to the Western Australian racing industry as prize money, owners and breeders bonuses, participant payments, event fees and training services, as well as providing funding for initiatives such as the Australian Jockey Association and welfare initiatives
- **Grants and Club Subsidies:** RWWA has continued to assist clubs with infrastructure grants outside of the Racing Infrastructure Grants Program (RIGP) and Royalties for Regions (RFR) funding, with \$12M provided to the Western Australian racing industry in 2015/16.
- **Racing and Integrity Services:** an additional \$20.5M in funding was allocated to racing and integrity services to ensure the proper conduct and integrity of racing activities across the State.
- **Community Sport:** every year RWWA, through the profits generated by the TAB, invests a portion of sports wagering turnover back into community sports through the Sports Wagering Account with the Department of Sport and Recreation. A total of \$4M was provided in 2015/16.

THE CONTINUAL INCREASE IN FUNDING REFLECTS RWWA'S WIDER STRATEGY TO IMPROVE THE QUALITY OF RACING PRODUCT, TRACK ATTENDANCE AND RELEVANCE OF WESTERN AUSTRALIAN RACING.

CHAPTER 1 / OVERVIEW

WESTERN AUSTRALIAN RACING OVERVIEW

The Western Australian racing industry plays an important role in providing social and economic benefits to local communities, generating more than \$821M in economic contribution to the State.

Furthermore, Western Australia has one of the biggest country racing precincts in the world, with 48 out of 51 race clubs located in regional areas and over 75% of race meetings conducted at country race tracks.

REGIONS	NUMBER OF RACE CLUBS	NUMBER OF RACE MEETINGS	REAL GROSS VALUE-ADDED*
Metropolitan	3	220	\$504.0M
Peel	3	263	\$120.3M
South West	6	71	\$58.3M
Wheatbelt	10	167	\$57.6M
Goldfields-Esperance	8	56	\$28.1M
Great Southern	5	33	\$24.7M
Mid West	5	24	\$13.4M
Kimberley	4	14	\$8.0M
Gascoyne	3	13	\$3.6M
Pilbara	4	12	\$3.0M
TOTAL	51	873	\$821M

* Real gross value-added is the measure of the value of production from economic activity.

KEY WESTERN AUSTRALIAN RACING INDUSTRY FACTS

- The Western Australian racing industry generates more than \$682.3M in direct expenditure, with more than half of expenditure occurring in regional areas.
- The training and preparation of racing animals results in more than \$165M in expenditure.
- In excess of 823,000 racegoers attend thoroughbred, harness and greyhound race meetings in Western Australia each year; over 57% of these attendances occur at country racecourses, with Peel and the South West representing the largest regions.
- More than 24,400 individuals participate in the Western Australian racing industry (as an employee, participant or volunteer), which equates to approximately 1 in every 79 adult residents in the State.
- The economic activity generated by the racing industry sustains more than 7,360 full-time-equivalent positions in Western Australia.
- On average 260 community organisations and charities are financially assisted by the industry, and over 150 community organisations share race club facilities and resources.

(Source: WA Racing Economic and Social Report, IER, January 2016)

OPERATIONAL STRUCTURE

ENABLING LEGISLATION

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

Effective 1 August 2003, RWWA assumed the principal club/controlling authority responsibilities of The Western Australian Turf Club, Western Australian Trotting Association and Western Australian Greyhound Racing Authority. On 30 January 2004, the Totalisator Agency Board Betting Act 1960 was repealed and RWWA assumed responsibility for the conduct of off-course TAB wagering. The Racing and Wagering Western Australia Regulations 2003 were enacted to establish key employee licensing procedures relating to RWWA's wagering activities, and to include those provisions of the Totalisator Agency Board (Betting) Regulations 1988 needed to control RWWA's wagering activities. To complement the formation of RWWA, the Betting Control Board, established under the Betting Control Act 1954, was abolished and its functions transferred to the Gaming Commission of Western Australia, which was re-titled the Gaming and Wagering Commission of Western Australia. Hence, the Gaming and Wagering Commission, under the Gaming and Wagering Commission Act 1987, now regulates RWWA's gambling activities.

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



CHAPTER 1 / OVERVIEW

OPERATIONAL STRUCTURE CONT.

LEGISLATION

The principal legislation governing RWWA is:

- Racing and Wagering Western Australia Act 2003
- Racing and Wagering Western Australia Tax Act 2003
- Racing Restriction Act 2003
- Racing Bets Levy Act 2009
- Gaming and Wagering Commission Act 1987
- Betting Control Act 1954
- Financial Management Act 2006
- Freedom of Information Act 1992
- Gaming and Betting (Contract Securities) Act 1985
- Interactive Gambling Act 2001
- Liquor Control Act 1988
- Long Service Leave Act 1958
- Occupational Safety and Health Act 1984
- Patents Act 1990
- Public Interest Disclosure Act 2003
- Spam Act 2003
- State Government Agencies Administration Award 2010
- State Superannuation Act 2000
- Statutory Corporations (Liabilities of Directors) Act 1996
- Superannuation Guarantee (Administration) Act 1992
- Trade Marks Act 1995
- Trade Practice Act 1974
- Unclaimed Money Act 1990
- Workers Compensation and Injury Management Amendment (Jockeys) Act 2012
- Fair Work Act 2009

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

- Anti-Money Laundering and Counter Terrorism Financing Act 2006 (Commonwealth)
- Broadcasting and Recorded Entertainment Award 2010
- Copyright Act 1968 (Commonwealth)
- Corruption, Crime and Misconduct Act 2003
- Criminal Code Act 1913 (WA) and Criminal Code Act 1995 (Commonwealth)
- Electoral Act 1907
- Equal Opportunity Act 1984

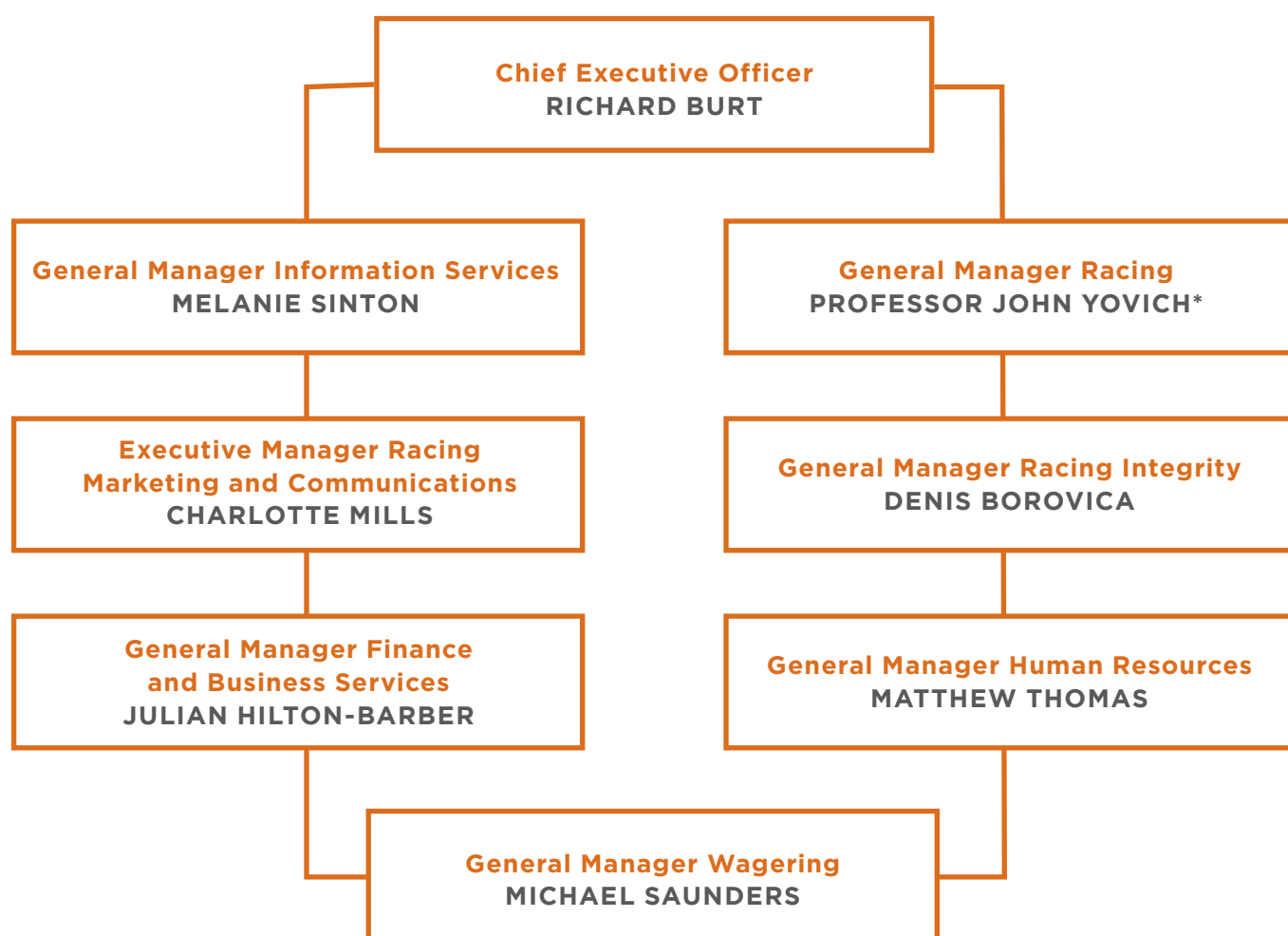
RESPONSIBLE MINISTER

The Hon Colin Holt MLC (Minister for Housing; Racing and Gaming) was the Minister responsible for Racing and Wagering Western Australia from 8 December 2014 to 15 August 2016. The Hon Brendon Grylls MLA (Minister for Housing; Racing and Gaming) was appointed the responsible Minister on 15 August 2016.



ORGANISATIONAL STRUCTURE

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



*Appointment from 29 June 2015 to 29 July 2016.

CHAPTER 1 / OVERVIEW

RACING AND WAGERING WESTERN AUSTRALIA BOARD

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



Standing (L-R): Mr Gary Gliddon, Mr Anthony Hasluck, Mrs Kirrilee Warr, Mr Matthew Benson-Lidholm and Mr Michael Heath.

Seated (L-R): Dr Lianne Cretney-Barnes, Mr Jeff Ovens and Mr Robert Pearson.

BOARD MEMBERS

Mr Jeff Ovens (Chairman)

First appointed 1 February 2012

Mr Robert Pearson (Deputy Chairman)

First appointed 1 August 2003

(Nominated by Thoroughbred Racing Industry Bodies)

Mr Matthew Benson-Lidholm

First appointed 1 August 2014

(Nominated by Harness Racing Industry Bodies)

Mr Gary Gliddon

First appointed 21 November 2011

(Nominated by Greyhound Racing Industry Bodies)

Dr Lianne Cretney-Barnes

First appointed 1 February 2011

(Has expertise in Business Administration, Management and Marketing)

Mr Michael Heath

First appointed 20 October 2015

(Former CEO of Perth Racing and well recognised WA businessman)

Mr Anthony Hasluck

First appointed 1 February 2014

(One of WA's leading communications consultants)

Mrs Kirrilee Warr

First appointed 1 February 2014

(Director of a broad acre agricultural enterprise and is active in regional communities)

BOARD COMMITTEES

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

INTEGRITY ASSURANCE COMMITTEE

The Integrity Assurance Committee (IAC) has primary oversight of those aspects of RWWA's functions that relate to stewards, drug testing and control, licensing and registration, handicapping, racing appeals, rules of racing and wagering compliance.

Committee members:

- Dr Lianne Cretney-Barnes (Chairman)
- Mr Anthony Hasluck
- Mrs Kirrilee Warr
- Mr Jeff Ovens (ex-officio)

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee (RNC) oversees and reports on remuneration for the CEO, bonuses for staff and executive, allowances for committee members, and the nomination process for the recruitment, appointment and development of the Board and Committees, in accordance with its Charter.

Committee members:

- Mr Jeff Ovens (Chairman)
- Dr Lianne Cretney-Barnes
- Mr Robert Pearson

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee (ARC) plays an important role in providing oversight of RWWA's values and ethics, governance, risk management and internal control practices. The ARC has oversight of the Internal Audit function. The ARC also reviews and approves the Annual Report.

Committee members:

- Mr Gary Gliddon (Chairman)
- Mr Jeff Ovens (ex-officio)
- Mr Anthony Hasluck
- Mr Michael Heath

CHAPTER 1 / OVERVIEW



STRATEGIC PRIORITIES

RWWA maintains a strong focus on the following strategic priorities over the medium and long-term in the context of achievement of the organisation's stated purpose:

1. Work with industry to increase the effectiveness and utilisation of racing assets;
2. Increase our share of the competitive wagering market through enhanced product and services;
3. Strengthen government relations and demonstrate the economic and social benefits of a positive and sustainable racing industry;
4. Improve the quality of racing product, track attendance and relevance of Western Australian racing through increasing stakes distribution and industry marketing and planning;
5. Implement strategies to demonstrate best practice in animal welfare, as well as the promotion and delivery of responsible wagering; and
6. Strengthen the integrity and welfare standards across Western Australian racing to ensure public confidence and support.

FUTURE OUTLOOK 2016/17

The following announcements form part of RWWA's wider strategy to increase the quality of racing product, track attendance and relevance of racing in Western Australia.

DISTRIBUTIONS - RECORD FUNDING BOOST

RWWA has approved a new racing season funding allocation of \$146M for 2016/17; an increase of 5.3% from the previous year. Despite challenging economic conditions in Western Australia and a highly competitive wagering market, RWWA is committed to increasing racing industry funding by \$7.6M across the three racing codes.

Of the \$7.6M in distribution funding increase, \$5.5M will be directed toward supporting race clubs across thoroughbreds, harness and greyhounds, with RWWA for the first time funding on course broadcast costs commencing from 1 August 2016.

In addition, RWWA has allocated a further \$5.8M funding for race club infrastructure work, resulting in overall racing industry funding for 2016/17 of \$151.8M.



THOROUGHBREDS - THREE \$1M GROUP 1 FEATURE RACES

For the second year in a row, all Group 1 feature races in Western Australia will carry stakes of \$1M. The \$1M feature races will form part of the 2016 TABtouch Masters at Ascot and will include the Railway Stakes (1600m), Winterbottom Stakes (1200m) and Kingston Town Classic (1800m), which will be held on three consecutive Saturdays.

RWWA has also announced that during the 2016/17 racing season, three full metropolitan class Saturday meetings will be allocated to the Bunbury Turf Club and the Pinjarra Race Club, which will include the WA Magic Millions Race Day in February 2017.



HARNESS - RETURN OF THE TABTOUCH INTER DOMINION

The TABtouch Inter Dominion will once again return to Gloucester Park Harness Racing in November 2016, for the running of the second series of a three year tenure.

Known as Australasia's greatest harness racing event, the Inter Dominion Grand Final is worth \$1.1M, making it the richest pacing race in Australasia, and the overall series is worth \$1.8M in prize money.

The Inter Dominion forms part of RWWA's broader strategic vision to relaunch, revitalise and re-energise harness racing in Western Australia.

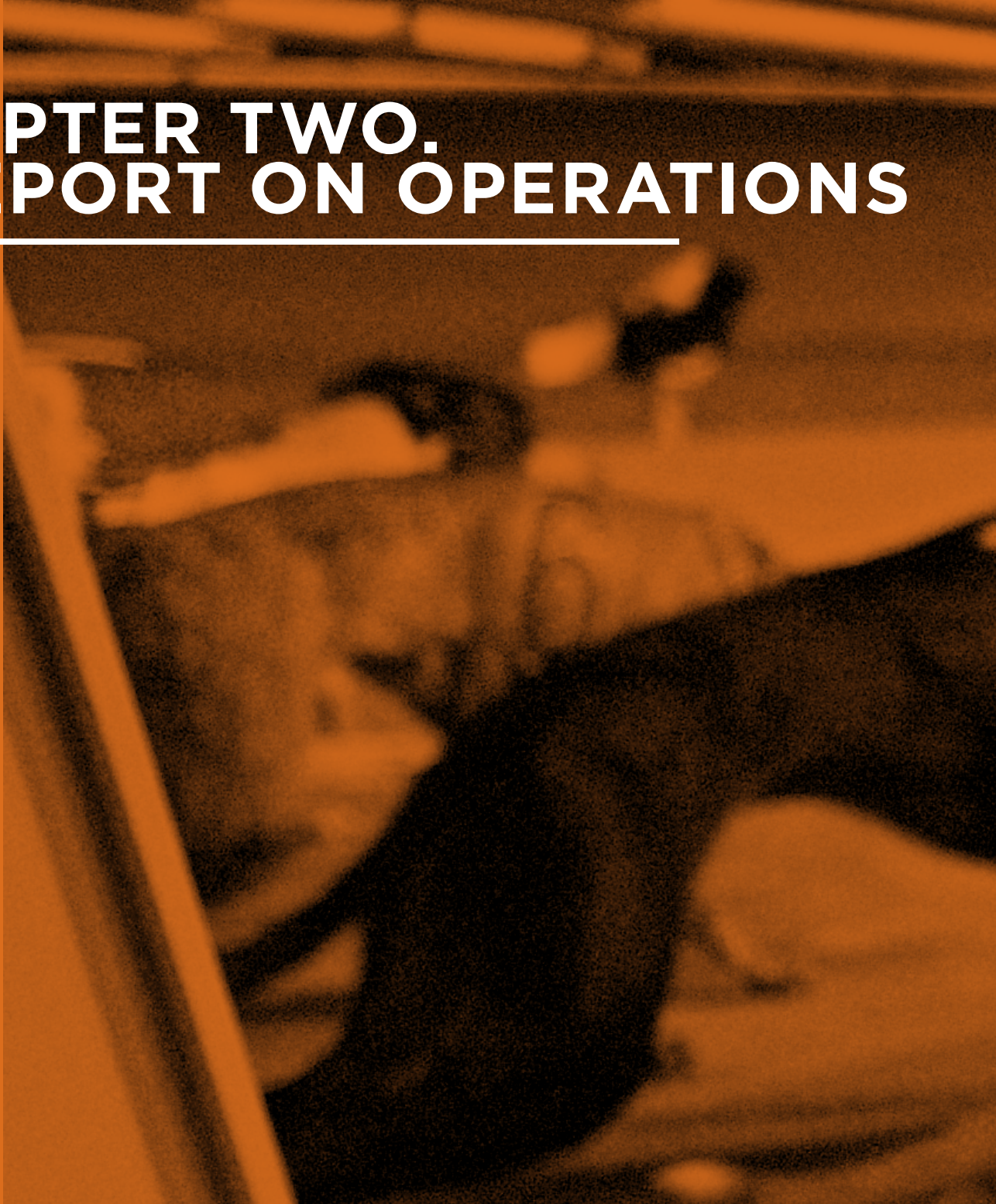


GREYHOUNDS - INCREASED GAP INVESTMENT

Implementing methods to demonstrate the best practice in animal welfare forms part of RWWA's overall strategic priorities. In 2016/17, RWWA will increase its investment in the Greyhounds as Pets (GAP) program to over \$500K, with the aim to significantly increase the number of greyhounds being re-homed.

The investment includes the lease of a new GAP facility that will increase kennel capacity from 20 to 37 as well as continued employment of a dedicated Programme Coordinator, Kennel Manager and expanding the working hours of staff. In addition, the funding will assist with marketing and communications campaigns aimed at raising awareness about the GAP program and positioning greyhounds as the preferred breed of canine pets.

CHAPTER TWO. REPORT ON OPERATIONS





CHAPTER 2 / REPORT ON OPERATIONS

RACING

The Racing division is responsible for racing operations and the overall strategic direction of the racing industry in Western Australia. Responsibilities include fixture planning, racing systems and information maintenance, handicapping and grading, race programming, base and feature stakes allocations, domestic and international vision contracts, industry consultation, racing industry development, industry training, club and racing industry related occupational safety and health (OSH) and control of RWWA-owned animal industry training venues.

RWWA, as the Principal Racing Authority for the three codes of Racing in Western Australia, operates under the Racing and Wagering Western Australian Act 2003 but also applies National Rules of Racing for each code.

OPERATIONS AND DISTRIBUTION

The 2015/16 season provided 873 race meetings across the three codes of racing, featuring a total of 8,165 races contested by 73,565 starters. Of these, 7,558 individual animals raced including 3,846 thoroughbreds, 1,846 standardbreds and 1,866 greyhounds.

FUNDING FOR RACE CLUBS

In 2015/16, RWWA provided distribution funding as follows:

- One greyhound club (Western Australian Greyhound Racing Association (WAGRA)) racing at three venues (Cannington, Mandurah and Northam).
- Thirty-six thoroughbred clubs (including tenanted arrangements for Coolgardie Race Club at Kalgoorlie).
- Fourteen harness clubs (including tenanted arrangements for York Racing at Northam).
- Five harness training only venues - Byford, Dunbarton, Jandakot, Wanneroo and York*.
- Total distribution funding (in the form of event and training fees) provided to Western Australian racing clubs in 2015/16 amounted to \$21.7M or 19% of total industry distributions.
- Total distributions to clubs excludes capital infrastructure funding, SKY broadcast associated costs, pooling fees and product fees.
- The source of funds for distributions is made up of RWWA profits/retained earnings, government grants and through Western Australian race fields legislation (under which all race fields income is passed to the Clubs).
- Capital infrastructure funding was sourced via the Racing Infrastructure Grants Program (RIGP), Royalties for Regions (RFR), Club and RWWA supplementary funding.

**Note: Dual code clubs, York Racing and Narrogin Race and Pace, are included in the above figures.*

THOROUGHBRED RACING

Major thoroughbred racing activities in 2015/16:

- RWWA provided thoroughbred race clubs and participants with payments for stakes and subsidies of \$65M.
- The Westspeed Scheme provided owners, breeders, trainers and riders with an additional \$5.6M in bonuses.
- Race clubs conducted a total of 292 race meetings (including non-TAB meetings) and 2,233 races.
- The Western Australian thoroughbred race clubs paid a total of \$59.2M in prize money, with 22,644 starters.
- There were 3,846 individual thoroughbreds that raced.
- The Magic Millions Yearling Sales recorded an aggregate for the premier sale of \$10.4M and an average sale price for the premier sale of \$41K. The clearance rate for this sale was 80%.
- RWWA commenced a project to migrate from the internal legacy thoroughbred racing computer system to the single national system administered by Racing Australia. This project is expected to be completed by June 2017.
- Toodyay Race Club conducted a race meeting in their own right for the first time since 2000 after operating under the auspices of the Northam Race Club in the interim period.



RACING CONT.

HARNESS RACING

Major harness racing activities in 2015/16:

- RWWA provided harness race clubs with base and feature stakes funding of \$25.7M.
- RWWA paid out an additional \$1.7M in Westbred bonuses.
- Race clubs conducted a total of 277 race meetings and 2,308 races, which provided 21,995 racing opportunities for 1,846 individual horses that raced.
- The 21,995 starters were trained by 437 individual trainers with 55 trainers having 100 or more starters for the year and 18 having 200 or more starters.
- A total of 234 Western Australian trained mares earned at least one of the EPONA bonuses, winning 491 races and generating \$259K in credits. Three mares each earned the maximum credit amount of \$5K and a total of \$105K was paid out in claims to the owners of 56 mares.
- The Gloucester Standardbreds Yearling Sales recorded an aggregate for the sale of \$1.3M and an average sale price for fillies of \$14K and for colts \$13K. The clearance rate for this sale was 81%.
- RWWA and Gloucester Park Harness Racing hosted the first of the Inter Dominion in Perth in December 2015. RWWA committed \$1.8M for each year in stakes to host the event, making it the richest harness racing series in the world.

GREYHOUND RACING

Major greyhound racing activities in 2015/16:

- RWWA provided the WAGRA with base and feature stakes funding of \$11.7M.
- The WESTCHASE Incentive Scheme paid out a new record of \$835K in bonuses for the year.
- WAGRA conducted 3,624 races at 304 meetings, which provided 28,926 racing opportunities for 1,866 individual greyhounds.
- Consistent with RWWA's animal welfare policies, RWWA supports the re-homing of retired greyhounds through the Greyhounds as Pets (GAP) program, with a new facility leased to increase the re-homing capability of the program, along with other strategies to assist in the

placement of these animals post racing.

- The RWWA Information Services division continues development of OzChase, the joint venture greyhound racing system designed, built, hosted and maintained in Western Australia for use by the two joint venture partners, RWWA and Greyhound Racing New South Wales (GRNSW). All Australian states and territories apart from Victoria are now fully operational on the OzChase platform.
- The new Cannington facility opened on 23 March 2016. RWWA invested significantly in the new facility, reaffirming the commitment to metropolitan racing for the greyhound code in this State.

INDUSTRY TRAINING HIGHLIGHTS

Major industry training highlights in 2015/16:

- Four apprentice jockeys commenced, with two graduating into senior ranks during the year.
- RWWA again supported the National Apprentice Jockey Challenge, with a heat being held at Ascot in April, which was won by local apprentice Sarah Bonner, riding her first metropolitan winner. Western Australian apprentices rode in each heat, represented by Clint Johnston-Porter, Jake Casey, Randy Tan and Jordan Turner. Western Australia won the series for the first time.
- Eight new C grade harness drivers (trials only) commenced during the season.
- Nine drivers progressed to B grade drivers' licences during the period.
- The Garrard's Young Drivers Challenge was won by Stewart McDonald, resulting in him representing Western Australia in the New South Wales Rising Stars Series, where he finished second.

CHAPTER 2 / REPORT ON OPERATIONS



INFRASTRUCTURE GRANTS

RACECOURSE INFRASTRUCTURE GRANTS PROGRAM (RIGP) AND ROYALTIES FOR REGIONS

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

RWWA administers the Racecourse Infrastructure Grants Program (RIGP) for the Minister for Racing and Gaming. During 2015/16 financial year outstanding projects were progressed towards completion, with no additional Government funding or grants approved by the Minister.

RIGP/RFR Funding Allocated by RWWA

	2015/16	Since 2010/11
RIGP Grants	\$0.00M	\$13.0M
RFR Boost	\$0.00M	\$6.6M

Major projects with approved RIGP/RFR funding that commenced works during the year include the following. These projects will be completed in 2016/17:

- Pinjarra Harness Racing Club - Race day stalls development (\$1.0M)
- Pinjarra Race Club - Video Vision & Semaphore Board (\$348K)
- Bunbury Turf Club - Video Vision & Semaphore Board (\$348K)
- Kalgoorlie-Boulder Race Club - Video Vision & Semaphore Board (\$360K)

MAJOR RWWA FUNDED GRANTS

Cannington Greyhounds New Facility

The new Cannington greyhound racing facility commenced operation in March 2016. RWWA provided a further \$5.3M in 2015/16 towards the completion of the project, totalling \$16M, to ensure the longevity of metropolitan greyhound racing in this State.

Other RWWA funded projects for 2015/16:

- Bunbury Harness Vision Screen (\$373K)
- Ascot Racecourse Drainage (\$290K)

Gloucester Park Refurbishment

The patron facilities refurbishment works at Gloucester Park were completed. The \$1.6M investment was to maximise the utilisation of the venue for race nights as well as non-race night functions and events.

Belmont Park Irrigation

The RWWA Board committed to \$1.7M of funding for the Belmont Park irrigation replacement in 2015/16. These works will be undertaken at the conclusion of the Belmont Park season and will conclude in the 2016/17 fiscal year.



ANIMAL WELFARE

Animal welfare is a critical element of the RWWA racing strategy. The quality of racing within Western Australia is dependent on many factors but at the forefront is the welfare of its horses and greyhounds.

Animal welfare legislation, and the rules and policies that racing authorities enforce, underpin the successful regulation of welfare in racing.

RESEARCH AND EDUCATION

RWWA has formed a research partnership with Murdoch University and has contributed toward the funding of a three year research project examining Exercise Induced Pulmonary Hemorrhage (EIPH) in horses, specifically aimed at further understanding mitigating factors that could be managed to improve safety, welfare and durability of racehorses. This project is entering its final phase with one scientific paper already published in the Equine Veterinary Journal (July 2016) and a second paper, following a longitudinal study of EIPH in a large group of Western Australian horses, likely to be accepted for publication next year.

OFF THE TRACK PROGRAM FOR RETIRED RACEHORSES

RWWA's Off the Track program continues to be an active voice within the racing and equestrian industries, positioning retired racehorses as the preferred choice for equestrian disciplines and other pursuits. The program's activities increase the demand for and support the placement of retired thoroughbred and standardbred racehorses in second careers via sponsoring of events, sharing success stories, promoting re-trainers and re-homing services, and holding education clinics for horses off the track. The program is widely recognised in the equestrian community as being a conduit for the successful transition of horses from the race track to alternative pursuits.

Now in its third year of operation, Off the Track has supported the equestrian community through the sponsorship of more than 200 equestrian events, including horse shows in which over 6,000 retired racehorses have competed, and hosted Education Clinics.

Education Clinics

Quarterly Off the Track horse and rider education clinics were held, with a total of 287 attendees and their retired thoroughbred and standardbred racehorses. Clinics are open to those riders and owners needing assistance with educating and extending the training of their retired racehorses. The clinics employ some of Western Australia's most popular, qualified and competent coaches. Hosting regular education clinics is essential to assist equestrian riders to transition their newly retired racehorses to a second career after racing, thus improving the success rate of these transfers and increasing the horses' value, health and abilities post racing. These education clinics are held with the generous support of program partners Touchstone Farms, Thompson and Redwood, Biojohn Superstore, Mitavite and Glenroy Hay.

I JUST WANTED TO SAY THANK YOU SO MUCH FOR ORGANISING THE OFF THE TRACK CLINICS. A YEAR AGO I CAME TO MY FIRST ONE AND COULDN'T EVEN RIDE BECAUSE MY HORSE WAS REARING VERTICALLY AND I JUST DID A GROUND WORK LESSON. NOW SINCE COMING TO EVERY ONE SINCE, "EMKAY" IS GOING SO WELL. TODAY I DID MY FIRST CROSS COUNTRY LESSON ON HER. SHE WAS AWESOME, SHE TRIED SO HARD AND WE BOTH HAD THE BEST TIME! THANK YOU FOR ALL YOUR HARD WORK THAT I KNOW MUST GO INTO EVERY CLINIC YOU PUT ON. I JUST WANTED TO LET YOU KNOW HOW MUCH I APPRECIATE IT.

- JESS WALKER

CHAPTER 2 / REPORT ON OPERATIONS

ANIMAL WELFARE CONT.

School Visits

During 2015/16, Off the Track commenced with the planning and development of a new strategy involving school visits, which aims to educate students and the school community on the options available to retired racehorses in second careers post racing.

The first school visit took place at Alkimos Primary School on 10 August 2016, in conjunction with the Victoria Racing Club's Melbourne Cup Tour. The visit featured guest appearances by former stars, Scenic Shot, who competed in the 2007 Melbourne Cup, and Western Australian Hall of Fame Inductee, Scenic Blast. Each classroom received a visit from an Off the Track representative where they were shown a presentation and video regarding the program, as well as memorabilia of both horses. Each student also received an Off the Track show bag, which included merchandise and a Scenic Blast book.

SHOWMAN DAY

A one day event was organised and held by Off the Track on 10 July 2016, at Brookleigh, where 86 off the track horses and their riders participated in dressage, show jumping and in hand showing.

LATEST THOROUGHBRED RETIREMENT STATISTICS

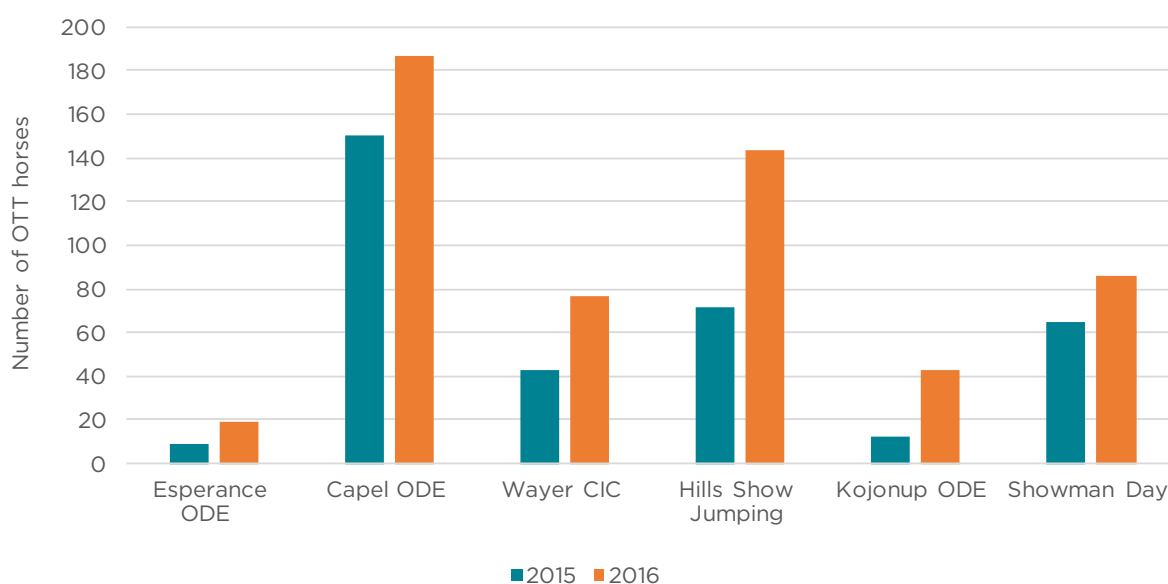
Recent statistics collected by RISA from the now mandatory thoroughbred 'Retirement of Racehorses Notification Form' indicate that over 68% of retired thoroughbred racehorses are sold or gifted as pleasure, performance, working or companion horses, which demonstrates that there is a high demand for thoroughbreds for equestrian disciplines and other pursuits post racing.

As of 1 September 2016, it will also be mandatory for all standardbred owners to complete a Retirement of Racehorse Notification Form upon the retirement of any standardbred racehorse.

Sonja Johnson and "Bullionaire" Selected for Rio Olympic Eventing Squad

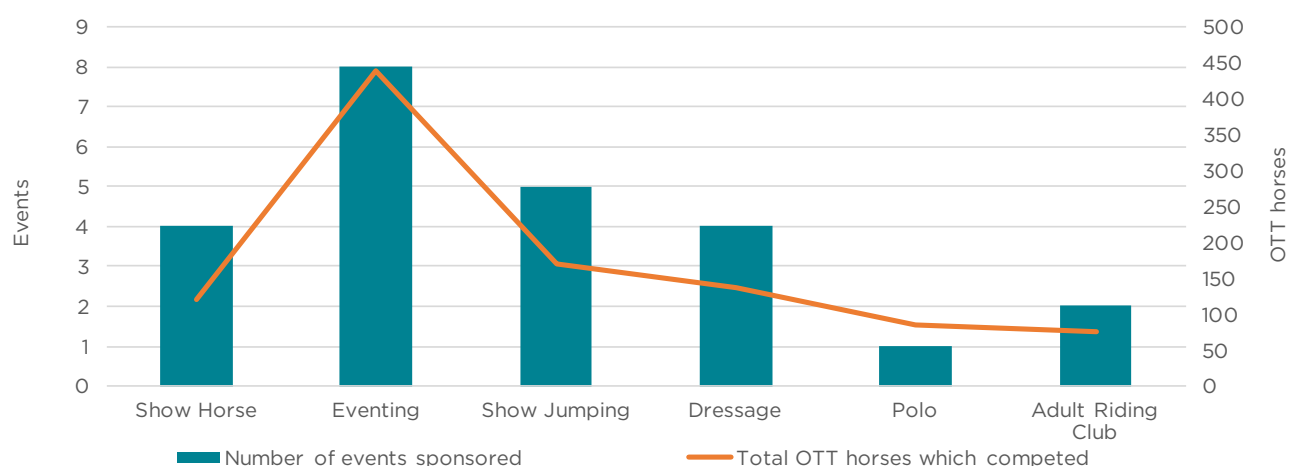
A video has been produced for the RWWA website showcasing Sonja Johnson's efforts in qualifying for the Rio Olympics eventing squad with her Western Australian retired thoroughbred racehorse "Bullionaire" (competition name "Parkiarrup Illicit Liaison").

Off the Track Horses Competing at Sponsored Events



ANIMAL WELFARE CONT.

Events Sponsored by Off the Track WA (April - June 2016)



GREYHOUND WELFARE

In 2015/16, RWWA has continued to adopt initiatives within the Greyhounds Australasia National Animal Welfare Strategy and the RWWA Holistic Greyhound Welfare Strategy.

The RWWA Holistic Greyhound Welfare Strategy looks at all stages of a greyhound's life and documents the disciplines and controls required around these stages.

The overarching mission statement of this welfare strategy is:

RWWA is committed to ensuring that the best levels of care are given to greyhounds throughout all stages of their lives, through a program of investment, education, monitoring and regulation. When a greyhound retires from the racing industry, at any age, RWWA will aim to have every healthy and behaviourally sound greyhound re-homed.

The central disciplines that make up the RWWA Holistic Greyhound Welfare Strategy include:

- Controlling supply via greyhound breeding controls;
- Increasing demand for greyhounds as pets;
- Increased resourcing of the industry Greyhounds as Pets program;
- Educating the industry;
- Monitoring performance against key metrics;

- Tracking of all greyhounds at every stage of their life cycle;
- Policing of the industry; and
- Overarching governance to ensure that the animal welfare strategy is applied across all stages of animals' lives.

Key Achievements in 2015/16:

- A RWWA and RSPCA working party convened, aimed at further developing minimum standards for the keeping of greyhounds through an industry adopted and controlling body enforced code of practice.
- RWWA greyhound stewards have continued to be active both in lifecycle and tracking retirements of greyhounds through auditing industry compliance with the submission of mandatory Rule 106 retirement forms.
- RWWA's greyhound stewards conducted 257 individual kennel and property inspections.
- A continuing education seminar for veterinarians with an interest in greyhound medicine and surgery was sponsored by RWWA and held in conjunction with the Australian Veterinary Association in June 2016. Guest lecturer from Victoria, renowned greyhound veterinarian Dr. Ray Ferguson, was present to deliver lectures on the day to 30 veterinarians on what was a very well attended and educational day.

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ANIMAL WELFARE CONT.

GREYHOUNDS AS PETS

Greyhound as Pets (GAP) is expanding and undergoing a series of changes with the goal of positioning the program as the peak re-homing body for retired greyhounds in Western Australia.

GAP remains passionate about promoting and facilitating greyhound pet ownership to the community through the provision of safe, healthy greyhounds to homes throughout Western Australia.

Key Achievements in 2015/16:

- Transitioning to a new kennel facility taking the number of kennels available from 20 to 37. The new kennels are purpose built for greyhounds and boast state of the art facilities including an automated dog walker, temperature controlled kennels and large runs and training pens. From this facility, GAP will run training sessions for foster carers and large scale adoption days. GAP will also introduce a community volunteer program in the 2016/17 period.
- Increased number of adoptions over previous years. In the 2015/16 period, 121 greyhounds were adopted through the GAP program. Every greyhound adopted through GAP has passed the National Temperament Testing Assessment and is exempt from wearing a muzzle in public. Additionally, all greyhounds re-homed through GAP have completed a four week foster period to get used to living in a home environment, are sterilized, wormed, vaccinated and microchipped.
- Employment of a GAP Team Leader to manage the internal processes of the program and increase marketing initiatives and opportunities.
- Attendance at community events including the Perth Royal Show, Million Paws Walk, WA Sighthound Club, Perth Pet Expo and various adoption days.

RACING INTEGRITY

The integrity of the Western Australian racing industry remains paramount to the long term sustainability and viability of the industry. The confidence of stakeholders, participants and those that support the racing industry through their wagering on the outcome of events is inextricably linked to the need to manifestly maintain a level playing field for all.

The objective of the Racing Integrity division is to maintain a level playing field for racing participants through the promotion of integrity, ethics and fair play with the view of preventing all methods or practices which might jeopardise the integrity of racing.

INTEGRITY STRATEGIC PLAN

RWWA is currently well advanced in the execution of its Integrity Strategic Plan, as approved by the RWWA Board, to deliver the highest levels of confidence in the integrity of Western Australian racing product. This is achieved through the application of modern and effective approaches to stewarding and industry regulation.

This has included the acquisition of enhanced vision technology systems for use by racing Stewards in the assessment of races. The Hawkeye® system that has been implemented in the metropolitan area for thoroughbreds is being progressively rolled out to the major provincial areas in the forthcoming year including some harness venues. This technology, which has also been adopted by other national and international racing jurisdictions in recent times, provides a valuable tool to ensure transparency and confidence in racing decisions.

The investigation department has undergone structural and staffing changes to ensure it is positioned to effectively meet the increasing demands associated with non-race day integrity functions, including inspections, compliance, investigation, testing and other key duties. RWWA's exceptional rates of very few prohibited substances being detected in racing animals is greatly aided by the

level of system controls, such as the use of security personnel for key feature races who attend trainer's premises in the period prior to racing, and vigilance of all integrity personnel. Multiskilling of personnel and establishment of cross coding of investigators across the three racing codes, combined with increased resources to drive expanded out-of-competition testing strategies, ensures greater levels of focus and activity across all codes. The expanded rates of stable and kennel inspections not only increase visibility and presence throughout the industry, but also ensures compliance with various rules concerning possession of substances.

In accordance with the Strategic Plan, as part of professional development of integrity staff, RWWA Stewards and Integrity Officers have participated in various exchange programs with other jurisdictions, both formal and informal, whereby they have officiated with other panels or those of other jurisdictions have joined the Western Australian panels. This has included the attendance of Senior Victorian Harness Stewards for the Perth Inter Dominion finals to work with the Western Australian Stewards. Also, RWWA integrity staff were again invited to officiate at the Darwin Cup carnival. This hands-on collaboration with experienced integrity regulators from other jurisdictions is planned to continue to foster future development and knowledge of Western Australian Stewards.

INTEGRITY ASSURANCE COMMITTEE INTERNAL AUDIT

As part of the RWWA 2015/16 Internal Audit Plan, Ernst and Young completed an internal audit of the Governance of the Integrity Assurance Committee (IAC).

The objective of this engagement was to understand and assess the effectiveness of the structure, processes and key controls in place in order for the IAC to discharge its duties.

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RACING INTEGRITY CONT.

Through the performance of this internal audit, including conducting a survey of IAC members, the internal audit identified the following:

- No instances of non-compliance with the RWWA Act and the IAC Charter;
- No significant weaknesses in the design effectiveness of the IAC Charter, which provides the governance framework that articulates the operations of the IAC and its supporting processes; and
- No significant weaknesses in the operating effectiveness of key reporting processes provided by management to the IAC.

The findings and associated recommendations identified in the internal audit, to further strengthen the formality of processes and better enable the IAC to discharge its duties, will be implemented by management in 2016/17.

GREYHOUND RACING INTEGRITY

In light of events occurring in relation to greyhound racing in some Australian states, in October 2015 RWWA reported the outcomes of an extensive investigation into the Western Australian greyhound industry, code-named Operation QUATRO. This investigation commenced in February 2015 in co-operation with RSPCA WA and was targeted toward identifying or investigating any matters relating to live baiting and training of greyhounds in Western Australia.

The investigation formed part of the integrity department's overall review of the Western Australian greyhound racing industry and adoption of more stringent rules, increased mandatory penalties, greater covert surveillance activities (including installation of surveillance cameras at the Northam venue), and increased rates of inspection.

In the joint media release issued in October 2015, both the RSPCA WA and RWWA advised that comprehensive investigations had not uncovered any evidence that would support

accusations of live baiting being conducted or practiced in Western Australia.

Various operational and regulatory initiatives have also been implemented in alignment with the National Greyhound Welfare strategies to ensure Western Australia's strong control of the greyhound industry is maintained to the highest standards. In this regard RWWA is well advanced in the implementation of various planned controls across the life cycle of greyhounds, designed to holistically manage the supply of greyhounds for racing and all activities thereafter. Whilst the Western Australian greyhound racing industry is significantly smaller than that of most other states, the Stewards remain focused and vigilant in maintaining the strict controls of the industry.

PROHIBITED SUBSTANCE CONTROL

Critical to the future deployment of resources is the important investment in drug testing. This represents a significant investment for RWWA, which has grown in reflection of the increased challenges in sporting drug control, particularly racing. Some \$1.3M has been expended for analytical service costs and other related costs. In recent years the emergence of new threats to integrity, such as cobalt, has demanded greater focus and investment in appropriate control measures.

RWWA has maintained its scale of drug analysis across all codes of racing. This has included the additional screening for arsenic and cobalt of which over 1,000 samples were screened throughout the year. Pleasingly, although RWWA maintains one of the highest rates of testing in Australia, the rates of positives continue to be well below that of other commensurate jurisdictions. The scope of sampling combined with a strong approach to penalties for breaches of associated rules is central to maintaining these good records.

As part of the Integrity Strategic Plan a review of RWWA's existing laboratory arrangements for its human and animal drug analysis was completed.

RACING INTEGRITY CONT.

Renowned racing analyst Dr John Vine (former Manager of Racing Analytical Services Ltd - Victoria) was engaged to conduct this review with the scope of this investigation, including:

- Depth and breadth of screening technologies utilised for routine screens;
- Arrangements in relation to the application of potentially available screening methods or techniques with respect to standard screening processes of samples to ensure sufficient coverage of potential prohibited substances;
- Comparative benchmarking of the ChemCentre versus other racing laboratories in terms of its ability to screen for prohibited substances as defined by the Rules of Racing;
- Effectiveness of Out of Competition (OOC) sample screening methods and processes (for banned substances); and
- Long term storage arrangements for samples, in particular in relation to re-analysis of samples identified by RWWA.

The outcomes of this review will be considered by the RWWA IAC to identify any future requirements and improvements that can be pursued.

Statistics for 2015/16 across the three codes are as follows:

Thoroughbred	Samples	Positives
Post Race	2,019	5
TCO2	1,444	1
OOCT	219	0
Human	184	4
Harness	Samples	Positives
Post Race	2,003	5
TCO2	2,427	0
OOCT	136	0
Human	82	0
Greyhound	Samples	Positives
Post Race	1,235	0
OOCT	28	0



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RACING MARKETING AND COMMUNICATIONS

The Racing Marketing and Communications division comprises the racing marketing, corporate communications and TABradio teams. The division is responsible for managing corporate communications, promoting RWWA's key objectives through its media assets, and developing and implementing racing marketing plans aimed at:

- Increasing on-course attendance;
- Promoting animal ownership;
- Repositioning the brand of racing; and
- Championing our animals.

The Racing Marketing Strategy requires strong stakeholder engagement across the racing industry. Ensuring the local industry has a role to play in the process is critical to the overall success of the division's objectives.

Key Achievements in 2015/16:

- Commenced new racing marketing campaigns for thoroughbreds, 'For the Love of Racing' and harness, 'Harness the Rhythm'.
- Expansion of the WA Country Cups brand, including:
 - Showcasing the Regions; and
 - Launch of the WA Country Cups Fashions on the Field competition in March 2016.
- Expansion of Owners Only into harness racing May 2016.
- Refresh of the RWWA website in November 2015.

RACING MARKETING CAMPAIGNS

Late 2015 saw the commencement of two new racing branding campaigns specific to thoroughbred and harness racing. Industry feedback was sought in April 2015 with the findings and resulting concepts identified at the Racing Symposium in June 2015, under the direction of marketing agency 303Lowe. The objective of the campaign is to reposition racing to a broader market, highlighting the social and entertainment characteristics of the industry. It is anticipated that a carefully targeted and thorough campaign outreach will lead to increases in participation.

For the Love of Racing

The feedback received from the thoroughbred industry provided a clear direction for the code's marketing campaign, which was to:

- Celebrate the 'theatre', magic and emotion of racing;
- Tell the real stories of racing and celebrate our heroes;
- Foster the passion and energy in the racing experience and take it to a broader audience;
- Create a relevant, engaging, social experience for a younger audience; and
- Excite industry and community.

After the June 2015 Symposium, RWWA worked with 303Lowe to bring a thoroughbred campaign aimed at promoting the Western Australian thoroughbred racing industry called 'For the Love of Racing'.

The campaign launched on 4 October 2015 via social and digital media, outdoor signage and television commercials.

The photography and footage for the campaign was shot locally in Western Australia, with the support of many industry members and RWWA staff.

A Channel Seven broadcast, covering three hours over Super Saturday and Kingston Town Classic Day at Ascot, complemented the 'For the Love of Racing' campaign, and provided content optimisation and advertising maximisation.

Harness the Rhythm

The feedback received from industry workshops and surveys also provided a distinct direction for the harness marketing campaign, which was to:

- Invite everyone to experience the fun, excitement and entertainment of harness racing;
- Showcase the vibrant social atmosphere that offers something for everyone;
- Educate and engage a bigger and younger audience in the professionalism of the sport itself;

RACING MARKETING AND COMMUNICATIONS CONT.

- Celebrate the heroes – our trainers and drivers;
- Invite the audience to get to know them; and
- Position harness racing as a uniquely fun and rewarding social experience.

RWWA worked with 303Lowe to bring together 'Harness the Rhythm', a campaign aimed at promoting the Western Australian harness racing industry.

The supporting objectives in elevating it to a television commercial were as follows:

- Build the profile of harness racing;
- Instil confidence within industry; and
- Encourage participation to broader audiences.

The campaign was launched on 13 March 2016 via social and digital media, and television commercials on Channel Seven and GWN7.

OWNERS ONLY

Owners Only, RWWA's dedicated ownership program, is designed to recognise and reward current Western Australian racing animal owners, with the ultimate intention to attract new participants to the industry. Throughout the 2015/16 season, Owners Only expanded its presence into the harness code, providing networking opportunities through race day and non-race day functions and consistent communication to harness owners. Some of

the functions Owners Only facilitated across both equine codes included:

- Inaugural Ownership Expo, incorporating the Magic Millions Barrier Draw;
- Pop-up lounges on race day;
- Trackwork and trial breakfasts;
- Winners merchandise gifts for winning connections;
- Non-race day competitions; and
- Consistent email communications.

A survey was distributed in January 2016 as a means to measure the effectiveness of Owners Only after twelve months in operation. The survey provided vital feedback, in regards to:

- Brand Recognition - over 70% of owners surveyed had heard of Owners Only;
- Ambassadors - 99% of owners surveyed recognised Dean Cox and Rick Hart as the Owners Only ambassadors;
- Industry Advocacy - many responses indicated that Owners Only is having a positive impact, and that there is a need for the initiative to have a continued presence throughout the Western Australian racing industry;
- Perceived Influence - over 70% of current owners show inclination to re-invest in racehorse ownership; and
- Functions and Competitions - owners provided information regarding which functions and competitions they prefer to have access to.



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FASHIONS ON THE FIELD CAMPAIGN IMAGE



OWNERS ONLY POP UP LOUNGE

RACING MARKETING AND COMMUNICATIONS CONT.

WA COUNTRY CUPS

WA Country Cups is an initiative by RWWA to foster the development and promote the longevity of country racing across the State. WA Country Cups works with regional race clubs and local communities to further promote their major race meetings, to showcase not only the race events themselves, but also local tourism and fashion.

SHOWCASING THE REGIONS

RWWA via WA Country Cups aims to further promote and enhance the country racing 'experience' by not only showcasing major race events, but also showcasing tourist attributes of the region (e.g. local attractions, local produce and landmarks), and using these celebrated racing events as a focal point. Promoting local tourism will help attract visitors outside of the regions to attend major race meetings, and also encourage visitors to consider major race days as an opportunity to plan a 'unique racing holiday' that incorporates other local activities outside of the race day.

As part of this, RWWA has started to produce promotional videos for each region, which feature the nominated race days and their surrounding local attractions. The videos are presented in a way that makes them 'timeless'.

Key benefits for producing the videos include:

- Producing valuable promotional tools that can be used at liberty by the featured race clubs, local businesses, tourism providers and entities, and local and state government; and
- Showcasing local racing identities, who are entrenched in their regional racing communities, discovering the history and background of racing in remote regions through their eyes.

In 2015/16, 'Showcasing the Regions' promotional videos were produced for the following regions and their subsequent areas:

- *Kimberley* – Derby and Broome;
- *Pilbara* – Port Hedland and Marble Bar;
- *Wheatbelt* – Northam and Toodyay; and
- *Goldfields* – Leonora and Kalgoorlie.

WA COUNTRY CUPS FASHIONS ON THE FIELD

In March 2016, RWWA, incorporating WA Country Cups and Community TAB, announced the WA Country Cups Fashions on the Field initiative.

The initiative is a state-wide racing fashion competition, consisting of nine regional heats held at major race meetings across the State, culminating in a Final at Ascot Racecourse on 26 November 2016, for a \$25,000 Racing Holiday and Spending Spree in Hong Kong.

RACING MARKETING AND COMMUNICATIONS CONT.

In addition to the nine nominated regional heats, any winner of a Western Australian regional Fashions on the Field competition, is able to enter into an online 'Wildcard Competition'. The three entrants with the most votes will also be invited to Ascot where one of the top three will be selected to join the regional heat finalists in the Final.

In July 2016, proclaimed Western Australian model and avid horseracing lover, Holly Young, was unveiled as the official ambassador for the WA Country Cup Fashions on the Field.

TABRADIO

From February to March 2016, TABradio underwent a comprehensive review, with the ultimate purpose of providing a vital industry service and wagering revenue platform complete with informative and entertaining broadcast content.

The key areas addressed included:

- Technology Upgrade – existing broadcast equipment was reviewed to identify any potential risks to the business and whether a technology upgrade was required. Following the review it was determined that an upgrade is required, however, a scope of works is to be carried out ensuring the latest studio equipment is fully costed alongside capability and requirements going forward.
- Revenue Opportunities (Advertising) – previously advertising opportunities through TABradio have not been maximised. Increasing advertising will help to increase awareness of the station and help to further generate income to assist with the operational costs of the business.
- Content – this area of the review concentrated on the production of content. TABradio's overall vision is to be the ultimate source of reliable general and sport information, therefore the provision of up to date, interesting and engaging content is critical.
- Talent - it is very important that TABradio employs individuals with a passion for

racing coupled with the knowledge and enthusiasm to promote all three racing codes. This includes both studio staff and race callers.

In July 2016, RWWA announced a new breakfast show talent line-up. From August 2016, former Melbourne Nine Network news reporter and Sky Racing presenter Gareth Hall has been manning the morning show five days a week, joined throughout the week by fellow panelists Darren McAullay, Steve Butler and Wes Cameron.

COMMUNICATIONS AND EVENTS

The Racing Marketing and Communications division, through its media resources and platforms, will continue to promote flagship racing events that have received significant funding boosts this year. Key racing events for each code (e.g. The Masters at Ascot and the Inter Dominion Series) can give racing wider appeal, whilst generating economic value and tourism development.

The Racing Marketing and Communications team also handles RWWA's internal corporate communications, public relations affairs and media relationships.

In November 2015, RWWA unveiled a new design for its website (www.rwwa.com.au). The design aims to suit the needs of industry participants, and to attract new audiences by being more visually appealing, mobile responsive and hosting engaging content that showcases the Western Australian racing and wagering industry.

Key features include:

- Mobile responsive access to Customer Racing Information Service;
- Race and trial replays for thoroughbred racing; and
- News, media and events promoted throughout the website.

2015/16 has also seen a significant growth in RWWA's online and social media followings.

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TAB RACEWALL

WAGERING

The Wagering division is responsible for the functions of the Western Australian TAB including sales, marketing and all wagering operations.

The sales channels include the retail exclusive licence and account based channels in mobile, internet and call centre.

In 2015/16, customers continued to migrate from traditional pari-mutuel pools to fixed odds betting products as well as showing preference for the high growth mobile channel. RWWA has been responsive and focused its wagering investment in these key consumer areas whilst also maintaining investment in the retail base.

The annual investment in the business was focused on providing growth, growing capability or reducing the variable costs of wagering to ensure sustainable revenues for the funding of the Western Australian racing industry.

RETAIL TECHNOLOGY

A key part of RWWA's strategic plan is to invest in its exclusive retail wagering licence. The Racewall technology (pictured) was installed in 79 agencies during 2015/16, with the majority of investment targeted in the licensed outlets.

The paperless retail model has been embraced by TAB Agents and customers alike. The investment delivered TAB Agents a more efficient race day whilst the customers can access the next six races to jump with a direct pari-mutuel to fixed odds comparison available, amongst other ratings and traditional racing information.

The Racewalls are complemented by new NEO terminals that offer extended racing information and form, plus self-service betting. The high customer acceptance of self-service betting terminals has seen them account for 60% of sales in licensed outlets and 50% of RWWA's total retail sales.

WAGERING CONT.

DIGITAL

To continue to be competitive in the digital market, RWWA's development pipeline focused on improvements in user experience, product and customer value. These included:

- Deployment of the Specials engine and a customer value platform through digital channels;
- Further automation of the Rewards engine for greater internal productivity;
- Customer Intelligence foundations built from data and online analytics;
- Digital streaming of Western Australian race replays;
- Redevelopment of the online transactions pages; and
- Race club "check in" for TABtouch customers to improve on-course wagering trends and club profitability.

Speed to market is the key focus for the digital channels and the creation of a Project Management Office (PMO) was an important step in 2015/16. The PMO's role is to assist in the assessment of all business cases as well as ensuring development occurs in an agile and efficient manner.

CUSTOMER MARKETING

2015/16 saw the TABtouch brand seek clear space in a cluttered wagering market. The 'Get the Touch' campaign was a distinct move away from the heritage TAB brand and was based on lifting awareness in the competitive digital market. 'Get the Touch' was a highly inclusive campaign that showed the emotional connection with racing and sport, underpinned by 'money back' value statements.

Research on frequent customers' emotional connection to the brand showed that:

- Trust was maintained;
- Value, typically whereby a customer is offered specials and bonuses, has improved; and
- They continued to appreciate retail convenience, access to cash and an easy to use mobile app.

Research on infrequent customers showed:

- Awareness of the brand was stable;
- Gains from competitors through above the line marketing of specials; and
- Mobile app simplicity and volume of betting options is an advantage.

TABtouch's key marketing campaigns included:

- Get the Touch - Money Back and Profit Plus specials across the racing and sport calendar;
- Sponsorship of 'The Game' fantasy tipping competition with the West Australian;
- Sponsorship of the TABtouch Perth Darts Masters; and
- Activity surrounding the Kalgoorlie and Bunbury Cups.

2016/17 DIRECTION

RWWA continues to build capability in the digital and mobile teams to allow an agile methodology and deliver continuous improvement. A customer-led development strategy will result in a new and unique value proposition that will be available in the market for the Spring Carnival.

Wagering turnover is still heavily skewed toward retail, and the investment in retail Racewalls and terminals, as well as key metropolitan and provincial clubs, which will drive growth in retail turnover and fixed odds yield.

The traditional TAB brand in the form of retail agencies will remain an information rich, cash friendly and social betting experience for TAB customers. The primary challenge for RWWA is how to leverage the retail sales force to help improve market share of digital customers.

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COMMUNITY TAB

Community TAB is responsible for upholding the Corporate Social Responsibility (CSR) of RWWA. CSR is the way a business takes into account the financial, environmental and social impacts of decisions and actions it is involved in. Effective CSR guides and contributes to the sustainability of RWWA, is recognised as good business practice and is increasingly expected by stakeholders. Community TAB communicates the support that the TAB and RWWA provides to Western Australia.

MAJOR PARTNERS

Community TAB has been in partnership with three major organisations since December 2014 - Lifeline WA, Riding for the Disabled WA (RDAWA) and Fremantle Sea Rescue (FSR). Community TAB recognised these three organisations as positive partners due to the services they provide to the community being held in high esteem and their worth of financial and promotional support.

Community TAB was the major partner for Lifeline WA's 'Lights for Lifeline' campaign for a second year in a row during 2015/16. The campaign shone a light on suicide prevention during the festive period when demand for Lifeline's crisis support services are highest. The partnership saw a contribution of \$78K for a second year in a row from Community TAB to directly support the training of 20 new crisis support volunteers and help their service run 24/7. This brings Community TAB's total sponsorship contribution to Lifeline over the course of the partnership to \$153K, not including other informal contributions. Lifeline WA provided Safe Talk sessions to RWWA staff and key speakers and resources for events such as Mental Health Week.

RDAWA has 18 riding centres statewide, which assist more than 1,000 riders with disabilities to enjoy safe, fun and therapeutic recreational riding. This service has proved to help the physical and mental well-being of children and adults with disabilities. Community TAB completed a second year of

partnership with RDAWA in 2015/16, which saw a second sponsorship donation of \$92K to the organisation, to support their program development and ensure high standards of animal welfare for RDA horses around the State. RWWA staff often volunteer their time at RDAWA events and RDA provided sessions to RWWA staff so they could experience what it is like to volunteer at RDAWA.

Community TAB entered the second year of partnership with Fremantle Sea Rescue (FSR) in 2015/16, which saw a \$40K contribution to FSR from Community TAB after purchasing two rescue-modified Yamaha jet skis for FSR in 2015. FSR operate between Cockburn and City Beach and across to Rottnest Island, and the Swan and Canning Rivers. The rescue volunteers are able to conduct shallow and swift water rescues, as well as support many community and sporting events where there are large numbers of people in the water and run a 24/7 service thanks to the contribution from Community TAB. Over the 2015/16 summer, FSR used the jet skis to assist 5,930 people in 12 separate community and sporting water events, and the Community TAB rescue vessel to rescue or assist 45 vessels and 204 people.

RACING INDUSTRY PARTNERSHIPS

Since February 2015, Community TAB has been running a program with Western Australian Race Clubs to fundraise for not-for-profit groups in their communities. In 2015 and 2016, Community TAB asked every one of the 51 Race Clubs to choose a not-for-profit organisation in their community and provided them with the opportunity to fundraise at a major race day, where Community TAB matched what was raised for the community partner. Now in the program's second year, Community TAB has had 55 partnerships with Race Clubs with another 28 committed for the rest of 2016. To date, Community TAB has matched nearly \$110K in fundraising, and by the end of 2016 will have matched close to \$180K.



COMMUNITY TAB CONT.

Allowing the Race Clubs to choose their own community partner ensures that the groups who are in most need of the funds are receiving it. Some community groups that have benefited from the project so far include, Give Me 5 for Kids, Men's Shed, Lions Club, Royal Flying Doctor Service, various St John Ambulance Sub Centres, Full Circle, SAFE, South West Bushfire Relief, Breast Cancer Care WA and Revise WA.

Community TAB has received media coverage for almost all of the different partnerships in the program. Community TAB has also received extremely positive feedback via clubs and the community partners who have benefited from the program.

COMMUNITY SPORT CONTRIBUTION

Over the past 10 years, over \$30M of funding has gone to the Department of Sport and Recreation, and in 2015/16 the contribution was close to \$4M. Some of the prominent sport and recreation organisations and programs that are funded by the TAB's contribution include the WA Sports Federation, Parks and Leisure WA, Athlete Travel Subsidy Scheme, Sports Club Equipment Subsidy Scheme, Royal Life Saving WA Water Safety Strategy, Communicare, Drugs in Sport education, Inclusive Sports Funding Scheme and Your Move. Through these programs hundreds of sporting clubs, teams, athletes and organisations are funded to help the Western Australian community grow healthy both physically, socially and economically. This contribution is communicated through Community TAB.

PERTH FASHION FESTIVAL

In 2016, Community TAB signed on as the Principal Presenting Partner for the 2016 Telstra Perth Fashion Festival (TPFF). The TAB had partnered with TPFF in the past, but Community TAB was brought on board in 2015 and 2016 to ensure the partnership is leveraged to its full capacity. This partnership saw more TPFF events held at Ascot, more of a racing presence in TPFF promotional material and at events, the racing industry align with

fashion and allowed CommunityTAB/TAB/RWWA to be able to communicate with a different audience.

WA COUNTRY CUPS FASHIONS ON THE FIELD

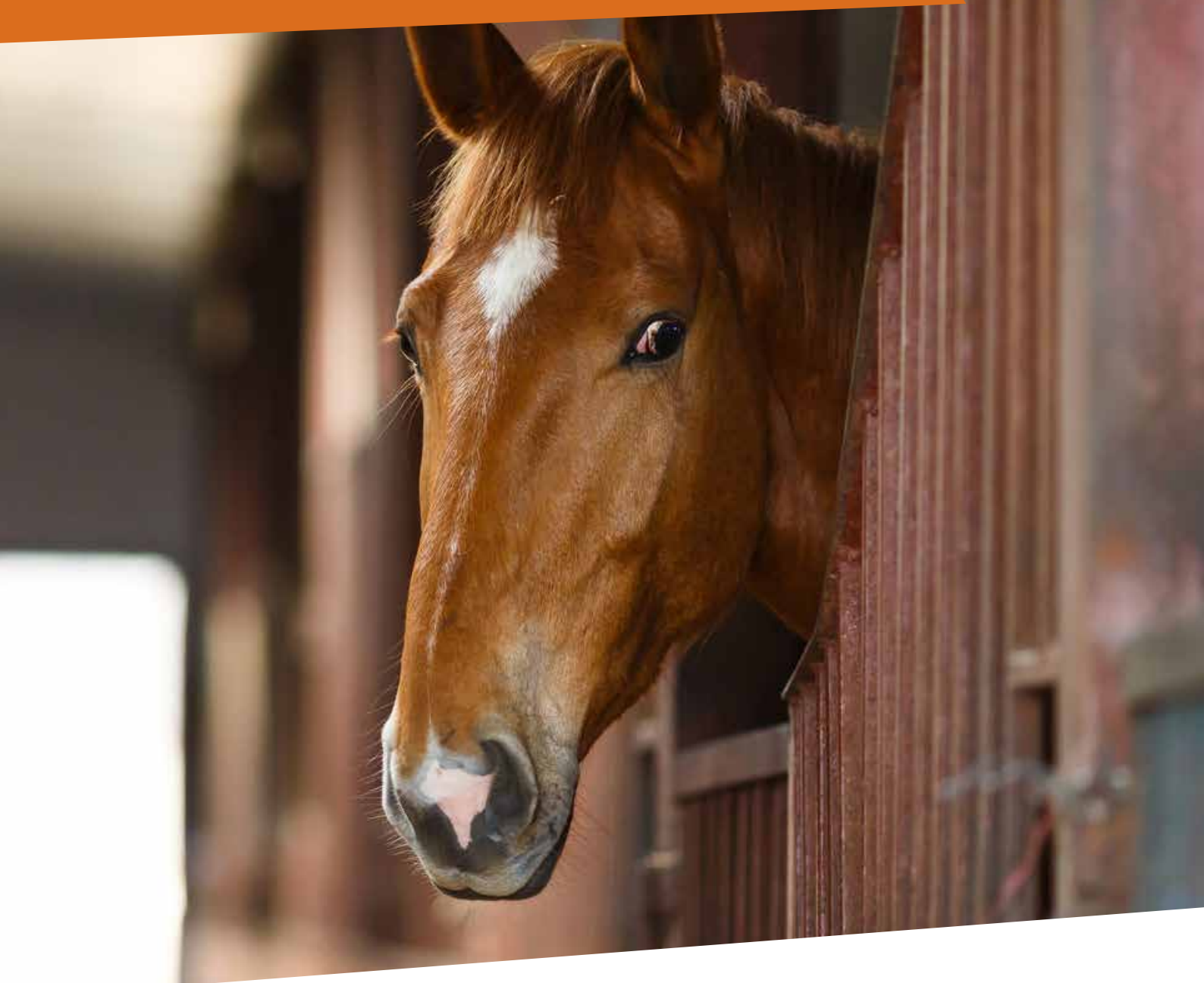
In March 2016, Community TAB in conjunction with WA Country Cups, announced the WA Country Cups Fashions on the Field initiative, a state-wide racing fashion competition consisting of nine regional heats held at major race meetings across the State, culminating in a Final at Ascot Racecourse. The Final will be held on Saturday 26 November 2016, where the winner will receive a \$25,000 Racing Holiday and Spending Spree in Hong Kong.

STAFF ENGAGEMENT

Community TAB has become more responsible for internal engagement at RWWA over the past 12 months and taken on existing RWWA initiatives to be communicated through the Community TAB brand. Stress Down Day, Responsible Gambling Week, Mental Health Week and RSL fundraising are examples of initiatives that are communicated and organised through Community TAB to enhance staff and community engagement. Staff are also given opportunities to take part in volunteering at events for Community TAB's three partners or demonstrations to learn more about the organisations and why Community TAB is a sponsor.



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FINANCE AND BUSINESS SERVICES

The Finance and Business Services division is responsible for financial management and strategy, the organisational risk framework, wagering compliance, audit and legal matters, the administration of licensing and registration of racing participants/animals, business data reporting and analysis, and a variety of other business services.

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

INFORMATION SERVICES

The Information Services (IS) division is responsible for providing strategic IT direction, technical innovation, business agility and support.

The IS division creates and supports all RWWA wagering and racing front-end and backend information systems, ticket machines, racewalls, information security, data communications, and TABradio as well as all related technical infrastructure.

During 2015/2016, a number of significant operational and strategic milestones were achieved due to high levels of focus and performance, including:

MAJOR INFRASTRUCTURE DEVELOPMENTS

Major infrastructure developments saw the completion of 14 projects:

- Enterprise System Management Framework;
- Replacement of the Switches at Head Office and Application Load Balancers;
- Upgrade Security Appliances;
- Telephone System Replacement;
- Terminal Fleet Refresh;
- FOB Infrastructure – Phases 1 and 2;
- Bet Engine Refresh – Phase 2;
- Windows OS upgrade and virtualisation;
- TABCorp Pooling changes;
- Retail Device Monitoring;
- Terminal Deployment Automation; and
- Portal Migration.

JOINT VENTURE GREYHOUND RACING SYSTEM

The Joint Venture Greyhound Racing System developed by RWWA saw the completion of four projects:

- Qld JVGRS Development completed;
- Ozchase WA Items;
- Ozchase Greyhound Welfare – Phase 1;
- Ozchase Security; and
- State specific projects.

CROSS-CHANNEL ENHANCEMENTS

Cross-Channel enhancements saw seven projects being completed:

- Progressive Pari-mutuel Dividends;
- FOB Parlay;
- AFL Fantasy Integration with The West;
- Enhanced Accumulator; and
- Commingling for International pools saw Irish Harness come on board via TABCorp pooling.

CUSTOMER EXPERIENCE

Major enhancements in the division's primary focus area 'Customer Experience' across both racing and wagering saw a record 27 projects completed:

- Retail Technology Rollout;
- Racewall Rollout - Phase 1 Metro;
- RWWA Website Refresh - Phase 1;
- Location Aware 2 Racetrack;
- Ascot Members Area Racewall Refurbishment;
- Gloucester Park Revitalisation;
- Racecourse Refurbishment – Cannington;
- Vision Screen – Bunbury, Cannington;
- Specials Engine – Phase 1 and 2;
- Free-bet Engine – Telephone Betting;
- Call Betting;
- TABtouch Desktop Enhancements;
- Betting Page Refresh;
- Mobile Time Zones;
- TABtouch Preferences;
- Digital Race Replays;
- Odds on CRIS;
- Trial Vision on CRIS;
- On Course Check-in;
- Account Premium Features;
- Location Based Services;
- TABtouch Blog;
- Analytics;
- E-Sport Free to Play Trial;
- Risk Management;
- Account Recovery – Desktop; and
- Account Number Retrieval/Password Reset.

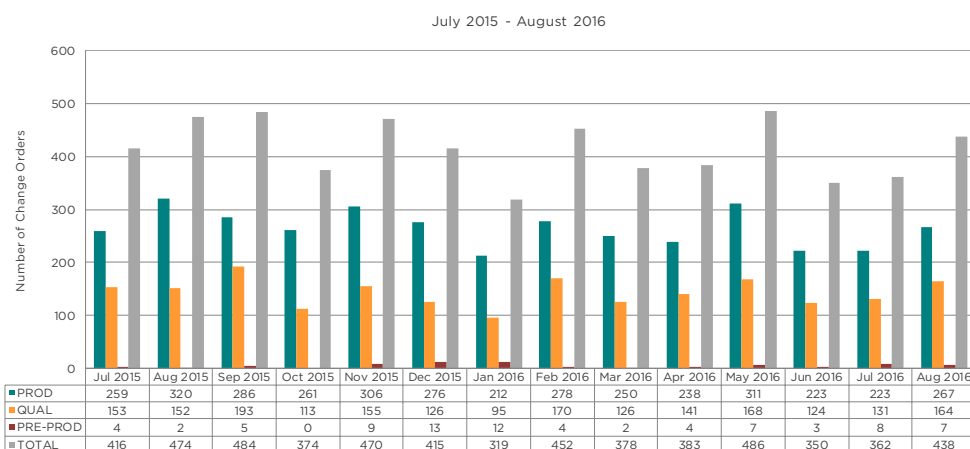
CHAPTER 2 / REPORT ON OPERATIONS

INFORMATION SERVICES CONT.

The IS division recognises the need to respond quickly to RWWA’s strategic business needs. For 2016/2017, IS will focus on internally growing its individual capability with the right resourcing including partnering, tools and processes enabling IS to deliver even more rapidly and effectively than ever before. This will be achieved by improving its business capability, in order to help maximise RWWA’s effectiveness in an increasingly competitive digital market.

NUMBER OF CHANGE REQUESTS IMPLEMENTED

The following graph details change requests implemented into the division’s change controlled environments over the last financial year. Changes are broken down by month and IT environments which include QUAL, PRE-PROD and PROD.



Total change request figures for 2015/2016 are shown below.

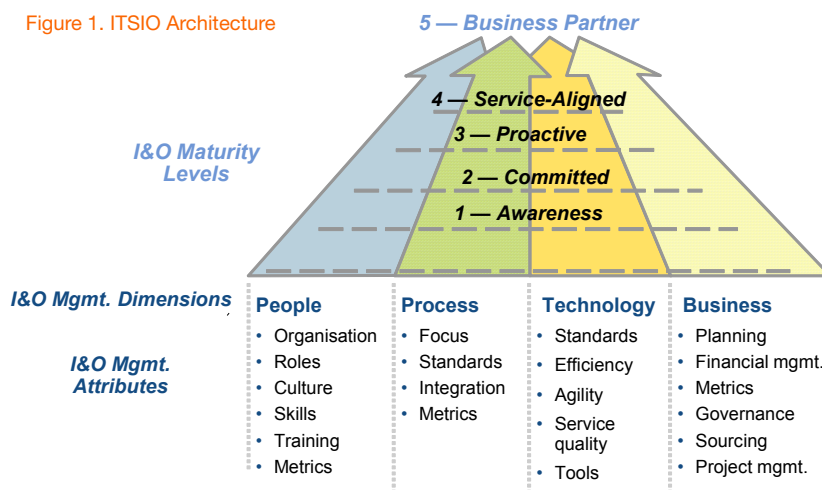
Environments	2015-2016
PROD	3,220
QUAL	1,716
PRE-PROD	65
TOTAL	5,001

INFORMATION SERVICES MATURITY ASSESSMENT

Supported by outcomes of various third party reviews during 2015/16, the division has assessed its maturity rating for technical infrastructure and operations at level 4 (service-aligned) and moving toward level 5 (business partner).

This means that the IS department is seen as a trusted service provider, with SLA’s and industry best practices in place. There is scope for improvement by proactively piloting new technology for business innovation, developing strategic relationships and setting out a roadmap for real-time infrastructure using private cloud computing.

Figure 1. ITSIO Architecture



HUMAN RESOURCES

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

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

The responsibility of RWWA's corporate social responsibility was also a key function within the division over the past twelve months. The primary focus of this function is to provide greater awareness of the community investment RWWA contributes to racing, sport and the community, with Community TAB being the brand name to highlight this.

The HR team endeavoured to keep driving the positive momentum that has been achieved to date in the areas of developing further leadership capabilities and fostering an engaged workforce. Primarily this has involved a broad range of activities targeting specific work groups. The strategy again focused from bottom up with the intent of building clearer communication lines around the business strategies, skill building and improving engagement levels for all staff. From a leadership perspective, the continuation of individual coaching sessions and learning group sessions around the key areas of resilience, managing expectations

and effective communication has resulted in greater confidence being demonstrated by managers in these areas. This was supported through building greater awareness and engagement around the organisation's core values, coinciding with key events such as Melbourne Cup and other similar occasions.

Since the implementation of a broader learning and development framework last year, a greater take up of learning and development opportunities was evident. This not only supported the overall culture strategy of investing in people's development but has also assisted in RWWA's managing risk management through employees completing mandatory online training sessions on various topics. With the ongoing positive results achieved and the continued high level of staff retention across RWWA, considering the more recent times of uncertainty for employees, RWWA is committed to further building capability and engagement, reinforcing the ongoing commitment to invest in its people and culture strategy.





CHAPTER THREE. DISCLOSURES AND LEGAL COMPLIANCE



OPINION OF THE AUDITOR GENERAL



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

RACING AND WAGERING WESTERN AUSTRALIA**Report on the Financial Statements**

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

The financial statements comprise the Statement of Financial Position as at 31 July 2016, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Racing and Wagering Western Australia at 31 July 2016 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.

Board's Responsibility for the Financial Statements

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

OPINION OF THE AUDITOR GENERAL CONT.

Report on Controls

I have audited the controls exercised by the Racing and Wagering Western Australia during the year ended 31 July 2016.

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

Opinion

In my opinion, in all material respects, the controls exercised by the Racing and Wagering Western Australia are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions during the year ended 31 July 2016.

Board's Responsibility for Controls

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

Auditor's Responsibility for the Audit of Controls

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

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

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

Report on the Key Performance Indicators

I have audited the key performance indicators of the Racing and Wagering Western Australia for the year ended 31 July 2016.

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

Opinion

In my opinion, in all material respects, the key performance indicators of the Racing and Wagering Western Australia are relevant and appropriate to assist users to assess the Racing and Wagering Western Australia's performance and fairly represent indicated performance for the year ended 31 July 2016.

Board's Responsibility for the Key Performance Indicators

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

CHAPTER 3 / DISCLOSURES & LEGAL COMPLIANCE

OPINION OF THE AUDITOR GENERAL CONT.

Auditor's Responsibility for the Audit of Key Performance Indicators

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

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

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

Independence

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

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

This auditor's report relates to the financial statements and key performance indicators of the Racing and Wagering Western Australia for the year ended 31 July 2016 included on the Racing and Wagering Western Australia's website. The Racing and Wagering Western Australia's management is responsible for the integrity of the Racing and Wagering Western Australia's website. This audit does not provide assurance on the integrity of the Racing and Wagering Western Australia's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.



GLEN CLARKE
 ACTING AUDITOR GENERAL
 Delegate of the Auditor General for Western Australia
 Perth, Western Australia
 17 October 2016

CERTIFICATION OF FINANCIAL STATEMENTS

For the year ended 31 July 2016

The accompanying financial statements of Racing and Wagering Western Australia have been prepared in compliance with the provisions of the Financial Management Act 2006 from proper accounts and records to present fairly the financial transactions for the financial year ended 31 July 2016 and the financial position as at 31 July 2016.

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



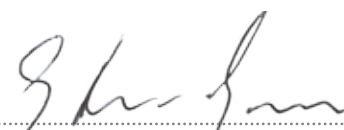
JEFF OVENS
RWWA Board Chairman

17 October 2016



GARY GLIDDON
Chairman Audit and
Risk Committee

17 October 2016



JULIAN HILTON-BARBER
General Manager Finance
and Business Services and
Chief Financial Officer

17 October 2016

CHAPTER 3 / DISCLOSURES & LEGAL COMPLIANCE

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 July 2016

Income	Notes	2016 \$000	2015 \$000
Revenue			
Margin	6	330,169	335,685
Interest revenue		2,340	2,669
Other revenue	9	20,024	18,433
Total Revenue		352,533	356,787
Gains			
Gains on disposal of non-current assets	10	70	32
Total Gains		70	32
Total Income		352,603	356,819
Expenses			
Expenses			
Cost of Sales	7	81,262	78,415
Wagering Tax	8	41,905	42,277
Racing Services	11,39	20,519	18,478
Wagering Services	11,39	84,855	84,648
Support Services	11,39	35,464	31,241
Grants and Subsidies	12	12,952	19,043
Distribution to racing and sports industries	13	140,157	131,033
Total Expenses		417,114	405,135
Profit/(Loss) before grants and subsidies from State Government		(64,511)	(48,316)
Grants and Subsidies from State Government	27	56,239	54,248
Profit/(Loss) for the period		(8,272)	5,932
Other Comprehensive Income			
Items not reclassified subsequently to profit or loss			
Changes in asset revaluation surplus	28	(1,042)	180
Total other comprehensive income		(1,042)	180
Total Comprehensive Income for the period		(9,314)	6,112

See also Note 39 'Schedule of Income and Expenses by Service'

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

STATEMENT OF FINANCIAL POSITION

As at 31 July 2016

Assets	Notes	2016 \$000	2015 \$000
Current Assets			
Cash and cash equivalents	29	82,222	88,799
Restricted cash and cash equivalents	14	2,755	3,278
Inventories	15	781	655
Receivables	16	3,298	1,551
Other Current assets	18	3,468	6,932
Non-Current assets classified as held for sale	19	441	996
Total Current Assets		92,965	102,211
Non-Current Assets			
Investments	17	455	352
Other Non-Current assets	18	808	845
Property, plant and equipment	20	49,255	44,217
Capital Works In Progress	22	2,395	7,037
Intangible Assets	23	24,763	28,164
Total Non-Current Assets		77,676	80,615
Total Assets		170,641	182,826
Liabilities			
Current Liabilities			
Payables	25	37,695	40,926
Provisions	26	7,499	7,430
Total Current Liabilities		45,194	48,356
Non-Current Liabilities			
Payables	25	1,078	1,045
Provisions	26	1,196	937
Total Non-Current Liabilities		2,273	1,982
Total Liabilities		47,467	50,338
Net Assets		123,174	132,488
Equity			
Contributed Equity	28	60,884	60,884
Reserves	28	62,290	71,604
Total Equity		123,174	132,488

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

CHAPTER 3 / DISCLOSURES & LEGAL COMPLIANCE

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2016

	Note	Contributed Equity \$000	General Reserves \$000	Asset Revaluation Reserves \$000	Retained Earnings \$000	Total Equity \$000
Balance at 1 August 2014	28	60,884	45,416	20,076	-	126,376
Surplus/(deficit)		-	-	-	5,932	5,932
Other comprehensive income		-	-	180	-	180
Total comprehensive income for the year		-	-	180	5,932	6,112
Transactions with owners in their capacity as owners:						
Capital appropriations		-	-	-	-	-
Other contributions by owners		-	-	-	-	-
Transfers between reserves		-	5,932	-	(5,932)	-
Distributions to owners		-	-	-	-	-
Total		-	5,932	-	(5,932)	-
Balance at 31 July 2015		60,884	51,348	20,256	-	132,488
Balance at 1 August 2015		60,884	51,348	20,256	-	132,488
Surplus/(deficit)		-	-	-	(8,272)	(8,272)
Other comprehensive income		-	-	(1,042)	-	(1,042)
Total comprehensive income for the year		-	-	(1,042)	(8,272)	(9,314)
Transactions with owners in their capacity as owners:						
Capital appropriations		-	-	-	-	-
Other contributions by owners		-	-	-	-	-
Transfers between reserves		-	(8,272)	-	8,272	-
Distributions to owners		-	-	-	-	-
Total		-	(8,272)	-	8,272	-
Balance at 31 July 2016		60,884	43,076	19,214	-	123,174

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

STATEMENT OF CASH FLOWS

For the year ended 31 July 2016

Cash Flows from Operating Activities	Notes	2016	2015
		\$000	\$000
Receipts			
Receipts from customers		2,070,768	2,086,760
Interest received		2,340	2,669
GST receipts on sales		37,818	38,342
Other receipts		10,926	10,681
Payments			
Customers		(1,734,984)	(1,742,770)
Creditors		(200,543)	(199,558)
Employee benefits		(39,730)	(36,640)
Distributions, Grants and Subsidies		(153,109)	(150,076)
Interest paid		(19)	(22)
GST payments on purchases		(16,479)	(15,835)
GST payments to taxation authority		(20,626)	(22,474)
Other payments		(7,433)	(6,872)
Net cash (used in) operating activities	29	(51,070)	(35,795)
Cash Flows from Investing Activities			
Receipts			
Proceeds from sales of non-current assets		139	597
Payments			
Purchase of non-current physical assets		(12,408)	(11,949)
Net cash (used in) investing activities		(12,269)	(11,352)
Cash Flows from State Government			
Government Grant reimbursement		56,239	54,248
Net cash provided by State Government		56,239	54,248
Net (decrease)/increase in cash and cash equivalents		(7,100)	7,101
Cash and cash equivalents at the beginning of period		92,077	84,976
Cash and cash equivalents at the end of period	29	84,977	92,077

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

CHAPTER 3 / DISCLOSURES & LEGAL COMPLIANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2016

1 Australian Accounting Standards

General

RWWA's financial statements for the year ended 31 July 2016 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' includes Standards and Interpretations issued by the Australian Accounting Standard Board (AASB).

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

Early adoption of standards

RWWA cannot early adopt an Australian Accounting Standard unless specifically permitted by *Treasurer's Instruction (TI) 1101* 'Application of Australian Accounting Standards and Other Pronouncements'. There has been no early adoption of any other Australian Accounting Standards that have been issued or amended (but not operative) by RWWA for the annual reporting period ended 31 July 2016.

2 Summary of significant accounting policies

(a) General Statement

RWWA prepares general purpose financial statements in accordance with the Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording.

The *Financial Management Act 2006* and the Treasurer's Instructions impose legislative provisions that govern the preparation of financial statements and take precedence over the Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB.

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

(b) Basis of Preparation

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

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

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

Note 3 'Judgements made by management in applying accounting policies' discloses judgements that have been made in the process of applying RWWA's accounting policies resulting in the most significant effect on amounts recognised in the financial statements.

Note 4 'Key sources of estimation uncertainty' discloses key assumptions made concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

NOTES TO THE FINANCIAL STATEMENTS CONT.

(c) Reporting Entity

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

(d) Contribution equity

AASB Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions. Capital appropriations have been designated as contributions by owners by TI 955 Contributions by Owners made to Wholly Owned Public Sector Entities and have been credited directly to Contributed Equity.

The transfers of net assets to/from other agencies, other than as a result of a restructure of administrative arrangements, are designated as contributions by owners where the transfers are non-discretionary and non-reciprocal.

(e) Income

Revenue Recognition

Revenue is recognised and measured at the fair value of consideration received or receivable.

Revenue is recognised for the major business activities as follows:

Betting Receipts

This represents bets taken net of monetary prizes and GST. Revenues are only recognised when the events to which they relate are finalised.

Interest

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

Unclaimed Dividends

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

Gains

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

Government Grants and Subsidies

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

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

CHAPTER 3 / DISCLOSURES & LEGAL COMPLIANCE

NOTES TO THE FINANCIAL STATEMENTS CONT.

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

(f) Tax

Section 102 of the Racing and Wagering Western Australia Act 2003 requires RWWA to pay tax in respect of bets at the rate imposed by Sections 4 and 5 of the *Racing and Wagering Western Australia Tax Act 2003*.

State Wagering Tax

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

(g) Goods and Services Tax (GST)

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

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

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

(h) Property, Plant and Equipment

Capitalisation/expensing of assets

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

Initial recognition and measurement

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

For items of property, plant and equipment acquired at no cost or for nominal cost, the cost is the fair value at the date of acquisition.

Subsequent measurement

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

Where market-based evidence is available, the fair value of land and buildings 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.

NOTES TO THE FINANCIAL STATEMENTS CONT.

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

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

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

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

Derecognition

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

Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets on a class of assets basis.

Depreciation

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

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

	2015/16
Buildings	10 to 40 years
Infrastructure	10 years
Leasehold Improvements ^(a)	5 to 15 years
Motor vehicles	5 years
Machinery, Plant and Equipment	5 years
Furniture and Fittings	5 years
Computer Equipment	4 years
Software ^(b)	2 to 15 years

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

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

Land is not depreciated.

CHAPTER 3 / DISCLOSURES & LEGAL COMPLIANCE

NOTES TO THE FINANCIAL STATEMENTS CONT.

(i) Intangible Assets

Capitalisation/Expensing of Assets

Acquisitions and internally generated intangible assets costing over \$50,000 are capitalised. The cost of utilising the assets is expensed (amortised) over their useful life. Costs incurred of less than \$50,000 are immediately expensed directly to the Statement of Comprehensive Income.

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

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

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

The expected useful lives for each class of intangible asset are:

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

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

Computer Software

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

Web Site Costs

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

Domain Names

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

(j) Impairment of Assets

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

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

NOTES TO THE FINANCIAL STATEMENTS CONT.

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

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

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

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

(l) Leases

RWWA holds a number of operating leases for buildings. 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.

(m) Financial Instruments

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

- Receivables
- Financial liabilities measured at amortised cost

These have been disaggregated into the following classes:

Financial Assets

- Cash and cash equivalents
- Restricted cash and cash equivalents
- Receivables
- Investments

Financial Liabilities

- Payables
- Agents Deposits

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

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

(n) Cash and Cash Equivalents

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

CHAPTER 3 / DISCLOSURES & LEGAL COMPLIANCE

NOTES TO THE FINANCIAL STATEMENTS CONT.

(o) Accrued Salaries

Accrued salaries represent the amount due to staff but unpaid at the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. RWWA considers the carrying amount of accrued salaries to be equivalent to its net fair value.

(p) Inventories

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

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

(q) Receivables

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

(r) Payables

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

(s) Provisions

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

(i) Provisions – Employee Benefits

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

Annual Leave

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONT.

Long Service Leave

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

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

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

Superannuation

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

Employees may contribute to the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme now closed to new members. Employees commencing employment prior to 16 April 2007, who were not members of GSS, became non-contributory members of the West State Superannuation Scheme (WSS).

Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). From 30 March 2012, existing members of WSS or GESBS and new employees became able to choose their preferred superannuation fund provider. RWWA makes contributions to GESB or other fund providers on behalf of employees in compliance with the Commonwealth Government's *Superannuation Guarantee (Administration) Act 1992*. Contributions to these accumulation schemes extinguish RWWA's liability for superannuation charges in respect of employees who are not members of the Pension Scheme or GSS.

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

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

(ii) Provisions – Other

Employment on-costs

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

CHAPTER 3 / DISCLOSURES & LEGAL COMPLIANCE

NOTES TO THE FINANCIAL STATEMENTS CONT.

(t) Superannuation Expense

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

(u) Comparative Figures

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

3 Judgements made by management in applying accounting policies

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

Operating lease commitments

RWWA has entered into a number of leases for buildings for branch office accommodation. Some of these leases relate to buildings of a temporary nature and it has been determined that the lessor retains substantially all the risks and rewards incidental to ownership. Accordingly, these leases have been classified as operating leases.

4 Key sources of estimation uncertainty

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

Long Service Leave

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

5 Disclosure of changes in accounting policy and estimates

Initial application of an Australian Accounting Standard

RWWA has applied the following Australian Accounting Standards effective, or adopted, for annual reporting periods beginning on or after 1 August 2015 that impacted on RWWA:

AASB 2013-9

Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments

Part C of this Standard defers the application of AASB 9 to 1 January 2017. The application date of AASB 9 was subsequently deferred to 1 January 2018 by AASB 2014-1. There is no financial impact.

AASB 2014-8

Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)]

This Standard makes amendments to AASB 9 Financial Instruments (December 2009) and AASB 9 Financial Instruments (December 2010), arising from the issuance of AASB 9 Financial Instruments in December 2014. There is no financial impact.

NOTES TO THE FINANCIAL STATEMENTS CONT.

AASB 2015-3

Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031
Materiality

This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn. There is no financial impact.

AASB 2015-7

Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities

However, RWWA cannot apply this standard as the land and buildings are held primarily for generating future net cash inflow. There is no financial impact.

Future impact of Australian Accounting Standards not yet operative

RWWA cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 'Applications of Australian Accounting Standards and Other Pronouncements'. Where applicable, RWWA plans to apply the following Australian Accounting Standards from their application date:

Title	Operative for reporting periods beginning on/after
<p>AASB 9 Financial Instruments</p> <p>This Standard supersedes AASB 139 Financial Instruments: Recognition and Measurement, introducing a number of changes to accounting treatments.</p> <p>The mandatory application date of this Standard is currently 1 January 2018 after being amended by AASB 2012-6, AASB 2013-9, and AASB 2014-1 Amendments to Australian Accounting Standards. RWWA has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018
<p>AASB 15 Revenue from Contracts with Customers</p> <p>This Standard establishes the principles that RWWA shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. RWWA has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018
<p>AASB 16 Leases</p> <p>This Standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. RWWA has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2019
<p>AASB 1057 Application of Australian Accounting Standards</p> <p>This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. There is no financial impact.</p>	1 Jan 2016

CHAPTER 3 / DISCLOSURES & LEGAL COMPLIANCE

NOTES TO THE FINANCIAL STATEMENTS CONT.

<p>AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Int 2, 5, 10, 12, 19 & 127]</p> <p>This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010.</p> <p>The mandatory application date of this Standard has been amended by AASB 2012-6 and AASB 2014-1 to 1 January 2018. RWWA has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018
<p>AASB 2014-1 Amendments to Australian Accounting Standards</p> <p>Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards. It has not yet been assessed by RWWA to determine the application or potential impact of the Standard.</p>	1 Jan 2018
<p>AASB 2014-3 Amendments to Australian Accounting Standards Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & 11]</p> <p>RWWA establishes Joint Operations in pursuit of its objectives and does not routinely acquire interests in Joint Operations. Therefore, there is no financial impact on application of the Standard.</p>	1 Jan 2016
<p>AASB 2014-4 Amendments to Australian Accounting Standards Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & 138]</p> <p>The adoption of this Standard has no financial impact for RWWA as depreciation and amortisation is not determined by reference to revenue generation, but by reference to consumption of future economic benefits.</p>	1 Jan 2016
<p>AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15</p> <p>This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. RWWA has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018
<p>AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</p> <p>This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014).</p> <p>RWWA has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2018

NOTES TO THE FINANCIAL STATEMENTS CONT.

<p>AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1, 127 & 128]</p> <p>This Standard amends AASB 127, and consequentially amends AASB 1 and AASB 128, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.</p> <p>RWWA has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2016
<p>AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & 128]</p> <p>This Standard amends AASB 10 and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.</p> <p>RWWA has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2016
<p>AASB 2015-1 Amendments to Australian Accounting - Annual Improvements to Australian Accounting Standards 2012–2014 Cycle [AASB 1, 2, 3, 5, 7, 11, 110, 119, 121, 133, 134, 137 & 140]</p> <p>These amendments arise from the issuance of International Financial Reporting Standard Annual Improvements to IFRSs 2012–2014 Cycle in September 2014, and editorial corrections.</p> <p>RWWA has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2016
<p>AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]</p> <p>This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements.</p> <p>There is no financial impact.</p>	1 Jan 2016
<p>AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1049]</p> <p>The amendments extend the scope of AASB 124 to include application by not-for-profit public sector entities. Implementation guidance is included to assist application of the Standard by not-for-profit public sector entities.</p> <p>There is no financial impact.</p>	1 Jul 2016

CHAPTER 3 / DISCLOSURES & LEGAL COMPLIANCE

NOTES TO THE FINANCIAL STATEMENTS CONT.

<p>AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15</p> <p>This Standard amends the mandatory effective date (application date) of AASB 15 Revenue from Contracts with Customers so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017.</p> <p>RWWA has not yet determined the application or the potential impact of AASB 15.</p>	1 Jan 2017
<p>AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 & 128</p> <p>This Standard defers the mandatory effective date (application date) of amendments to AASB 10 & 128 that were originally made in AASB 2014-10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016.</p> <p>RWWA has not yet determined the application or the potential impact of AASB 2014-10.</p>	1 Jan 2016
<p>AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</p> <p>This Standard amends AASB 107 Statement of Cash Flows (August 2015) to require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.</p> <p>There is no financial impact.</p>	1 Jan 2017
<p>AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15</p> <p>This Standard clarifies identifying performance obligations, principal versus agent considerations, timing of recognising revenue from granting a licence, and, provides further transitional provisions to AASB 15.</p> <p>RWWA has not yet determined the application or the potential impact.</p>	1 Jan 2018
<p>AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities</p> <p>This Standard clarifies that the recoverable amount of primarily non-cash-generating assets of not-for-profit entities, which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 Fair Value Measurement.</p> <p>RWWA has not yet determined the application or the potential impact.</p>	1 Jan 2017

NOTES TO THE FINANCIAL STATEMENTS CONT.

For the year ended 31 July 2016

	2016	2015
	\$000	\$000
6 Margin		
Margin on Turnover inclusive of GST	357,242	364,358
Goods and Services Tax	(27,073)	(28,673)
	330,169	335,685
<p>The Goods and Services Tax (GST) is not applied to the consumption of gambling services. It is however, applied to the operator's margin defined as the total amounts wagered less total monetary prizes.</p> <p>The State provides reimbursement to gaming operations (including RWWA) for GST paid on the operator's margin on Fixed Odds Betting and Parimutuel Sports.</p> <p><i>Treasurer's Instruction 1102</i> requires the GST reimbursement to be disclosed as a grant from the State Government rather than offset against the cost of which it applies.</p>		
7 Cost of Sales		
Cost of Sales mainly include pooling fees, product fees, turnover rebate and tax concessions.	81,262	78,415
	81,262	78,415
8 Wagering Tax		
Tax on turnover	9,656	8,136
Tax on margin	32,249	34,141
	41,905	42,277
9 Other Revenue		
Other revenue	12,673	10,368
Unclaimed dividends (Racing)	7,351	8,064
	20,024	18,433
10 Net gain/(loss) on disposal of non-current assets		
Proceeds from disposal	139	597
Cost of disposal	(69)	(565)
Net gain / (loss)	70	32
11 Racing, Wagering and Support Services		
Employee Benefit Expense	40,057	37,468
Depreciation and Amortisation Expense	14,119	12,767
Finance Costs	19	22
Supplies and Services	44,639	45,707
Advertising and Promotions	21,797	19,847
Communications	5,342	5,463
Accommodation	6,878	6,419
Other Expenses	7,985	6,672
	140,838	134,367

CHAPTER 3 / DISCLOSURES & LEGAL COMPLIANCE

NOTES TO THE FINANCIAL STATEMENTS CONT.

For the year ended 31 July 2016

2016	2015
\$000	\$000

12 Grants and Subsidies

Grants and Subsidies expense

Grants	9,112	13,655
Other subsidies	2,556	1,768
Racecourse Infrastructure Grants Program	653	1,876
Royalties for Regions	631	1,745
	12,952	19,043

9,112	13,655
2,556	1,768
653	1,876
631	1,745
12,952	19,043

13 Distributions to Racing and Sports Industries

Thoroughbreds	83,205	78,563
Harness	35,548	32,147
Greyhounds	17,437	15,969
Sports	3,968	4,354
	140,157	131,033

83,205	78,563
35,548	32,147
17,437	15,969
3,968	4,354
140,157	131,033

14 Restricted cash and cash equivalents

Current

Royalties for Regions Fund ^(a)	2,755	3,278
	2,755	3,278

2,755	3,278
2,755	3,278

(a) Unspent funds are committed to projects and programs in WA regional areas.

15 Inventories

Current

Inventories not held for resale:

At Cost:

Tickets	666	572
Agency Spares and Consumables	115	83
	781	655

666	572
115	83
781	655

16 Receivables

Current

Receivables	1,181	856
Accrued Revenue	390	439
Other Debtors	1,833	275
Allowance for impairment of receivables	(105)	(20)
	3,298	1,551

1,181	856
390	439
1,833	275
(105)	(20)
3,298	1,551

Reconciliation of changes in the allowance for impairment of receivables:

Balance at start of year	20	20
Doubtful debts expense recognised in the income statement	126	18
Amounts written off during the year	(41)	(18)
Balance at end of year	105	20

20	20
126	18
(41)	(18)
105	20

RWWA does not hold any collateral as security or other credit enhancements relating to receivables.

NOTES TO THE FINANCIAL STATEMENTS CONT.

For the year ended 31 July 2016

	2016	2015
	\$000	\$000
17 Investments		
Non-Current		
At Cost		
Unlisted shares	455	352
	455	352
Reconciliation		
Carrying amount at start of period	352	352
Revaluations	103	-
Disposals	-	-
Carrying amount at end of period	455	352
18 Other Assets		
Current		
Prepayments	3,468	6,932
	3,468	6,932
Non-Current		
Prepayments	808	845
	808	845
19 Non-Current assets classified as held for sale		
<u>Opening balance</u>		
Freehold land	775	500
Buildings	221	51
	996	551
<u>Assets reclassified as held for sale</u>		
Freehold land	(500)	275
Buildings	(55)	170
	(555)	445
<u>Total assets classified as held for sale</u>		
Freehold land	275	775
Buildings	166	221
	441	996
<u>Less assets sold</u>		
Freehold land	-	-
Buildings	-	-
	-	-
<u>Closing balance</u>		
Freehold land	275	775
Buildings	166	221
	441	996

CHAPTER 3 / DISCLOSURES & LEGAL COMPLIANCE

NOTES TO THE FINANCIAL STATEMENTS CONT.

For the year ended 31 July 2016

	2016	2015
	\$000	\$000
20 Property, Plant & Equipment		
<u>Freehold Land</u>		
At fair value	20,260	20,826
Accumulated impairment losses	-	-
	20,260	20,826
<u>Buildings</u>		
At fair value	8,991	8,305
Accumulated depreciation	(50)	(10)
	8,941	8,294
<u>Leasehold Improvements</u>		
At cost	10,281	10,224
Accumulated depreciation	(9,058)	(8,229)
	1,223	1,995
<u>Infrastructure</u>		
At cost	4,984	4,806
Accumulated depreciation	(3,792)	(3,336)
	1,192	1,470
<u>Machinery, Plant & Equipment</u>		
At cost	4,987	4,489
Accumulated depreciation	(3,386)	(3,043)
	1,602	1,447
<u>Computer Equipment</u>		
At cost	39,432	34,289
Accumulated depreciation	(24,875)	(25,654)
	14,557	8,636
<u>Furniture and Fittings</u>		
At cost	3,917	3,984
Accumulated depreciation	(3,443)	(3,225)
	474	758
<u>Motor Vehicles</u>		
At cost	2,128	3,030
Accumulated depreciation	(1,123)	(2,239)
	1,006	791
	49,255	44,217

Freehold land and buildings were revalued as at 1 July 2015 by Western Australian Land Information Authority. The valuations were performed during the year ended 31 July 2016 and recognised at 31 July 2016. The fair value of all land and buildings has been determined by reference to recent market transactions. In undertaking the revaluation, fair value was determined by reference to market values for land: \$19,885,000 (2015: \$20,451,000); current use of land \$375,000 (2015: \$375,000); market value of buildings \$6,111,000 (2015: \$6,369,000); current use of buildings \$2,830,000 (2015: \$1,925,000).

Information on fair value measurement is provided in Note 21.

NOTES TO THE FINANCIAL STATEMENTS CONT.

For the year ended 31 July 2016

20 Property, Plant & Equipment continued

	Freehold Land \$000	Buildings \$000	Leasehold Improvements \$000	Infrastructure \$000	Machinery, Plant and Equipment \$000	Computer Equipment \$000	Furniture and Fittings \$000	Motor Vehicles \$000	Total \$000
2016									
Carrying amount at start of period	20,826	8,294	1,995	1,470	1,447	8,636	758	791	44,217
Additions	-	1,076	57	178	723	10,346	78	636	13,095
Disposals	-	-	-	-	-	-	-	(69)	(69)
Classified as held for sale	500	55	-	-	-	-	-	-	555
Revaluation increments/ (decrements)	(1,067)	(78)	-	-	-	-	-	-	(1,145)
Depreciation	-	(407)	(829)	(456)	(568)	(4,425)	(362)	(352)	(7,399)
Carrying amount at end of period	20,260	8,941	1,223	1,192	1,602	14,557	474	1,006	49,255
2015									
Carrying amount at start of period	21,130	8,815	2,898	1,912	1,047	9,703	1,011	983	47,499
Additions	-	81	68	-	597	3,241	169	168	4,324
Transfers	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(524)	-	(41)	(565)
Reclassification	-	(217)	-	-	217	-	-	-	-
Classified as held for sale	(275)	(170)	-	-	-	-	-	-	(445)
Revaluation increments/ (decrements)	(29)	209	-	-	-	-	-	-	180
Depreciation	-	(424)	(971)	(442)	(414)	(3,784)	(422)	(319)	(6,776)
Carrying amount at end of period	20,826	8,294	1,995	1,470	1,447	8,636	758	791	44,217

CHAPTER 3 / DISCLOSURES & LEGAL COMPLIANCE

NOTES TO THE FINANCIAL STATEMENTS CONT.

For the year ended 31 July 2016

21 Fair Value Measurements

Assets measured at fair value:

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Fair value at end of period \$000
2016				
Non-Current assets classified as held for sale (Note 19)	-	441	-	441
Land (Note 20)	-	19,885	375	20,260
Buildings (Note 20)	-	6,111	2,830	8,941
	-	26,437	3,205	29,642

2015

Non-Current assets classified as held for sale (Note 19)
Land (Note 20)
Buildings (Note 20)

	-	996	-	996
	-	20,451	375	20,826
	-	6,369	1,925	8,294
	-	27,816	2,300	30,116

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

Valuation techniques to derive Level 2 fair values

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

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

Fair value measurements using significant unobservable inputs (Level 3)

	Land \$000	Buildings \$000
2016		
Fair value at start of period	375	1,925
Additions	-	1,029
Revaluation increments recognised in Other Comprehensive Income	-	19
Depreciation Expense	-	(143)
Fair value at end of period	375	2,830
2015		
Fair value at start of period	375	1,950
Revaluation increments recognised in Other Comprehensive Income	-	87
Depreciation Expense	-	(112)
Fair value at end of period	375	1,925

NOTES TO THE FINANCIAL STATEMENTS CONT.

For the year ended 31 July 2016

21 Fair Value Measurements continued

There were no changes in valuation techniques during the period.

Valuation Processes

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

Land (Level 3 fair values)

Fair value for restricted use land is based on comparison with market evidence for land with low level utility (high restricted use land). The relevant comparators of land with low level utility is selected by the Western Australian Land Information Authority (Valuation Services) and represents the application of a significant Level 3 input in this valuation methodology. The fair value measurement is sensitive to values of comparator land, with higher values of comparator land correlating with higher estimated fair values of land.

Buildings and Infrastructure (Level 3 fair values)

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

Valuation using depreciated replacement cost utilises the significant Level 3 input, consumed economic benefit/obsolescence of asset which is estimated by the Western Australian Land Information Authority (Valuation Services). The fair value measurement is sensitive to the estimate of consumption/obsolescence, with higher values of the estimate correlating with lower estimated fair values of buildings.

Basis of Valuation

In the absence of market-based evidence, due to the specialised nature of some non-financial assets, these assets are valued at Level 3 of the fair value hierarchy on an existing use basis. The existing use basis recognises that restrictions or limitations have been placed on their use and disposal when they are not determined to be surplus to requirements. These restrictions are imposed by virtue of the assets being held to deliver a specific community service.

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

Consumed economic benefit/obsolescence of asset

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

Selection of land with restricted utility

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

CHAPTER 3 / DISCLOSURES & LEGAL COMPLIANCE

NOTES TO THE FINANCIAL STATEMENTS CONT.

For the year ended 31 July 2016

21 Fair Value Measurements continued

Information about significant unobservable inputs (Level 3) in fair value measurements

Description and fair value as at 31 July 2016	Description and fair value as at 31 July 2015	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Land \$375,000	Land \$375,000	Depreciated Replacement Cost Method	Selection of land with similar approximate utility	Higher value of similar land increases estimated fair value
Buildings \$2,831,000	Buildings \$1,924,700	Depreciated Replacement Cost Method	Consumed economic benefit/obsolescence of asset	Greater consumption of economic benefit or increased obsolescence lowers fair value

Reconciliations of the opening and closing balances are provided in Note 20.

NOTES TO THE FINANCIAL STATEMENTS CONT.

For the year ended 31 July 2016

	2016	2015
	\$000	\$000
22 Capital Works In Progress		
TAB Terminals and Racewall Upgrade	1,499	2,669
Software Upgrades	785	2,798
Lark Hill Building	-	963
Computer Equipment	93	196
Other	18	411
	2,395	7,037
23 Intangible Assets		
<u>Computer Software</u>		
At cost	61,463	59,103
Accumulated amortisation	(36,702)	(30,943)
	24,761	28,160
<u>Domain Names</u>		
At cost	25	25
Accumulated amortisation	(23)	(21)
	2	4
	24,763	28,164
Reconciliation		
<u>Computer Software</u>		
Carrying amount at start of period	28,160	30,102
Additions	3,955	4,047
Amortisation	(6,718)	(5,989)
Impairment	(636)	-
Carrying amount at end of period	24,761	28,160
<u>Domain Names</u>		
Carrying amount at start of period	5	7
Amortisation	(3)	(2)
Carrying amount at end of period	2	5
	24,763	28,165

CHAPTER 3 / DISCLOSURES & LEGAL COMPLIANCE

NOTES TO THE FINANCIAL STATEMENTS CONT.

For the year ended 31 July 2016

	2016	2015
	\$000	\$000
24 Impairment of Assets		
There were no indications of impairment to property, plant and equipment and intangible assets at 31 July 2016.		
RWWA held no intangible assets with an indefinite useful life during the reporting period.		
25 Payables		
Current		
Trade Payables	3,540	4,952
Unclaimed Dividends and Refunds	5,246	5,755
TAB Payables and Account Betting Deposits	14,025	15,252
Other Payables	4,929	5,012
GST Payable	2,408	1,693
Accrued Expenses	7,547	8,262
	37,695	40,926
Non-Current		
Agents deposits and property bonds	1,078	1,045
	1,078	1,045

NOTES TO THE FINANCIAL STATEMENTS CONT.

For the year ended 31 July 2016

	2016	2015
	\$000	\$000
26 Provisions		
Current		
Employee benefits provision		
Annual Leave ^(a)	2,701	2,596
Long Service Leave ^(b)	4,348	4,390
	7,050	6,986
Other provisions		
Employment on-costs ^(c)	449	445
	449	445
	7,499	7,430
Non-Current		
Employee benefits provision		
Long Service Leave ^(b)	1,124	881
	1,124	881
Other provisions		
Employment on-costs ^(c)	72	56
	72	56
	1,196	937
<p>(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:</p>		
Within 12 months of the end of the reporting period	2,148	2,064
More than 12 months after the end of the reporting period	553	533
	2,701	2,596
<p>(b) Long service leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:</p>		
Within 12 months of the end of the reporting period	1,063	1,024
More than 12 months after the end of the reporting period	4,409	4,247
	5,472	5,271
<p>(c) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers compensation premiums and payroll tax. The provision is measured at the present value of expected future payments. The associated expense, apart from the unwinding of the discount (finance cost), is included under 'Other expenses' at Note 11.</p>		
<p>Movements in each class of provisions during the financial year, other than employee benefits, are set out below.</p>		
Employment on-cost provision		
Carrying amount at start of period	501	455
Additional provisions recognised	2,492	2,478
Payments/other sacrifices of economic benefits	(2,472)	(2,433)
Carrying amount at end of period	521	501

CHAPTER 3 / DISCLOSURES & LEGAL COMPLIANCE

NOTES TO THE FINANCIAL STATEMENTS CONT.

For the year ended 31 July 2016

	2016 \$000	2015 \$000
27 Grants and Subsidies from State Government		
Government Grants	56,239	54,248
Government grants include WA Product Fee income*, GST rebate, Royalties for Regions and Racecourse Infrastructure Grants Program.	56,239	54,248
<p>* Government Grants include \$48.7M in revenue received via the Gaming and Wagering Commission WA, from national and international wagering operators betting on Western Australian racing product. Generated from RWWA's commercial activity, this revenue would otherwise be paid directly to RWWA by the wagering operators for distribution to WA race clubs, however, it is treated as a government grant to be consistent with Section 110B.(5) of the Gaming and Wagering Commission Act 1987, and Section 107A of the Racing and Wagering Western Australia Act 2003.</p>		
28 Equity		
Contributed Equity		
Balance at the start of the period	60,884	60,884
Contributions	-	-
Distributions	-	-
Balance at the end of the period	60,884	60,884
Reserves		
Asset revaluation reserve:		
Balance at the start of the period	20,256	20,076
Net revaluation increments/(decrements):		
Land	(1,067)	(29)
Buildings	(78)	209
Investments	103	-
Transfer to General Reserve	-	-
Balance at the end of the period	19,214	20,256
General reserve:		
Balance at the start of the period	51,348	45,416
Changes in accounting policy	-	-
Transfer from Retained Earnings	(8,272)	5,932
Balance at the end of the period	43,076	51,348
Balance of reserves at end of the period	62,290	71,604
Retained earnings		
Balance at the start of the period	-	-
Result for the period	(8,272)	5,932
Transfer from Asset Revaluation Reserve	-	-
Transfer to General Reserve	8,272	(5,932)
Balance at the end of the period	-	-

General reserve

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

NOTES TO THE FINANCIAL STATEMENTS CONT.

For the year ended 31 July 2016

29 Notes to the Statement of Cash Flows

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one and six months, depending upon the immediate cash requirements of RWWA, and earn interest at the respective short-term deposit rates.

Reconciliation of cash

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

Cash and cash equivalents

Cast at bank	33,162	24,721
Cash on hand	60	78
Short-term deposits	49,000	64,000
	82,222	88,799
Restricted cash*	2,755	3,278
	84,977	92,077

*Royalties for Regions fund - unspent funds are committed to Racecourse Infrastructure Grants Program in WA regional areas.

Reconciliation of profit to net cash flows provided by/(used in) operating activities

Profit/(Loss) for the period	(8,272)	5,932
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Non cash items:

Depreciation and amortisation expense	14,119	12,767
Net (gain)/loss on sale of property, plant and equipment	(70)	(32)
Impairment	636	-

Grants and Subsidies from State Government	(56,239)	(54,248)
--	----------	----------

(Increase)/decrease in assets:

Receivables / Accrued Income	(1,747)	313
Current inventories	(126)	(85)
Prepayments	4,894	(2,739)

(Increase)/decrease in liabilities:

Trade creditors	(4,083)	660
Other creditors	(1,224)	776
Annual leave and long service leave provisions	307	782
Other current provisions	20	46
Change in GST Receivables/Payables	715	33

Net cash (used in) operating activities	(51,070)	(35,795)
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CHAPTER 3 / DISCLOSURES & LEGAL COMPLIANCE

NOTES TO THE FINANCIAL STATEMENTS CONT.

For the year ended 31 July 2016

2016	2015
\$000	\$000

30 Financial Instruments

(a) Financial Risk Management objectives and policies

Financial Instruments held by RWWA are cash and cash equivalents, receivables, payables and agent deposits.

RWWA has limited exposure to financial risks. RWWA's overall risk management program focuses on managing the risks identified below.

Credit Risk

Credit risk arises when there is the possibility of RWWA's receivables defaulting on their contractual obligations resulting in financial loss to RWWA. The majority of the authority's trading with customers is conducted on a cash basis. In addition, receivable balances are monitored on an ongoing basis with the result that RWWA's exposure to bad debts is minimal. At the end of the reporting period there were no significant concentrations of credit risk.

The maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment.

Liquidity Risk

Liquidity risk arises when RWWA is unable to meet its financial obligations as they fall due. RWWA is exposed to liquidity risk through its trading in the normal course of business. RWWA has appropriate procedures to manage cash flows by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

Market Risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect RWWA's income or the value of its holdings of financial instruments. RWWA does not trade in foreign currency and is not materially exposed to other price risks. The Authority has no such exposure.

RWWA has limited exposure to foreign currency risk on purchases that are denominated in a currency other than Australian dollars.

Other than as detailed in the interest rate sensitivity analysis table, RWWA's exposure to interest rate risk is limited because it does not have any borrowings.

(b) Categories of Financial Instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:

Financial Assets

Cash and cash equivalents ^(a)
 Receivables ^(b)
 Investment

84,977	92,077
3,298	1,551
455	352
88,730	93,980

Financial Liabilities

Payables ^(b)
 Agent Deposits and property bonds

35,287	40,626
1,078	1,045
36,365	41,670

(a) Cash and cash equivalents includes restricted cash and cash equivalents.

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

NOTES TO THE FINANCIAL STATEMENTS CONT.

For the year ended 31 July 2016

30 Financial Instruments continued (c) Financial Instrument Disclosures

Credit Risk

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

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

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

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

	Carrying Amount \$000	Not past due and not impaired \$000	Ageing analysis of financial assets <u>Past due but not impaired</u>					Impaired financial assets \$000
			Up to 1 month \$000	1-3 months \$000	3 months to 1 year \$000	1-5 years \$000	More than 5 years \$000	
2016								
Cash and cash equivalents	84,977	84,977	-	-	-	-	-	-
Receivables ^(a)	3,298	2,658	-	592	48	-	-	-
Investment	455	455	-	-	-	-	-	-
	88,730	88,090	-	592	48	-	-	-
2015								
Cash and cash equivalents	92,077	92,077	-	-	-	-	-	-
Receivables ^(a)	1,551	1,169	-	289	93	-	-	-
Investment	352	352	-	-	-	-	-	-
	93,980	93,598	-	289	93	-	-	-

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

Liquidity Risk and Interest Rate Exposure

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

CHAPTER 3 / DISCLOSURES & LEGAL COMPLIANCE

NOTES TO THE FINANCIAL STATEMENTS CONT.

For the year ended 31 July 2016

Financial Instruments continued

Interest rate exposure and maturity analysis of financial assets and financial liabilities

	Weighted Average Effective Interest Rate	Interest Rate Exposure				Nominal Amount	Maturity Dates					
		Carrying Amount	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing		Up to 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	
	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2016												
Financial Assets												
Cash and cash equivalents	2.42%	84,977	49,000	35,917	60	84,977			13,000			
Receivables ^(a)		3,298	-	3,298	3,298	3,298						
Investment		455	-	-	455	455						455
		88,730	49,000	35,917	3,813	88,730	39,275	36,000	13,000			455
Financial Liabilities												
Payables ^(a)		35,287	-	-	35,287	35,287						
Agent Deposits and property bonds	1.70%	1,078	-	1,078	-	1,078						1,078
		36,365	-	1,078	35,287	36,365	35,287					1,078
2015												
Financial Assets												
Cash and cash equivalents	2.85%	92,077	64,000	27,999	78	92,077			24,000			
Receivables ^(a)		1,551	-	-	1,551	1,551						
Investment		352	-	-	352	352						352
		93,980	64,000	27,999	1,981	93,980	29,628	40,000	24,000			352
Financial Liabilities												
Payables ^(a)		40,626	-	-	40,626	40,626						
Agent Deposits and property bonds	2.00%	1,045	-	1,045	-	1,045						1,045
		41,671	-	1,045	40,626	41,671	40,626					1,045

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

NOTES TO THE FINANCIAL STATEMENTS CONT.

For the year ended 31 July 2016

30 Financial Instruments continued

Interest rate sensitivity analysis

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

	Carrying amount \$000	-100 basis points		+100 basis points	
		Surplus \$000	Equity \$000	Surplus \$000	Equity \$000
2016					
Financial Assets					
Cash and cash equivalents *	84,917	(849)	(849)	849	849
Agent Deposits and property bonds	1,078	(11)	(11)	11	11
Total Increase/(Decrease)		(860)	(860)	860	860
2015					
Financial Assets					
Cash and cash equivalents *	91,999	(920)	(920)	920	920
Agent Deposits and property bonds	1,045	(10)	(10)	10	10
Total Increase/(Decrease)		(930)	(930)	930	930

Fair Values

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

* Excludes cash amounts that do not earn interest.

CHAPTER 3 / DISCLOSURES & LEGAL COMPLIANCE

NOTES TO THE FINANCIAL STATEMENTS CONT.

For the year ended 31 July 2016

31 Commitments

Commitments are inclusive of GST

Capital Commitments

Commitments in relation to capital expenditure contracted for at the reporting date but not recognised in the financial statements as liabilities, are payable as follows:

Within one year

	2016	2015
	\$000	\$000
Within one year	257	4,608
	257	4,608

The capital commitments include amounts for:

Customer Information & Betting Terminals
Racewalls rollout
Software upgrades
Air Conditioning upgrades
Motor Vehicle upgrades

Customer Information & Betting Terminals	94	2,425
Racewalls rollout	111	1,390
Software upgrades	52	216
Air Conditioning upgrades	-	433
Motor Vehicle upgrades	-	144
	257	4,608

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

Later than one year but not later than five years

Later than five years

Within one year	4,178	4,273
Later than one year but not later than five years	11,665	12,349
Later than five years	6,657	8,897
	22,500	25,519

Representing:

Non-cancellable operating leases

Non-cancellable operating leases	22,500	25,519
	22,500	25,519

The non-cancellable operating lease commitments include amounts for:

Property

Property	22,500	25,519
	22,500	25,519

RWWA has entered into a number of property leases which are non-cancellable leases of varying lengths, with rent payable monthly in advance. Contingent rent provisions within the lease agreements allow annual increases and market reviews. In some instances an option exists to extend the leases at the end of the initial term.

Other Expenditure Commitments

Other expenditure commitments contracted for at the end of the reporting period but not recognised as liabilities, are payable as follows:

Within one year

Later than one year but not later than five years

Within one year	18,853	14,303
Later than one year but not later than five years	34,719	165
	53,572	14,468

NOTES TO THE FINANCIAL STATEMENTS CONT.

For the year ended 31 July 2016

	2016	2015
	\$000	\$000
32 Contingent (assets) liabilities		
Contract performance guarantees exist over future rental payments on TAB Agencies	30	30
Approximate amount (receivable)/payable from/to Riskcover in future years for performance adjustment in prior years Workers Compensation insurance premiums	(2,265)	1,271
33 Events occurring after the end of the reporting period		
There are no significant post reporting period events.		

CHAPTER 3 / DISCLOSURES & LEGAL COMPLIANCE

NOTES TO THE FINANCIAL STATEMENTS CONT.

For the year ended 31 July 2016

34 Remuneration of members of the Accountable Authority and Senior Officers Remuneration of members of the Accountable Authority

The number of members of the Accountable Authority, whose total of fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands are:

\$20,001 - \$30,000
\$30,001 - \$40,000
\$40,001 - \$50,000
\$50,001 - \$60,000
\$60,001 - \$70,000
\$80,001 - \$90,000

2016	2015
\$000	\$000

1	1
-	2
2	4
4	-
-	1
1	-

Base remuneration received in relation to 2016
Annual leave and long service leave accruals
Other Benefits

405	343
-	-
-	-
405	343

The total remuneration of members of the Accountable Authority is:

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

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

Remuneration of Senior Officers

The number of senior officers, other than senior officers reported as 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:

\$0 - \$10,000
\$50,001 - \$60,000
\$80,001 - \$90,000
\$90,001 - \$100,000
\$110,001 - \$120,000
\$210,001 - \$220,000
\$220,001 - \$230,000
\$230,001 - \$240,000
\$240,001 - \$250,000
\$250,001 - \$260,000
\$260,001 - \$270,000
\$270,001 - \$280,000
\$280,001 - \$290,000
\$290,001 - \$300,000
\$300,001 - \$310,000
\$340,001 - \$350,000
\$350,001 - \$360,000
\$670,001 - \$680,000
\$690,001 - \$700,000

(a)	1	-
(a)	-	1
(a)	-	1
(a)	1	-
(a)	-	1
	-	1
	1	-
	-	1
	1	1
	-	1
	1	-
(a)	-	1
	1	-
	-	1
	1	-
	1	1
	-	1
	1	-

Base remuneration received in relation to 2016
Annual leave and long service leave accruals
Other Benefits

2,895	3,184
(65)	(21)
-	-
2,830	3,163

The total remuneration of Senior Officers is:

(a) Senior officers employed for partial periods of the financial year in their positions.

Remuneration includes any fees, salaries, superannuation, leave entitlements (annual and long service leave taken and accrued) and other benefits due or receivable during the year.

No senior officers are members of the Pension Scheme.

NOTES TO THE FINANCIAL STATEMENTS CONT.

For the year ended 31 July 2016

2016	2015
\$000	\$000

35 Remuneration of Auditor

Remuneration paid or payable to the Auditor General in respect of the audit for the current financial year is as follows:

Auditing the accounts, financial statements and Key Performance Indicators

133	122
133	122

36 Related Bodies

At year end RWVA did not have any related bodies.

37 Affiliated Bodies

At year end RWVA did not have any affiliated bodies.

38 Supplementary Financial Information Write-offs

Bad Debts Written off

41	18
41	18

CHAPTER 3 / DISCLOSURES & LEGAL COMPLIANCE

NOTES TO THE FINANCIAL STATEMENTS CONT.

For the year ended 31 July 2016

39 Schedule of Income and Expense by Service

	Racing		Wagering		Unallocated		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
INCOME								
Revenue								
Margin	-	-	330,169	335,685	-	-	330,169	335,685
Interest revenue	-	-	-	-	2,339	2,669	2,339	2,669
Other revenue	7,603	6,180	12,387	12,243	34	10	20,024	18,433
Gain on disposal of non-current assets	-	-	-	-	70	32	70	32
Total Income	7,603	6,180	342,557	347,928	2,443	2,711	352,603	356,819
EXPENSES								
Costs of sales	-	-	81,262	78,415	-	-	81,262	78,415
Wagering Tax	-	-	41,905	42,277	-	-	41,905	42,277
Racing Services	20,519	18,478	-	-	-	-	20,519	18,478
Wagering Services	-	-	84,855	84,647	-	-	84,855	84,647
Support Services	-	-	-	-	35,464	31,241	35,464	31,241
Grants and subsidies	10,571	17,382	2,131	1,650	250	11	12,952	19,043
Distribution to racing and sports industries	136,189	126,679	3,968	4,354	-	-	140,157	131,033
Total Expenses	167,279	162,540	214,120	211,343	35,714	31,252	417,114	405,134
Profit/(Loss) before Grants and Subsidies	(159,676)	(156,360)	128,437	136,585	(33,271)	(28,541)	(64,511)	(48,316)
Grants and subsidies from State Government (GST Reimbursement)	-	3,904	7,571	7,100	48,668	43,244	56,239	54,248
Profit/(Loss) for the period	(159,676)	(152,456)	136,008	143,685	15,397	14,703	(8,272)	5,932

NOTES TO THE FINANCIAL STATEMENTS CONT.

For the year ended 31 July 2016

40 Explanatory Statement

AASB 1055 Budgetary Reporting standard requires specific budgetary disclosures in the general purpose financial statements of non-for-profit entities within the General Government Sector. RWWA falls within the category of Public Non-Financial Corporation Section, also RWWA does not publish annual estimates in the budget papers or the Statement of Corporate Intent.

Therefore, as prescribed under TI 945P, RWWA provides details of any significant variations between the actual results for 2015 and 2016.

Significant variations are considered to be those in excess of 10% or \$2.5M.

Significant variances between actual results for 2015 and 2016

	Comment	2016	2015	Variance \$000
		Actual \$000	Actual \$000	
Revenue				
Margin	(1)	330,169	335,685	(5,516)
Interest Revenue	(2)	2,339	2,669	(330)
Other Revenue		20,024	18,433	1,591
Gains				
Gain on disposal of non-current assets		70	32	38
Expenses				
Cost of sales	(3)	81,262	78,415	2,847
Wagering Tax		41,905	42,277	(372)
Racing Services	(4)	20,519	18,478	2,041
Wagering Services		84,855	84,647	208
Support Services	(5)	35,464	31,241	4,223
Grants and subsidies	(6)	12,952	19,043	(6,091)
Distribution to racing and sports industries	(7)	140,157	131,033	9,124
Grants and subsidies from State Government		56,239	54,248	1,991

Comment

- (1) Margin decreased against last year primarily due to the impact of the adverse economic environment on RWWA's business activities.
- (2) Interest revenue decreased due to a drop in the average interest rate to 2.57% compared to 2.85% last year.
- (3) The increased cost of sales results from a full year impact of the calculation methodology introduced in October 2014 for WA Product fees and an increase in product fee rates with new agreements in place.
- (4) The increase in Racing Services costs in 2016 is mainly due to an expansion of the Racing, Marketing & Communication activity including establishment costs of "Greyhounds as Pets" program.
- (5) The increase in Support Services costs in 2016 is due to a switch from large capitalised projects to smaller incremental enhancements to products and systems that are not capitalised due to being below the capitalisation threshold.
- (6) The decrease in Grants and subsidies from the prior financial year is primarily due to a one off grant towards the new Cannington greyhound track of \$10.2M in 2015.
- (7) Consistent with previous years, RWWA Distribution Policy for 2016 allowed for an increase in funding over 2015, with the aim of keeping distribution increases at sustainable levels.

CERTIFICATION OF KEY PERFORMANCE INDICATORS***For the year ended 31 July 2016***

We hereby certify that the key performance indicators for Racing and Wagering Western Australia (RWWA) are based on proper records, are relevant and appropriate for assisting users to assess the performance of RWWA and fairly represent the performance of RWWA for the financial year ended 31 July 2016.



JEFF OVENS
RWWA Board Chairman

17 October 2016



GARY GLIDDON
Chairman Audit and Risk Committee

17 October 2016

PERFORMANCE MANAGEMENT FRAMEWORK

Relationship to Government Goals

Results-Based Service Delivery

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

Desired Outcomes	Services Provided	Effectiveness Indicators	Efficiency Indicators
To provide an efficient, competitive and responsible wagering service for Western Australia	Provision of a betting system which is efficient, reliable, maintainable and capable	Primary Betting System availability	Margin per employee
	Provision of services to support wagering	Staff (FTE) Number of bets processed	Profit per employee Return on Assets (operating profit as a percentage of total assets)
To achieve an optimum level of funding to the racing industry and sports	Grants administration, evaluation and distribution Administration of industry distribution to the clubs	Distribution to Industry Grants to industry (RWWA funded) Grants to industry (State Govt funded)	Margin Operating Profit (excluding the profit/loss from sale of assets) before distribution to codes
To efficiently administer, and to provide effective leadership in the development, integrity and welfare of the racing and wagering industry in Western Australia	Maintain the integrity of the Western Australian racing industry Guarantee the ongoing welfare and sustainability of the Western Australian racing industry Provision of racing, stewarding, wagering, financial, marketing, human resources, IT, strategic and other services	% of Winners Swabbed / Returned Negative Average number of starters in Western Australia races Annual growth in TAB Turnover on Western Australia racing	Racing and Steward expenses per WA race meeting

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

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

CHAPTER 3 / DISCLOSURES & LEGAL COMPLIANCE

KEY PERFORMANCE INDICATORS

For the year ended 31 July 2016

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

Effectiveness Indicators	Description		2016 Actual	2016 Target	2015 Actual	2014 Actual	Result
Primary Betting System availability	The availability of the betting system is paramount to the TAB's ability to generate revenue. The high availability target reflects the importance RWWA places on this. A service that is reliable is necessary for the TABs to attract and retain customers.	%	99.99	99.96	99.94	99.98	The availability of the betting system during the year is above RWWA's target and prior year ratios.
Staff (FTE)	With staff employee benefits expense being one of the largest cost categories at RWWA, managing the FTE levels is an important part of ensuring an efficient competitive business.	No.	366	365	364	362	The number of FTE at the end of 2015/16 is broadly in line with the previous year.
Number of Bets Processed	The number of bets processed is an indicator of the TAB's competitiveness in the wagering and gambling marketplace.	000's	197,954	202,844	190,679	180,819	The number of bets for 2016 shows a 3.7% increase on 2015.

Efficiency Indicators	Description		2016 Actual	2016 Target	2015 Actual	2014 Actual	Result
Margin per employee	Margin per employee is a measure of the competitiveness of the business.	\$000	902		922	937	Margin per employee is slightly down compared to last year primarily due to the impact of adverse economic conditions on RWWA's business activities.
Profit per employee	Profit per employee, like margin per employee, is a measure of the efficiency of the business in delivering wagering revenue and also providing racing and integrity services to the industry.	\$000	360		376	369	Profit per employee is slightly down compared to last year due to decrease in operating profits before distributions to industry. The reduction in operating profit is due to the impact of adverse economic conditions on RWWA's business activities.
Return on assets (Operating profit as a percentage of total assets)	Return on assets (ROA) is a widely accepted indicator of the efficiency in the use of assets.	%	77.2	87.0	74.9	75.9	ROA is lower than target because the operating profit before distribution to industry for 2016 is lower than target and total assets for 2016 are \$6.8M higher than target. However the current year result is an improvement on 2015.

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

Effectiveness Indicators	Description		2016 Actual	2016 Target	2015 Actual	2014 Actual	Result
Distribution to Industry	RWWA's primary purpose is to provide a sustainable future for the West Australian Racing industry, achieved by maintaining the optimum level of funding for the racing industry.	\$000 % Change on prior year	140,157 7.3	137,967 5.4	131,033 5.5	124,205 5.6	As per previous years, RWWA Distribution Policy for 2015/16 allowed for an increase in funding over 2014/15, with the aim of keeping distribution increases at sustainable levels.
Grants to Industry (RWWA Funded)	Grants to industry are essential to provide the safest possible racing environment and ensure the integrity of the racing product.	\$000	9,112	5,779	13,655	9,494	Reduction from the prior financial year is primarily due to a one off grant for Cannington Greyhound track of \$10.2M in 2014/15. Increase on target is due to a change in priorities, scope and timing of known projects which resulted in an increase in the grant payments during the year.
Grants to Industry (WA Government Funded)		\$000	1,284	4,200	3,621	3,617	Not all funding budgeted for the financial year was distributed to clubs during 2015/16. These amounts will be distributed during 2016/17. The decrease compared to last year was due to no Royalty for Regions funding received in the current year.

Efficiency Indicators	Description		2016 Actual	2016 Target	2015 Actual	2014 Actual	Result
Margin	Margin is an important indicator of the capacity of RWWA to fund the racing industry and sports.	\$000	330,169		335,685	339,474	Margin decreased compared to last year primarily due to the impact of adverse economic conditions on RWWA's business activities.
Operating Profit excluding the profit/loss from sale of assets before distribution to codes.	Operating Profit excluding the profit/loss from sale of assets before distribution to codes highlights the amount of revenue that has been generated for distribution to the Racing clubs.	\$000	131,815		136,933	133,464	The decrease on last year is a result of the reduction in margin alluded to above.

KEY PERFORMANCE INDICATORS

For the year ended 31 July 2016

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

Effectiveness Indicators	Description		2016 Actual	2016 Target	2015 Actual	2014 Actual	Result
% of Winners Swabbed / Returned Negative	A key component in maintaining the integrity of the racing industry is an efficient and effective drug testing regime and the "% of winners swabbed / returned negative" is a key indicator of the drug testing regime impact on the industry.	Thoroughbreds %	99.7		99.6	99.8	The result is consistent with previous years.
		Harness %	99.8		99.5	99.8	
		Greyhounds %	100.0		99.8	99.8	
Average number of starters in WA Races (excluding non-TAB Meetings)	The average number of starters in WA races is an indicator of a healthy population of animals available for racing in WA.	Thoroughbreds %	10.4		10.3	10.7	The result is consistent with previous years.
		Harness %	9.5		9.7	9.7	
		Greyhounds %	7.6		7.6	7.9	
Annual Growth in TAB Turnover on WA racing	The TAB accepts bets on racing and sports product from WA, the Eastern States, and International Jurisdictions. The growth in TAB turnover on WA Racing is an indicator that the WA product is seen as an attractive proposition, demonstrating a quality product, with high levels of integrity.	%	(6.91)		(4.71)	1.45	The negative growth in TAB turnover on WA product for 2015/16 is attributable to the adverse economic environment prevailing in WA presently. It was also due to the closure of Cannington greyhound racetrack during the year for redevelopment.

Efficiency Indicators	Description		2016 Actual	2016 Target	2015 Actual	2014 Actual	Result
Racing and Steward expenses per WA race meeting	The racing and stewarding functions performed by RWWA are paramount to both the development and integrity of the racing industry. In delivering these functions, RWWA ensures that the cost of delivery is kept under control, and the cost per meeting is an important indicator of how well RWWA is at controlling the cost of delivery.	\$000	23.50	26.00	21.10	19.08	There was an expansion of the Racing and Stewarding functions during 2015/16 in the areas of Animal Welfare and Racing Marketing. The additional costs have been reflected both in the increase in the 2016 target, and the 2016 actual result.
		% Change on prior year	11.42	23.37	10.54	1.94	

CHAPTER 3 / DISCLOSURES & LEGAL COMPLIANCE

OTHER FINANCIAL DISCLOSURES

MINISTERIAL DIRECTIONS

No Ministerial directives were received during the financial year.

PRICING POLICIES OF SERVICES PROVIDED

RWWA has discretion over pricing for goods and services rendered.

CAPITAL WORKS

In Progress

Project Name	Expected Year of Completion	Expected Cost to Complete \$000	Expected Total Cost of Project \$000
Racing Infrastructure	16/17	866	1,291
Wagering Infrastructure	16/17	5,053	17,414
Support Infrastructure	16/17	165	2,869

EMPLOYMENT AND INDUSTRIAL RELATIONS

Staff Profile

As at the end of the reporting year the number of people employed at RWWA was 512 (525 in 2015). The decrease in headcount can be attributed to some roles not being replaced and roles being made redundant in that period. The employee profile is expressed below as full time equivalent numbers (FTE) rather than a headcount. FTE indicates the number of hours worked and paid, divided by weekly hours of 38.

Employee Profile	Full Time Equivalent (FTE)	
	2016	2015
Full Time	231	215
Part Time	27	26
Casuals	57	62
Maximum-Term Contracts	68	88
TOTAL	383	391

Industrial Relations

Within the reporting period, negotiations were successfully undertaken with all RWWA employees to develop new enterprise agreements. The RWWA TAB Radio Agreement 2015 was approved in October 2015 and the RWWA General Staff Agreement 2015 was approved in March 2016 with any resulting changes implemented shortly after the respective approvals. These agreements will both expire in 2018.

Racing Industry Safety, Health and Injury Management

RWWA has continued to provide vital leadership to the Western Australian racing industry on the legal requirements governing the management of workplace safety, health and wellbeing within horse racing and training environments. The improvement of racing industry safety, health and injury management standards has continued over the past twelve months with focused effort directed toward lifting OSH compliance levels at licensed clubs across the three racing codes. This is in addition to improving general awareness of the legal safety and health obligations placed onto all racing industry stakeholders including club committees, staff, volunteers, trainers and associated racing industry personnel. This focused effort will continue throughout the 2016/17 financial year in anticipation of the new Work Health and Safety Act and Regulations being introduced by the State Government in 2017 (after the state election in March).

OTHER FINANCIAL DISCLOSURES CONT.

To ensure that racing industry stakeholders are suitably informed and equipped to respond to changes in safety, health and injury management legislation, RWWA will continue to prioritise dedicated resourcing in this area. The work to be completed will include ongoing risk identification, assessment and control activities, delivery of training to industry stakeholders and the ongoing development of race club health and safety management systems.

During 2016/17 the focus will be on identifying key improvement areas at the operational level and streamlining the safety, health and injury management process aimed at reducing the workload that has to be completed by race club representatives in the OSH area. Race club OSH compliance standards have been structured to ensure that they can be reached and maintained by racing industry stakeholders. As with previous years, RWWA will continue to conduct formal OSH audits and infrastructure inspections at race and training clubs across Western Australia. The purpose of the audit process is to ensure that race club committees and their staff/volunteers are maintaining acceptable safety, health and injury management standards whilst seeking to address key improvement areas as identified by the RWWA OSH Advisor. The ultimate goal is to ensure that club committees and their staff can provide safe venues for all future race meetings and industry training activities.



CHAPTER 3 / DISCLOSURES & LEGAL COMPLIANCE

GOVERNANCE DISCLOSURES

CONTRACTS WITH SENIOR OFFICERS

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

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

INSURANCE PREMIUMS PAID TO INDEMNIFY MEMBERS OF THE BOARD

An insurance policy was undertaken to indemnify members of the Board against any liability incurred under sections 13 or 14 of the Statutory Corporations (Liabilities of Directors) Act 1996. The amount of the insurance premium paid for 2016 was \$15,345.

UNAUTHORISED USE OF CREDIT CARDS

Officers of RWWA hold corporate credit cards where their functions warrant usage of this facility. Despite each cardholder being reminded of their obligations under RWWA's credit card policy, 6 employees inadvertently utilised their corporate credit card for personal use. The matters were not referred for disciplinary action as the Chief Finance Officer noted prompt advice and settlement of the personal use amount and, that the nature of the expenditure was immaterial and characteristic of an honest mistake.

	2016
Aggregate amount of personal use expenditure for the reporting period	\$461
Aggregate amount of personal use expenditure settled by the due date (within 5 working days)	\$363
Aggregate amount of personal use expenditure settled after the period (within 5 working days)	\$98
Aggregate amount of personal use expenditure outstanding at balance date.	\$0

RWWA'S CORPORATE GOVERNANCE PRINCIPLES

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

BOARD POWERS, STRUCTURE, COMPOSITION AND MEMBERSHIP

The management of the business and affairs of RWWA is under the direction of the RWWA Board. RWWA Act 2003 gives RWWA broad powers in relation to the management of its affairs and also in the management and regulation of the Western Australian Racing Industry.

Whilst the Gaming and Wagering Commission of Western Australia regulates RWWA's commercial wagering activities, RWWA's Board is not subject to government direction. Part 2, Division 2 of RWWA Act 2003 describes how the Board is to be structured, its composition and membership.

The Board comprises:

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

GOVERNANCE DISCLOSURES CONT.

Boardroom Conduct and Relationships

The roles and delegated authorities of the Board, Board Committees, Chairperson, CEO and Executive Members are clearly defined and understood within RWWA.

Key roles of the Board include:

- Strategy – set goals and objectives for the organisation and the racing industry and provide strategic direction and planning;
- Policies and procedures – determine the organisation’s and industry’s policies and priorities;
- Leadership and selection – appoint the Chief Executive Officer;
- Monitor performance – monitor the performance of the organisation and management in achieving its goals;
- Financial performance – oversee the allocation of the organisation’s finances and resources;
- Risk management – understand the major risks involved in the organisation’s operations;
- Relationship with the Minister, regulators and other key stakeholders – create a regular flow of information to and from the Board, public, employees and industry stakeholders to contribute to the marketing and maintenance of RWWA’s good reputation; and
- Social responsibility – consider the social, environmental, financial and ethical impact on RWWA’s stakeholders and the community when making decisions.

Regulatory Disclosure and Stakeholders Communications

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

- Disclose this interest to the Board;
- Not vote on the matter; and
- Must not be present while the matter or resolution is being considered at the meeting.

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

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

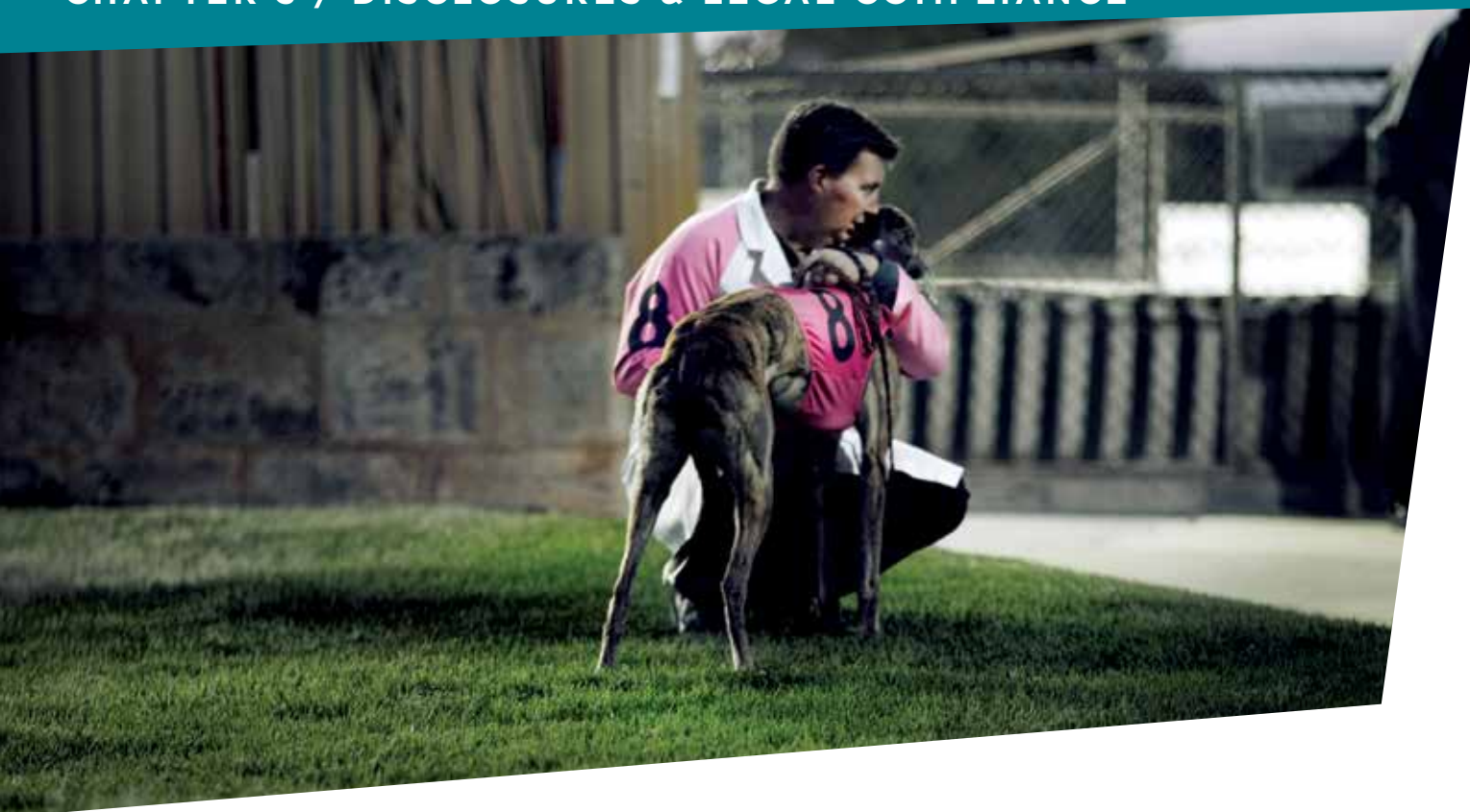
RWWA maintains regular communications with its stakeholders through:

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

Robust Management and Compliance Processes

RWWA has a sound system of risk management, compliance and internal control. RWWA is responsible for ensuring that high standards of risk management and compliance are maintained. This is monitored by the Board’s Integrity Assurance Committee, Audit and Risk Committee, as well as risk management, compliance, internal audit and stewards functions operating within the organisation. RWWA is committed to complying with all legislative requirements, including but not limited to OSH and Equal Opportunity requirements.

CHAPTER 3 / DISCLOSURES & LEGAL COMPLIANCE



Ethical Decision Making

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

RWWA has developed a Responsible Wagering Policy to guide Board members, employees, TAB agents and race clubs in the responsible provision of wagering services and to ensure that RWWA provides its customers with the highest standard of customer care.

Strategy, Planning and Monitoring

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

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

Encouraged Enhanced Performance

Annual Budgets and Business Plans are developed to meet the targets set in the Statement of Corporate Intent and the Strategic Development Plan and these are

linked into RWWA's Performance Management System.

Sustainability

RWWA considers sustainability an important issue, not only for the organisation but also for the Western Australian Racing Industry. RWWA believes that sustainability concentrates on providing a sustainable future focusing on economic, environmental and social elements.

Key Initiatives include:

- Continuous OSH audits of all race clubs;
- Responsible Wagering Programme and Code of Conduct;
- Equity and diversity within the workplace; and
- Ensuring the financial viability of the Western Australian Racing Industry through financial practices.

RWWA is committed to improving its sustainability practices and principles.

OTHER LEGAL REQUIREMENTS

ADVERTISING

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

Total expenditure for 2015/16 was \$8.7M and was incurred as follows:

Advertising Agencies	\$000
303 Lowe	2,233
Brand Agency	98
Egg Design Group	3
Sumo Group	95
Captivate Global	8
B Better Broadcasting	161
Market Research Agencies	
IER Pty Ltd	145
IPSOS	123
OmniPoll	3
Media Advertising Organisations	
Croc Media	45
Facebook	50
Google Adwords	209
Twitter	1
Redwave Media	40
The West Australian	2,101
Western Sports Media (Sport FM)	36
Perth Advertising Serv	1
Southern Cross Austereo	15
Radio 3UZ	202
Media Agencies	
Adcorp	17
Carat	3,035
Isentia (Media Monitors)	35
Direct Mail	
Engage Digital	72
Telstra SMS Services	15
TOTAL	8,743

RECORD KEEPING

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

To maintain accurate records a schedule is in place to conduct testing of records integrity on an ongoing basis. This schedule was used during 2015/16 for checks of records held at offsite storage, on RWWA's intra-web and on central databases. The process includes cross referencing of information recorded on the intra-web with permanent and temporary records archived both onsite and offsite.

CHAPTER 3 / DISCLOSURES & LEGAL COMPLIANCE

GOVERNMENT POLICY REQUIREMENTS

OCCUPATIONAL SAFETY AND HEALTH

In accordance with Western Australian Occupational Safety and Health (OSH) legislation, the RWWA Board and executive team are committed to providing a safe and healthy working environment for all staff, contractors and visitors to the organisation. The RWWA OSH Policy and associated procedures seek to promote the proactive management of workplace safety, health and wellbeing throughout all levels of the organisation by setting measurable key performance indicators that are tracked over a twelve month period. The key performance indicators have been identified in an effort to control high risk work activities and minimise risk exposure whilst improving the standard of OSH management throughout RWWA and the wider racing industry.

As the primary resource, the RWWA OSH Advisor is tasked with continuing to develop the internal OSH management standards within the organisation in addition to ensuring that the RWWA OSH Committee continues to meet regularly and act as an additional means of internal communication and consultation on OSH matters. During 2016/17, there will be an increased focus on addressing the OSH risks faced by RWWA staff, contractors and visitors at the two Industry Training Centres and throughout the TAB agency network. This is in addition to further expanding available OSH training via the OnTRACK training program where certain roles or job types at RWWA will be required to complete mandatory safety and health training modules as identified by the training and development team.

Recent improvements to the RWWA OSH management system, including updated safe work procedures, workplace inspection records and the development of a new online hazard and incident report process, have sought to maintain legislative compliance with the Western Australian Occupational Safety and Health Act 1984 and Regulations 1996. The RWWA OSH management system also

seeks to maintain compliance with the Workers Compensation and Injury Management Act 1981 via the management of all workers compensation claims, including the completion of return to work plans and the provision of vocational rehabilitation as and when required. Regular workers compensation claim reviews involving representatives from RWWA and the insurer RiskCover will continue during 2016/17 to ensure that active claims are being appropriately managed and finalised in an appropriate time frame.

INSURANCE AND LOST TIME INJURY TABLE

MEASURE	ACTUAL RESULTS		RESULTS AGAINST TARGET	
	2014-15 ⁽¹⁾	2015-16 ⁽²⁾	TARGET	COMMENT ON RESULT
Number of fatalities	0	0	0	Target Achieved
Lost time injury and/or disease incidence rate	0.76	0.26	0 or 10% reduction	Target Achieved
Lost time injury and/or disease severity rate	0	0	0 or 10% reduction	Target Achieved
Percentage of injured workers returned to work:			Greater than or equal to 80%	Target Achieved
(i) within 13 weeks	100%	100%		
(ii) within 26 weeks	100%	100%		
Percentage of managers trained in occupational safety, health and injury management responsibilities	66%	71%	Greater than or equal to 80%	Target Not Achieved

Note (1) Comparison year is 2014/15.

Note (2) The current year is 2015/16.



2016 ANNUAL REPORT



RACING AND WAGERING WESTERN AUSTRALIA

RACING AND WAGERING WESTERN AUSTRALIA



Statement of Corporate Intent 2015 - 2016

Racing and Wagering Western Australia

14 Hasler Road
 OSBORNE PARK WA 6017
 T: (08) 9445 5333
 F: (08) 9244 5914
www.rwwa.com.au

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INTRODUCTION

Racing and Wagering Western Australia (RWVA) was established on August 1, 2003. RWVA's charter under the *Racing and Wagering Western Australia Act 2003* is to foster development, promote the welfare and ensure the integrity of metropolitan and country thoroughbred, harness and greyhound racing in the interests of the long-term viability of the racing industry in Western Australia.

Section S77(1) of the *Racing and Wagering Western Australia Act 2003* requires RWVA to produce a Statement of Corporate Intent (SCI) that is consistent with Strategic Development Plan which in this instance reflects the 2015-16 financial year and in particular sets out RWVA's objectives, main undertakings for the year, the nature and scope of the functions proposed to be performed, performance targets and accounting policies. The Strategic Development Plan was submitted to the Minister in April 2015.

RWWA'S OBJECTIVES

RWWA's objectives are set out in our "Clear line of sight". The Clear line of sight aligns the management priorities to address our strategic challenges with our cultural enablers that together will ensure we continue to achieve our vision and purpose.

The strategic challenges and management priorities are as follows;

Our Strategic Challenges

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

Our Management Priorities

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

SUMMARY OF STRATEGIC INITIATIVES AND ACTIVITIES

RWWA will continue to focus strongly on customer strategies to deliver wagering growth and has a coordinated set of initiatives to achieve them.

A key part of RWWA's purpose in providing a sustainable future for the racing industry is to ensure its funding is maintained at appropriate levels, recognising that the racing industry nationally is becoming increasingly competitive, as racing bodies chase the income and sponsorship that accrues to quality and competitive racing products.

WAGERING

Critical to RWWA's success in delivering on its purpose is how successfully it chooses initiatives to invest in, and how quickly and cost effectively it is able to implement those initiatives that will deliver the best returns for the industry. In addition to maximising its revenue from wagering, RWWA is constantly looking for innovative ways to reduce costs without impacting its revenue objectives. The key challenges that RWWA faces and the strategies that are being implemented are described below:

Improve the Capacity to Deliver Customer Loyalty

RWWA has worked hard to improve its customer service and price competitiveness as part of its 'Customer First' values approach. Nevertheless, the ability to retain customers in the face of intensifying competition requires RWWA not only match the offerings of its competitors but also to offer something unique in the market.

The system architecture to support these initiatives is only partially complete with more development to occur.

Adapt the Retail Business to the Digital Age

Like many other retail businesses, this channel faces increasing challenges, especially the full time agencies, as customers migrate to the digital channel and mobile devices in particular. It is extremely important to ensure that the best possible experience exists in the retail stores as a compelling alternative to wagering online. RWWA's retail channel requires important changes and prudent investment in order to optimise the retail offering in the digital age.

The rapid growth of mobile wagering and the use of mobile apps to provide additional experiences, information and value are allowing the business to reposition the retail and electronic businesses as cross channel complimentary services. A new "Bricks and Clicks" operating model is now emerging.

One of the most significant innovations in retail revolves around the deployment of the race and sports walls technology. The development of the Racewall technology has given RWWA the opportunity to fundamentally change and improve the retail customer experience. The Racewall's 'next race to jump' nature not only assists our customers in their management of a busy race day but also allows them to be better informed with more wagering detail. Essentially it allows vision, form and both tote and fixed odds prices to be displayed in a simple and easy to read digital visual format.

Product Innovation

Product innovation within its existing wagering licence is one of the areas in which RWWA can seek to sustainably grow its revenue base and share of the overall wagering market. Over the past couple of years RWWA has trialled and developed a number of wagering initiatives.

RACING

RWWA distributes funds to the racing industry using a structured framework called the Distribution Model. The model meets all statutory requirements.

During the period 2009 through 2011, in conjunction with the racing industry stakeholders, RWWA developed strategic plans for all three racing codes. Reviews of the Distribution Model funding framework are conducted in light of those strategic directions for the industry, with all three code plans focussing on driving improved performance, greater sustainability and ensuring the long-term positive future for Western Australian racing.

The Strategic Plans and ongoing revision of the Distribution Model take into account the independent nature of the individual codes, each having quite different needs and requirements. These include unique participant and punter attractions, upon which their future viability is dependent and therefore determination of the funding model requires relevant strategies specific to the needs of each code.

Participation in the Western Australia Racing Industry

RWWA encourages participation in the racing industry via attractive base and feature race stake money levels, rewarding industry participants across three codes with local breeding schemes and a sustainable return on investment through prize money (stakes), rider and driver fees. Continual revision of the Plans ensure new strategies are implemented which promote the primary areas of participation – ownership retention and growth, breeding, animal and human training, welfare, general assistance and support of the racing industry where need is required. RWWA is providing training and sustaining employment across a wide variety of occupations, and actively creates career paths in administration, judges and racing administrators, stewards and other official roles as well as apprentice jockey development.

Over recent years RWWA has broadened its communication to industry through consultation with industry eligible bodies, clubs and individuals, Outreach Information session across the State and racing industry forums and symposiums.

RWWA has set key objectives for the industry over the next 3-5 years in relation to linking licensing of industry participants to accredited training competencies, reviewing the size and scope of the industry participant base – registered persons, breeders, owners, trainers, jockeys and drivers to enable a sustainable and viable racing industry into the future. We are particularly focused on those areas of declining participation, to arrest any negative trends and provide strategies for retention of existing numbers and growth.

Quality of the Racing Product in Western Australia

RWWA's funding of the industry is highly motivated by the quality of product emanating from the racing industry breeding schemes; our reputation in terms of integrity, having a strong ownership base and that the WA racing industry has a sound foundation for driving increased performance across all breeding, training, animal welfare, club and punter segments.

Ongoing support of structured industry training and accreditation programmes for participants further enhances racing in Western Australia from an industry employment perspective, whilst initiatives across all three codes for breeding schemes encourages sustainable investment and interest in the breeding and animal rearing sectors. RWWA maintains a strong focus on those declining areas of the racing product and supports strategies that will improve the WA racing product, assisting in promoting breeding of quality progeny for West Australian stakeholders across all codes.

Efficiency of RWWA Racing Model

As the principal racing authority for the three codes in WA, the *Racing and Wagering Western Australia Act 2003* prohibits RWWA from conducting the affairs and supervision of a registered racing club and limits our ability to direct clubs in respect to safety compliance and to produce records.

Whilst RWWA consults widely with industry stakeholders and in particular, with club administration on a regular basis, it is becoming increasingly evident that many of the racing clubs heavily rely on RWWA for support and assistance on administrative requirements, Occupational Health and Safety (OSH) and in some cases financial management.

The role of the racing clubs are to 'Event Manage' their race meetings. That is to:

- Advertise, promote and provide race meetings which attract on-course attendees;
- Conduct betting activity on their own meetings; and
- Generate on-course revenue from gate receipts, food and beverage, on-course totalisator operations, hospitality, functions and sponsorship.

With increasing competition from other wagering operators and entertainment options, attaining optimum profitable results in these areas of income is becoming increasingly difficult.

In light of this general downturn at the club level, the RWWA Board and Management are focusing on this as one of its key strategic issues and are in the process of defining what RWWA needs to do now and in future years to assist and sustain the viability of clubs operating in WA. Many of the clubs are being supported through marketing assistance, with future plans to rollout race wall technology at the metropolitan race clubs, the first floor public facility at Ascot being already completed. This will enhance the on-course experience for punters and assist in arresting the declining trend of on-course wagering.

RWWA remains committed to advancing this strategic direction across the wider racing industry sector, through the industry associations and with the club sector. Regular communication to regional and metropolitan stakeholders, incorporating discussion over key funding initiatives, RWWA's trading trends, race programming, wagering activity, etc. and through its official publication distributed to the industry, will ensure the key issues affecting clubs and participant sustainability are being addressed.

Delivering on our Purpose

RWWA's Purpose is to "Provide a positive sustainable future for the Western Australian Racing Industry".

Arising from the 2012 Industry Economic Review (IER) of the Western Australian Racing Industry, there have been a number of strengths identified within the racing industry's employment, club and participant sectors. RWWA remains committed to the continued sustainability of the industry and longer-term viability of those who participate. RWWA has had a focus over recent years of minimising costs in its operations and by maximising returns from its Parimutuel and Fixed Odds wagering, it has been able to deliver strong growth to meet its goals and objectives. Distribution funding to the Racing industry in 2015-16 is forecasting an increase of \$7.7M over the amount provided in the 2014/15 SDP.

Both the Strategic Plans and Distribution Model going forward, equip the industry with proactive and targeted strategies to defend against threats and unforeseen conditions confronting the Racing and Wagering industry.

RWWA adheres to best practice initiatives in relation to integrity and welfare and continues to maintain this high standard on the race track and off as animals retire from racing. RWWA introduced *Off The Track WA*, an initiative that will provide a retirement and re-homing programme for equine racing animals as they complete their racing careers. It also assists the greyhound code by providing funding to the Greyhound as Pets (GAP) program.

RWWA continues to acknowledge a key threat to the racing industry is increased animal activism. Whilst our strategic direction includes programmed initiatives to mitigate against this and other threats, the controls in place regarding the use of whips in Thoroughbred and Harness racing, the issuing of licenses for the exportation of Greyhounds and the introduction of responsible animal breeding in racing, all assist in ensuring that Western Australian racing is able to defend itself against such threats.

Racing Industry Grants and Development

RWWA's strategic position for race clubs is for racecourses to be developed with modern and comfortable facilities for patrons and to provide the safest racing for the utmost integrity of the racing product. Clubs must strive to introduce a number of advancements that include:

- Presentation of a modern, visually exciting product, both in terms of quantity and quality for both on-course and off-course punters;
- A plan to protect the environmental sustainability of the industry, including minimisation of water use (mostly relevant to metropolitan and regional zones);
- Meeting the expectations of the on-course patron, in the entertainment market, particularly encouraging the high-value off-course punter to come on-course;
- Addressing the operational needs of the racing industry participants, with a focus on the racecourse as a workplace; and
- Servicing the essential needs of horse training by providing high quality, affordable training infrastructure.

With both Racecourse Infrastructure Grants Programme (RIGP) and Royalties for Regions (RfR) funding to be fully committed by the end of 2014-15 it is critical that further infrastructure funding support be forthcoming for the racing industry if it is to retain patronage as expectations when attending recreational and sporting pursuits are on the increase. RWWA has undertaken to provide additional marketing support for the Race Clubs, as indicated within this report, in order to assist the clubs in driving on-course participation.

Whilst RWWA has made a sizeable capital works contribution in the year just past, particularly the Cannington redevelopment project for greyhound racing (\$13M) and the installation of the Pro-Ride synthetic thoroughbred training track at Ascot (\$4M), it is important to note that RWWA cannot fund the full extent of racing industry infrastructure requirements in the future and further support from the Government must be sought to address important funding for WA race clubs. Compliance with Occupational Health and Safety is essential for both racing and training facilities and a key platform for maintaining the highest level of integrity.

The clubs currently have the following funding mechanisms available to them to undertake capital infrastructure projects:

- Racecourse Infrastructure Grants Programme;
- Royalties for Regions; and
- RWWA Funded Grants.

The following sub-sections detail the different Grant programmes.

Racecourse Infrastructure Grants Programme (RIGP)

The Minister for Racing and Gaming announced a State Government funding commitment of \$13M over five-years (2010-15), on a partnership basis for racecourse infrastructure in July 2010. The aim of the RIGP is to support the establishment or improvement of infrastructure that is critical to the conduct of racing and/or training activities in both metropolitan and regional Western Australia.

Race clubs, official training centres and allied bodies across the State are entitled to make application for funding under the new Racecourse Infrastructure Grants Programme (RIGP). In past years the Government's Grant Fund was available only for country and regional racecourse rehabilitation; however RIGP funding will apply to all venues, including the metropolitan region.

Since its introduction 166 projects throughout the State have been completed as a result of this funding support. Major initiatives include the construction of the Bunbury Trotting Club's trackside restaurant, refurbishment of the Mandurah Greyhound Track public facilities, Pinjarra Park Race Club's kitchen/cafe improvements, grandstand roof replacement, requisite hydraulic works, replacement of the Gloucester Park semaphore board, Bunbury Turf Club's patron facilities improvements and construction of raceday stalls, major renovation of the Broome Turf Club's racetrack, upgrade of the Kalgoorlie Race Club electrical system, Geraldton Turf Club's kitchen and ablutions renovations, roll out of steward tower replacements at Bunbury Turf Club, Narrogin, Northam Race Club, Albany Race Club, Esperance Bay Turf Club, Mt Barker Turf Club as well as minor works across all codes and regions addressing OHS and animal welfare requirements.

As of March 2015, 211 grant proposals with a total cost of \$21.2M have been approved or committed in principle, of which \$10.8M is funded through RIGP. Out of the full \$13M of RIGP funding, \$2.2M remains to be committed or approved in principle by the end of June 2015 with all projects to be completed and acquitted during the 2015-16 financial period. While no funding beyond 2014-15 is included in the SDP financials, RWWA is confident that the program will continue beyond 2014/15 with the amount to be confirmed before the start of 2015-16.

Royalties for Regions (RfR)

A Royalties for Regions (RfR) funding boost of \$6.6M over three years, to supplement the Racecourse Infrastructure Grants Program, was announced in December 2012.

The funding boost is provided to racing clubs in regional Western Australia, with access to funding that will enable them to undertake and complete infrastructure projects that are critical to the ongoing operation of those clubs in tandem with the RIGP funding.

Projects are evaluated on the basis of the strategic needs of the race clubs with particular consideration being given to OHS issues, licensing requirements and patron amenity that will promote and maintain industry sustainability.

As of March 2015, 104 Royalties for Regions supplementary grants have been approved or committed to 'in principle' to a value of \$3.6M from a total project cost of \$8.8M. The remaining \$3M will be approved or committed in principle by the end of June 2015 with all projects to be completed and acquitted during the 2015-16 financial period.

The major regional projects include the York Race Club's construction of the raceday and public amenities, steward tower replacement programme across most regions, refurbishment of the

Mandurah Greyhound Track public facilities, electrical upgrade at Kalgoorlie Boulder Race Club and further rollout of plastic running rail to York Race Club and Esperance bay Turf Club.

Each Regional Development Commission area has benefited from the grant funding allocation, the major recipients being the Wheatbelt, Goldfields Esperance, Great Southern, South West and Peel regions.

While no funding commitments from Department of Regional Development (DRD) have been included in the SDP beyond 2014-15, RWWA is confident that ongoing discussions with the DRD will result in new funding allocations from 2015-16.

RWWA Funded Grants

RWWA has continued to assist those clubs with projects valued outside of the funding guidelines of the RIGP and Royalties for Regions.

The major projects completed within 2014-15 include the reconstruction of the synthetic race training surface at Ascot Racecourse totalling \$4M, the winter racing requirements for Pinjarra Race Club including the rebuild of the Pinjarra straight course and facility works for the tote area, patron area, formalised carpark and drainage totalling \$1M. \$13M has also been allocated for the development of a new Greyhound racing circuit and ancillary facilities at Cannington.

RWWA has allocated an amount of \$5.7M in 2015-16 including a contribution towards a new irrigation system at Belmont (\$1.2M), a marquee at Cannington (\$0.9M) to complement the new race track completed in the 2014-15 financial, a contribution towards a new vision system at Perth Racing (\$0.9M), Racing Marketing Grants (\$1M), essential infrastructure grants (\$0.5M) as well as a contribution to Gloucester Park towards marketing the Inter Dominion.

In the years following 2015-16 an amount of \$1M has been included for racing marketing together with an amount of \$0.5M for essential infrastructure requirements.

DISTRIBUTION OF FUNDS

Table 1: Racing Industry Distributions for 2015-16

Racing Industry distributions are made up of RWWA profits / retained earnings and government grants received through Western Australia Race Fields Legislation.

Section 77 (2) c of the Racing and Wagering Act 2003 requires RWWA to disclose the proportions of industry distributions to the classes of racing clubs as shown in the following table.

Track Class	Thoroughbreds		Harness		Greyhounds	
	(\$000's)	% of Code	(\$000's)	% of Code	(\$000's)	% of Code
Metropolitan	47,884	58.8%	19,921	57.3%	9,654	55.0%
Country	32,756	40.2%	14,482	41.7%	7,886	45.0%
RWWA *	842	1.0%	350	1.0%	0	0.0%
Grand Total	81,482	100.0%	34,752	100.0%	17,540	100.0%

* Represents distributions which by their nature cannot be separated by location

Table 2: Sports Distributions for 2015-16

Sports Distribution (\$000's)	4,194
as a percentage of Sports MAT	20.50%

Table 3: Racing Distribution Funding for 2015-16

Section 77 (2) d(a) of the Racing and Wagering Act 2003, requires RWWA to disclose the proportions in which the grant income from Racefields revenue will be distributed to the classes of racing clubs as shown in the following table.

Distribution Funding Source	(\$000's)	Thoroughbreds	Harness	Greyhounds	Total
Racefields Grants Income		25,415	10,650	5,586	41,651
Wagering Revenue		56,067	24,102	11,954	92,123
Total Racing Distributions		81,482	34,752	17,540	133,774
Racefields revenue code allocation %		61.02%	25.57%	13.41%	100.00%

KEY PERFORMANCE INDICATORS

Key Performance Indicators	2015/16
Number of bets processed (% Change from prior year)	3.80%
Distribution to Racing and Sports (\$000)	137,967
Distribution to Racing and Sports (% Change from prior year)	5.39%
Number of staff (FTE)	365
Return on Assets (%)	87.04%
Return on Assets (% Change from prior year)	3.36%
Primary Betting System availability (%)	99.96%
Primary Betting System availability (% Change from prior year)	0.00%

ACCOUNTING POLICIES

Policies adopted in the preparation of the accounts for the period of this Statement of Corporate intent are consistent with the Accounting policies outlined in RWWA's Annual Report.

REPORTING REQUIREMENTS

RWWA undertakes financial reporting of its business activities in accordance with the requirements of the *Financial Management Act 2006* ("the Act") and *Treasurer's Instructions*. RWWA also provides information for regulatory and monitoring purposes to the Gaming and Wagering Commission and other government agencies as required. RWWA also provides information to the Minister for Racing and Gaming and to Parliament when requested.

The Act also requires RWWA to produce an annual report comprising a report on the operations of the organisation, performance indicators and financial statements.

In addition to the above legislation, RWWA in the performance of its function, must and will comply with any other legislated reporting requirements.

RWWA is also required to provide information to State Treasury under the *Government Financial Responsibility Act 2000*.

-...End....-