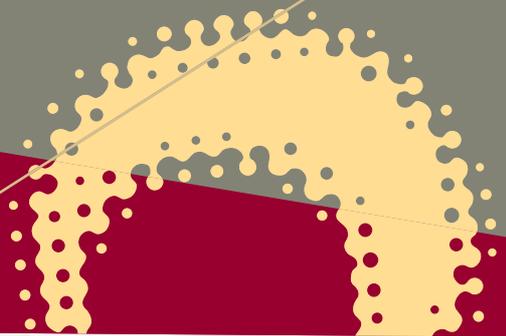


Annexure 3 - TOTE Tasmania annual report 2007 / 2008

TOTE TASMANIA ANNUAL REPORT



in 1872

gates open at 8am in 1872

at 8am in 1872



2007-2008





Annual Report

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From the Chair

The past financial year has seen TOTE Tasmania once again deliver a strong result.

Compared to 2006/07, overall turnover for 2007/08 increased by almost 30 per cent to a record \$498 million.

The majority of the growth was generated from customers resident outside of Australia and from customers betting via their accounts over the Internet and telephony services, with this turnover increasing by 80 per cent.

In other results, Sportsbet turnover increased by almost 164 per cent (\$11.8 million), broadcast income through TOTE Sport Radio increased by 11 per cent and on-course turnover increased slightly as a result of a very strong AAMI Tasmanian Summer Racing Carnival.

It is worth noting that without the impact of the Equine Influenza (EI), these results would have been even stronger, with EI resulting in an estimated \$1.8 million in lost revenue and additional costs. The loss of product for more than three months as a result of EI impacted adversely on turnover for telephone betting, retail outlets and hotels.

The increases TOTE Tasmania enjoyed in turnover and revenue were partly off-set by expenditure increases, predominantly wagering and pooling fees paid to Tabcorp.

TOTE Tasmania distributed a record \$23.7 million to the Tasmanian Racing Industry in 2007/08, up from \$20.4 million in 2006/07. This figure did not include an additional \$4.3 million injected into the industry through the Tasmanian Government's licence arrangements with Betfair.

This very strong performance enabled the company to record a consolidated net profit before tax of \$4.1 million, and an after tax result of \$2.9 million.

By anyone's standards, 2007/08 was a very positive year for TOTE Tasmania, but it was not without its challenges.

Despite the strong financial performance of TOTE Tasmania, certainty about the future for racing in Tasmania and nationally is not clear. Wagering and racing in Australia have moved to a new business model where competition

for punter spend is fierce. With the advent of race fields legislation, each state will prosper or fail based on the appeal of the racing it produces and whether customers locally, nationally and internationally are willing to buy it.

TOTE Tasmania has seen movement in the mix of wagering on Tasmanian product compared to national and international product over the last couple of years. Wagering on Tasmanian product accounted for 8.7 per cent of total turnover in 2005/06, but this figure fell to 6.8 per cent in 2007/08.

Further, following its bold move to embrace Sunday racing in 2001/02, when Tasmanian product was ranked at or near the top of the product offered on Sky Channel on that day, Tasmanian thoroughbred racing averaged seventh ranking (of eight regular meetings) for the last quarter of 2007/08 in terms of turnover via the Supertab and NSW pools, with a high of fifth. Further, whilst greyhound product on Thursday nights ranked on average in the middle of the product on offer, Sunday twilight harness racing ranked on average near the bottom of the product in that timeslot.

Accordingly, the Board turned its focus to the need for a review of the governance model of racing in Tasmania, from both an integrity and commercial perspective, for the overall benefit of the industry going forward.

The Board identified the need for a major review of the Tasmanian racing model and prepared a submission to this effect for the consideration of the State Government.

From the outset, the Board indicated that it was important to ensure the industry was well placed to deliver the quality of product required by its customers to ensure its ongoing prosperity.

The review was never about cutting costs or centralising control of the industry within one organisation – it has always been about the development of a strong governance model that secures the industry's future by having the capacity to capture the opportunities as they present.

In addition, the changes in funding resulting from the introduction of Race Fields Legislation offers the opportunity to generate income from customers regardless of where they bet. This new approach increases the need to ensure Tasmanian Racing has the widest appeal possible.

Again, producing appealing Tasmanian racing which is able to compete with that produced in other states and internationally is seen as the most logical way to proceed for the industry.

I have taken a particular interest in international business development over the past 12 months.

I travelled extensively throughout the year to meet with new international clients. Importantly this opportunity provided me with an appreciation of the global market place in which we operate and confirmed my view that the future for racing in Tasmania is not what it used to be.

I am very pleased to be able to report that The TOTE is not only highly regarded but has strong approval ratings in terms of world's best practice.

Finally, I would like to acknowledge the contribution of Chief Executive Officer Craig Coleman, the senior management team and all TOTE Tasmania employees for their work during this reporting period.

The 2007/08 financial year has presented its fair share of challenges and opportunities. Craig and his team have managed these issues with enthusiasm and professionalism.

In closing I would like to thank my fellow Board Directors for their support and counsel and their ongoing contribution they make to the governance of the company.



Michael Kent AM
Chairman



Board of Directors



1 Mr MJ Kent
AM KCSJ JP

Well-known Tasmanian businessman. Chairman of the Board and Remuneration Committee, he is also Chairman of the Statewide Independent Wholesalers and holds directorships with a number of other commercial and not for profit organisations.

2 Mr D Cooper

Hobart lawyer with longstanding involvement in harness and thoroughbred racing. Former Chairman of Harness Racing Tasmania and current Honorary Legal Counsel for Harness Racing Australia. Also Chair of the Racing Committee.

3 Mr DJ Pettiona

Melbourne businessman who is the Executive Director of a financial services organisation. He has held several directorships in information technology companies and holds a non-executive role with Findlay & Co. Stockbrokers Ltd.

4 Mr WK Downie

Hobart businessman with extensive interests in the optical industry. A director of the former Totalisator Agency Board. Chair of the Insurance Committee. Director of a number of private companies and not for profit organisations.

5 Mr BR Speers

Former Managing Director of the Tasmanian division of a national insurance broking group. A past chairman of the Tasmanian Racing Club Inc. Chairman of The Advisory board of Marsh Pty. Ltd., Director of the National Board of the Little Company of Mary (Calvary Hospitals) and Chairman of Tilford Motors Pty. Ltd.

6 Ms EM Platcha

Business based consultant with extensive experience in financial management and business administration. Chair of the Audit Committee. Director of Tasplan. Also Chair of the IT Committee.



From the Chief

As noted in the Chairman's report, TOTE Tasmania enjoyed a very solid 2007/08 financial year.

The business growth detailed in this document is obviously welcome.

Importantly, our international strategy was the main driver of this growth with an estimated 70 per cent of pari-mutuel increase coming from international business. This is new international business to Australia that increases depth in the SuperTAB pools.

TOTE Tasmania's agency arrangement with Betfair, that provided the organisation with access to Betfair's global customer base of more than one million punters, added substantially to the pari-mutuel pools.

Under the agency agreement, Betfair's customers are given the opportunity to bet on The TOTE products.

We strongly believe that the new relationship is a logical step for the national industry to offer wagering services to a new set of international customers.

Looking to the future, attracting international customers is anticipated to add millions of dollars in turnover. This turnover supports racing in other states through improving the depth of the SuperTAB pool and increasing the amount of pooling fees paid to

Tabcorp some of which flow to the Victorian racing industry. As Race Fields legislation rolls out to all states, each will directly benefit from the new business brought to Australia by TOTE Tasmania.

It is important to note that TOTE Tasmania has actively discouraged the transfer of business from other jurisdictions given the negative impact such a move could have on these states and the quality of product they are able to offer as a consequence.

In last year's annual report I wrote that it was important "...for us to work together with our industry partners to deliver innovation and excellence for the ultimate benefit of our customers and the industry."

In this annual report the Chairman has written about the Board's early identification of the need to review the governance model of the Tasmanian Racing Industry to secure the industry's future.

Put simply, Tasmania needs to be able to offer a competitive product that has national and international appeal.

It is vital that this message gets through to all industry participants and there is an appreciation that we need to work together for our long-term benefit.

Looking to the future, attracting international customers is anticipated to add millions of dollars in turnover which supports racing nationally through improving the depth of the SuperTAB pool.

Craig Coleman
Chief Executive Officer





For its part, TOTE Tasmania has worked to improve its understanding of its customers' requirements, allowing us to build a delivery model that will help us to continue to grow our international business.

TOTE Tasmania is a racing business first and a wagering business second – but the two are closely linked as wagering turnover is directly responsible for funding levels for the operation of the racing industry.

A record \$23.7 million was distributed to the industry in 2007/08, up from \$20.4 million the previous year. Betfair funds added another \$4.3 million to this figure.

Given this link, it is very important for TOTE Tasmania to continue to explore new revenue generation opportunities. This focus will continue to be on the international market where TOTE has already achieved good growth.

This further reinforces the Chairman's message in terms of the need to review the governance model of the industry in preparation for future sustainable growth. In addition to this industry funding, TOTE Tasmania also provided significant funding for capital works.

At the time of publication, the \$10 million Tasman Park redevelopment was nearing completion.

TOTE Tasmania consulted with industry representatives regarding the design of the track, and undertook extensive research before identifying a StrathAyr track as the most suitable.

While the Tasman Park redevelopment comprises a major upgrade of the thoroughbred track, improvements to the grandstand, public facilities and administration facilities have also been completed.

The Tasman Park redevelopment is part of TOTE Tasmania's ongoing plan to ensure Tasmania's racing venues are equal to any in Australia.

StrathAyr has a strong reputation as a world leader in the science and application of turf production and we are confident its experience, developed interstate and internationally, will be a positive for the racecourse and the thoroughbred industry in the long-term.

The outbreak of the Equine Influenza (EI) obviously impacted on our business in 2007/08. Thankfully there were no confirmed cases identified in Tasmania.

The EI outbreak cost The TOTE an estimated \$1.8 million in lost revenue and extra costs. The performance of telephone betting, hotels and retail outlets was affected.

Pleasingly, our international strategy protected the organisation from any major impact in terms of revenue and what we were able to return to the industry via stakes.

In closing, I would like to thank the Board, the senior management team, all employees and industry stakeholders for their strong support since my appointment last financial year.

2007/08 has been an extremely busy period for TOTE Tasmania and the industry as we prepare for further change.

My colleagues and I at TOTE Tasmania are looking forward to an exciting future and working together with our industry partners to secure that future for the industry and the broader Tasmanian economy.

Craig Coleman
Chief Executive Officer



WAGERING

Wagering

Sam Swanell
National Sales Manager



The Wagering Division of TOTE Tasmania delivered an outstanding result, with total turnover across all products and channels up 30 per cent to \$498 million.

The TOTE's international strategy was the main driver of growth - increased turnover was generated through non-Australian clients across multiple continents.

Importantly, this business represented new turnover to the Australian wagering market and increased depth to the SuperTAB pool.

These international clients contributed to the fact that 66 per cent of all turnover came via account betting, with the remaining 34 per cent cash betting through The TOTE outlets in Tasmania.

Pari-mutuel wagering was up 27 per cent to \$478 million.

As has been the case in previous years, win betting was the most popular bet type, accounting for more than 50 per cent of all pari-mutuel turnover, a slight increase compared to last year. Trifecta bets were the second most popular bet type, with 18 per cent of market share. The increase in pay television

subscriptions and internet connections in Tasmanian homes and internationally has seen The TOTE focus on its internet wagering offer, resulting in the Internet being the strongest growing distribution channel.

Sports betting via The TOTE TAB Sportsbet capitalised on the strong worldwide growth in this sector and, off a relatively low base, grew by 164 per cent to \$19 million. Sportsbet sales now account for four per cent of total turnover and significant increases in turnover are again expected in 2008/09. Agencies, hotels, telephone and the Internet all delivered increases. While AFL, tennis and soccer are the three most popular sports for The TOTE's clients, interest in rugby league and basketball increased substantially.



Within The TOTE's terrestrial network, some significant results were achieved by hard working Licensed Operators in what was a challenging, EI-impacted year.

The Newstead Retail outlet in the north of the state and the Claremont outlet in the south both generated very strong growth figures. The investment by The TOTE in the Howrah area that saw the opening of the Shoreline outlet was vindicated with exceptional growth after its opening in the second half of the year. The largest percentage increase in turnover by a hotel outlet was achieved by the Legana Tavern, up 73 per cent compared to the previous year.

TOTE Tasmania in discussions with the Australian Hoteliers Association (AHA) during the year, as was the case for retail agencies the previous year, delivered an improved remuneration model for hotel operations that commenced in January 2008. TOTE Tasmania has a positive and productive relationship with the AHA.

Like all of its customers and Licensed Operators, The TOTE is keen to see the introduction of new bet types, such as Running Doubles, First Four and Flexi betting. These products and others are planned for introduction in 2008/09, but will be subject to rigorous testing to ensure their stability once available.

Finally, I would like to thank all of the Licensed Operators, and their staff, throughout the Retail Outlets and Hotels around the State for their ongoing dedication and efforts, particularly during the difficult EI-impacted period.

Dennis Verrios
Manager Interactive Business Unit



Corporate Relati



One of the specific goals of the department is to encourage effective communications between TOTE Tasmania and Tasmanian Racing Industry stakeholders.

TOTE Tasmania appointed Wendy Kennedy to the position of Corporate Relations Manager in September 2007.

Ms Kennedy, who previously managed her own communications and production business, has a long association with the Tasmanian Racing Industry.

The Corporate Relations department was established to manage internal and external communications for TOTE Tasmania.

As a consequence the organisation has taken a leadership role in the majority of industry communications associated with racing and wagering.

One of the specific goals of the department is to encourage effective communications between TOTE Tasmania and Tasmanian Racing Industry stakeholders.

Other objectives included enhancing TOTE Tasmania's image and public profile, promotion of the organisation's strengths and racing industry success stories, to continue to re-establish positive relations with industry stakeholders, to promote TOTE Tasmania's strong customer focus,

ensure effective communications within the company and to promote TOTE Tasmania as a good corporate citizen.

Communication mechanisms used by the department include preparation and distribution of media releases / media briefing documents for local, national and international media, media conferences and events, internal employee communication, stakeholder newsletters and web site updates at www.totetasmania.com.au.

The department also worked closely with racing clubs in 2007/08 on an events management and communication strategy. This included a review of existing events and planning for the creation of new events.

Wendy Kennedy
Corporate Relations Manager







RACING

Racing



The decision to install a StrathAyr all-weather track was made after detailed research and lengthy consultation with stakeholders.

Gary Lottering
Chief Racing Officer

It has been an eventful year for racing with one of the highlights being the redevelopment of the thoroughbred track and facilities at Tasman Park.

A large part of the \$10 million redevelopment work was completed during the 2007/08 financial year, with resumption of racing at the venue scheduled for November 2008.

The bulk of the work was undertaken by two Tasmanian companies, StrathAyr and Shaw Contracting. The decision to install a StrathAyr all-weather track was made after detailed research and lengthy consultation with stakeholders. Research shows that the StrathAyr surface provides the best surface for both horses and jockeys from a safety perspective. This impacts positively on animal longevity, reduces costs to owners and assists with maintaining the size of the state's racing stock. The surface also has a longer life-span compared to other surfaces and will be able to better withstand the pressures associated with year-round racing.

Other works undertaken as part of the redevelopment included a reshape of the track to ensure the best racing surface and less impact on the horses,



as well as extensive irrigation and drainage works. Improvements to the grandstand, public facilities and administration facilities were completed in March 2008.

I would like to extend my thanks and appreciation to all resident race clubs for their support and co-operation during the reconstruction work at Tasman Park.

Other racing-related capital investment in 2007/08 included new technology to support digital transmission services for Sky Channel, security, a new set of thoroughbred racing barriers for Tattersall's Park and refurbishment of existing barriers at the state's other thoroughbred racing venues to comply with safety standards, new acquisitions to take account of changing operations and club needs, general equipment and signage.

2008 was the seventh AAMI Tasmanian Summer Racing Carnival (TSRC) to be staged.

The Carnival, which comprises race meetings and supporting social events, provides significant benefits to the Tasmanian Racing Industry and the broader Tasmanian economy and also

provides an opportunity for Tasmania to showcase its racing product to all of Australia.

In 2008 total turnover increased by 11.3 per cent and on-course turnover increased by 6.5 per cent.

Interstate wagering on the carnival increased by 10.3 per cent and fixed odds sports betting was up by 45.2 per cent on all of the feature races covered by this product.

The success of the Carnival was once again enhanced by the strong working relationship between TOTE Tasmania and the host racing clubs. In this respect, the Chief Executive Officers of each club and their respective teams are to be congratulated for another job well done.

I would also like to thank sponsors – AAMI, The Federal Group, Tamar Ridge, Swettenham Stud, Boags, Tasman Group, Moorilla, Tattersall's and Myer for their significant contribution and support of the Carnivals.

TOTE Tasmania has, over the last four years, assumed a key role in conducting the annual Tasmanian Thoroughbred Yearling Sale, working

closely with Magic Millions Pty Ltd and Thoroughbred Breeders Tasmania. The overall result has delivered a professional sale with both the sale average and gross increasing each year. The 2008 sale average exceeded \$16,700 (\$15,518 last year) with the gross exceeding \$1.8 million (\$1.7 million last year).

In addition, nominations for the sale have more than doubled, as local breeders now have a selling outlet where they can realistically make a profit on well bred and presented yearlings. The positioning of the sale in AAMI Launceston Cup week is advantageous as many interstate trainers with runners at the Launceston leg of the carnival attend the sale.

This year's sale was well supported by local purchasers, a demonstration of the strength of the Tasmanian industry and the availability of increased prize money.

RACING *[continued]*

The results from the Harness Yearling Sale were also very pleasing – the sales aggregate in 2008 was \$137,850 (41 lots) compared to \$83,750 (53 lots) last year. Nine of the 27 lots were sold to interstate buyers.

The sale, now in its third year, benefited this year with the appointment of Graeme Board & Co Aussco as selling agent.

Turning to Harness Racing, it is pleasing to note that more than \$500,000 in stakes was offered during the second V75 Tasmanian Harness Racing Carnival in December 2007. While this Carnival is still in its inception stage, both TOTE Tasmania and the host clubs are delighted with its growth. Importantly, the Carnival attracted significant local and interstate media coverage.

The Carnival commenced in Launceston on 9 December, moved to Devonport on 16 December and then finally to Hobart on 23 December. Once again I would like to take this opportunity to thank the Tasmanian Pacing Club, Launceston Pacing Club and the Devonport Pacing Club, their Presidents, Secretaries and respective teams for their hard work.

The main racing focus was the Grand Circuit and mares races. Both attracted quality fields and saw a new track record established in the Hobart race.

The Carnival has an international flavor thanks to ATG, the Swedish-based TOTE which is the Carnival's naming rights sponsor through its V75 wagering products. The groundwork has been established to develop the Carnival further and to firmly establish its place on the national harness calendar.

This year TOTE Tasmania initiated a review of the funding model allocated to the harness code recognising that the previous funding model did not provide sufficient incentive to clubs to improve the offer to customers.

The objective was to review the overall level of funding while at the same time providing incentives that rewarded the efforts of clubs that contributed to the growth of the industry.

After extensive consultation and a workshop with clubs and code representatives, details of a new funding model were provided to clubs. The model provides a simpler and more equitable structure, guarantees minimum payments to them to cover costs and encourages clubs to increase wagering turnover.

The model, which has been generally well received by each club, will also assist in budgeting and aid in strategic decision making and was introduced in 2008/09 with plans to conduct similar reviews with the other codes later in the year.

Several feature greyhound events were conducted during the year, notably the Devonport and Launceston Cups and the Wrest Point Hobart Thousand, Tasmania's only Group One race for greyhounds. This race dates back to 1935 when it began as the Hobart Cup and is the longest running classic event on the Australian Greyhound Racing Association calendar. Again, I would like to record my appreciation of the host clubs and their hard-working committees.

This year's event was particularly significant attracting Australian Test Captain and greyhound enthusiast Ricky Ponting to watch his greyhound, First Innings, compete. He was accompanied by members of the Australian cricket team who were at Bellerive Oval that day. Understandably, this attracted significant local and national media interest.

I would also like to highlight the performances of Tasmanian-owned racehorses and greyhounds on the national stage this past financial year. Our harness horses performed exceptionally across the nation with 20 horses extracting over \$500,000 in prize money from four states. This is the first time that Tasmanian owners have taken more from the interstate clubs than those coming to Tasmania to compete.

Star Tasmanian two-year-old Shez Ryleymak was the best performed, winning a Group One in Melbourne taking her interstate prize money to \$70,000 and close up in earnings was Beena Buster winning races worth a total of \$65,000 in Western Australia.

Deanna Troy earned \$54,000 in stakes in Victoria and NSW while Walton Shaw earned \$46,000 from wins and minor placings on the Victorian circuit.

Yushchenko Leis dominated in Sydney at Harold Park during a purple patch of form collecting \$36,000 in stake money. Our thoroughbreds have also had a brilliant start to the new season.

Two Tasmanian greyhounds dominated national racing – the Shane Whitney duo Chinatown Lad and Fallen Zorro won Group One races in three states and twice filled the quinella in Group events.

The Butch Deverell trained Big Moose also made an impact on the national stage by winning the Gold Cup final on the Gold Coast.

Finally, my thanks and appreciation to the many people, including code representatives, clubs members, registered persons, owners, breeders, race goers and punters, who collectively are so important to the ongoing development and growth of the Tasmanian Racing Industry.



Finance

It is therefore very pleasing to be able to report another solid trading year, recording record turnover by TOTE Tasmania / TAB of \$498 million. This is an increase of nearly 30 per cent compared to last year.

Brett Harris
Chief Financial Officer



TOTE Tasmania operates in a highly competitive environment.

It is therefore very pleasing to be able to report another solid trading year, recording record turnover by TOTE Tasmania / TAB of \$498 million. This is an increase of almost 30 per cent compared to last year.

The increases in turnover and revenue were partially offset by increases in expenditure, predominantly wagering and pooling fees paid to Tabcorp and commission, both of which are a function of turnover.

Without the impact of the Equine Influenza (EI), these results would have been even better, with EI costing TOTE Tasmania an estimated \$1.8 million in lost revenue and additional expenditure (product fees on replacement international product).

Trading highlights for the 2007/08 financial year included:

- Internet turnover increased by 48 per cent to a total of \$30 million, with a further \$89 million in affiliate business through the Internet.
- On-course turnover increased by 0.7 per cent after a strong AAMI Tasmanian Summer Racing Carnival, with on-course turnover up 6.5 per cent during that period.

- Telephone betting turnover fell by 8.1 per cent, retail outlet turnover decreased by 2.4 per cent and hotel turnover was down by 4.5 per cent, primarily due to the loss of product for more than three months due to the Equine Influenza outbreak.

- Sports bet turnover increased by almost 164 per cent or \$11.8 million, with \$6.6 million of that growth coming in June alone.

- Broadcast income at TOTE Sport Radio increased by 11 per cent.

The year end profit before tax was \$4.1 million, compared to \$2.3 million last year, with after tax profit totalling \$2.86 million, an increase of 63 per cent compared to 2006/07. The result compares very favourably with the turnover increase of nearly 30 per cent over the same period.

A record \$23.7 million was distributed to the Tasmanian Racing Industry, up from \$20.4 million the previous year.

Betfair funds added a further \$4.3 million to this figure.

At 30 June 2008 the company's cash position had increased by \$1.2 million to \$6.1 million.

Brett Harris
Chief Financial Officer



Finance



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Information

Over the last six months of the 2007/08 financial year the IT Department has undergone an extensive restructure. This was deemed necessary given that the department is managing several major interdependent projects.



TOTE Tasmania's Information Technology section provides the necessary support to enable the company's strategic direction to be successfully implemented.

Following an assessment last financial year of the status of the department's various projects, the TOTE Tasmania Board approved the IT Development Plan in September 2007.

The approval of the plan triggered significant activity within the department, including recruitment of personnel to work in key roles.

The department now operates 21 hours a day and has introduced an extra shift in race day control to support increased TAB Sportsbet activity and the growing international customer base.

Early in the 2008 calendar year, an internal review was undertaken to identify possible areas of improvement to support the ongoing delivery of The TOTE's key business initiatives.

The review identified a number of framework improvements that are now being addressed as a part of the IT Programme which we are confident will continue to build on TOTE's reputation

as a reliable supplier of wagering services.

Over the last six months of the 2007/08 financial year the IT Department has undergone an extensive restructure. This was deemed necessary given that the department is managing several major interdependent projects.

Work also continued through the year on the new technologies and changes to the systems required to allow TOTE Tasmania to provide customers with the Running Doubles and First Four bet types together with a Flexi Bet option. Running Doubles is scheduled to be released in November 2008 and First Four with Flexi Bet scheduled for the second quarter of 2009.

TOTE Tasmania has a clear strategic IT direction and an appropriate budget allocated for the introduction of new technologies and system development methodologies.

Graeme King
Chief Information Officer





Sport Radio



ANNUAL

total sport

The introduction of the new commercial FM service in Launceston and two Low Powered Open Narrowcast FM services was a key focus for technical staff in 2007/08.

TOTE Sport Radio has enjoyed another year of strong advertising revenue growth.

This growth is attributed to the work of the dedicated sales team and the development of numerous innovative advertising packages and promotional concepts.

In addition to developing relationships with new advertisers, work continued to ensure that TOTE Sport Radio exceeded the expectations of existing clients.

Throughout the year TOTE Sport Radio provided a comprehensive coverage of all sport and racing, and supported all three racing codes in Tasmania through regular live broadcasts from racecourses statewide and weekly information programs featuring interviews, tips and essential information.

The advent of the Equine Influenza brought forward exceptional circumstances and I am pleased to report on-air staff responded to the challenge and drew praise from many sections of the local thoroughbred and harness racing industries.

The introduction of the 'Local Footy Show' has proved popular with listeners and advertisers alike, and further underlines the radio station's efforts to provide a more comprehensive coverage of sport in Tasmania.

The introduction of the new commercial FM service in Launceston and two Low Powered Open Narrowcast FM services was a key focus for technical staff in 2007/08.

The fine tuning of the conversion from AM to FM in the Launceston market continued, with more work required to ensure maximum reach and strength from the FM signal is achieved.

In 2007/08 radio station management worked closely with other TOTE Tasmania businesses for the overall benefit of the company

Steve Adermann
 Manager the TOTE Sport Radio



23

EACH WAY

Score	Name
4.4	WEST GEORGE
4.2	LEVIN MARK
6.0	CEVIAN BAKER
4.4	MARELLI
6.0	DURN BARK
11.0	STAR OF PERSAN
11.0	
13.0	NIVOLARI
16.0	
16.0	SAGAN
4.4	
11.0	TELEMANARY
16.0	
16.0	WINTER DAY
16.0	MURSONQUE
16.0	



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STATISTICAL INFORMATION

Statistical Info

Turnover	2008		2007		+(-) % to LY
	\$	%	\$	%	
Pari-Mutuel					
Thoroughbred Racing	347,807,979	69.8	273,361,944	70.6	27.2
Harness Racing	56,066,153	11.2	51,413,779	13.3	9.0
Greyhounds	70,588,223	14.2	49,598,437	12.8	42.3
Sport	170,793	0.0	167,489	0.0	2.0
	474,633,147	95.2	374,541,649	96.8	26.7
Fixed Odds	22,587,756	4.5	11,118,138	2.9	103.2
Other	1,190,917	0.2	1,446,630	0.4	(17.7)
Total	498,411,820	100.0	387,106,417	100.0	28.8

Turnover by Bet Type

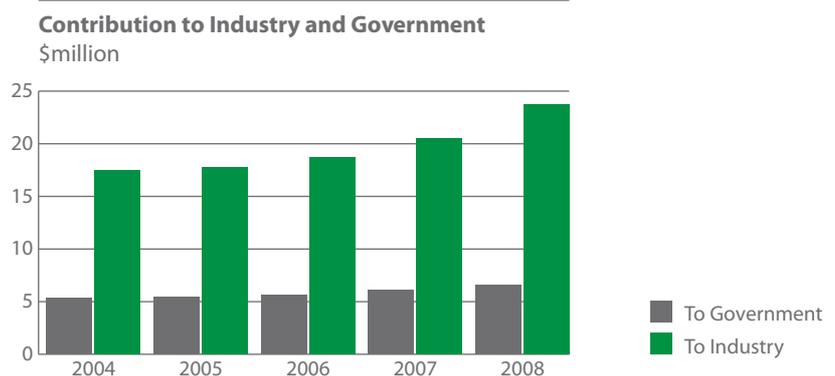
Pari-Mutuel					
Win	253,187,268	50.8	197,152,173	50.9	28.4
Place	64,817,048	13.0	58,048,186	15.0	11.7
Quinella	36,406,501	7.3	30,260,627	7.8	20.3
Exacta	11,657,802	2.3	9,231,619	2.4	26.3
Trifecta	85,663,998	17.2	60,977,832	15.8	40.5
Daily Double	5,053,926	1.0	4,813,667	1.2	5.0
Consolidation Double	1,804,383	0.4	1,401,811	0.4	28.7
Quadrella	15,871,430	3.2	12,488,247	3.2	27.1
Sport	170,793	0.0	167,489	0.0	2.0
Total Pari-mutuel	474,633,147	95.2	374,541,649	96.8	26.7
Fixed Odds	22,587,756	4.5	11,118,138	2.9	103.2
Other	1,190,917	0.2	1,446,630	0.4	(17.7)
Total	498,411,820	100.0	387,106,417	100.0	28.8

Meetings Covered 2007 - 2008	Thoroughbred Racing	Harness Racing	Greyhounds	Total	% of Total
Tasmania	67	96	157	320	4.9
Victoria	486	496	776	1,758	27.1
New South Wales	404	301	631	1,336	20.6
Queensland	329	201	360	890	13.7
South Australia	166	147	226	539	8.3
Western Australia	220	219	240	679	10.5
Other	638	141	189	968	14.9
Total	2,310	1,601	2,579	6,490	100.0

FIVE YEAR SUMMARY

	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$
Performance					
Turnover					
Off Course	486,748,810	375,520,755	310,020,323	291,917,517	277,947,503
On Course	11,663,010	11,585,662	11,564,093	11,291,079	10,295,721
Total	498,411,820	387,106,417	321,584,416	303,208,596	288,243,224
Turnover per Head of Population	1,005	790	658	623	601
Contribution to Government	6,367,275	5,758,660	5,478,007	5,386,696	5,203,745
Income	76,274,054	60,612,694	51,366,652	48,813,556	46,887,012
Expenses	67,491,750	56,108,220	48,953,751	46,932,083	44,880,523
Wagering Profit (before income tax)	8,782,304	4,504,474	2,412,901	1,881,473	2,006,489
Contribution to Racing Industry	23,699,874	20,383,156	18,760,873	17,889,538	17,594,328
	No.	No.	No.	No.	No.
Meetings Covered	6,490	6,267	6,146	5,836	5,653
Selling Outlets	120	120	121	121	125

Percentage Change to Previous Years	%	%	%	%	%
Turnover					
Off Course	29.6	21.1	6.2	5.0	6.1
On Course	0.7	0.2	2.4	9.7	6.1
Total	28.8	20.4	6.1	5.2	6.1
Turnover per Head of Population	27.2	20.1	5.7	3.7	4.9
Contribution to Government	10.6	13.7	1.7	3.5	(9.3)
Income	25.8	17.1	5.2	4.1	7.6
Expenses	20.3	14.6	4.3	4.6	6.4
Wagering Profit (before income tax)	95.0	67.1	28.2	(8.3)	46.4
Contribution to Racing Industry	16.3	8.6	4.9	1.7	8.8
Meetings Covered	3.6	2.0	5.3	3.2	1.9
Selling Outlets	0.0	(0.8)	0.0	(3.2)	(5.3)



DIRECTORS' REPORT

For the year ended 30 June 2008

Directors' Repo

The directors present their report together with the financial report of TOTE Tasmania Pty Limited ("the Company") for the year ended 30 June 2008 and the auditor's report thereon.

1. Legislative Authority

TOTE Tasmania Pty Ltd was formed under the *Corporations Act 2001* and incorporated on 5 March 2001 and pursuant to the *TOTE Tasmania Act 2000*. Section 7 of the *TOTE Tasmania Act 2000* states that the principal objectives of the Company are:

- (a) to perform its functions and exercise its powers so as to be a successful business by:
 - (i) operating in accordance with sound commercial practice as efficiently and effectively as possible; and
 - (ii) maximising the sustainable return to the State in accordance with the Company's business plan; and
- (b) to promote the development of an efficient and effective racing and breeding industry; and
- (c) to promote Tasmanian racing within the State and nationally, to encourage wagering on Tasmanian racing and to attract sponsorship income; and
- (d) to perform any functions conferred by any other Act.

Other legislation that has a direct bearing on the operations of the Company includes the *TOTE Tasmania (Racing Regulation) Act 2004*, the *Racing (Totalizator Betting) Act 1952*, the *Financial Management and Audit Act 1990*, Part 10 of the *Government Business Enterprises Act 1995* and the applicable Regulations made for the purposes of those Acts.

2. Principal activities

The principal activities of the Company during the course of the reporting period were pari-mutuel (totalizator) and fixed-odds wagering, and the administration and development of efficient and effective thoroughbred, harness and greyhound racing and breeding industries in the State of Tasmania.

There were no significant changes in the nature of the activities of the Company during the year.

3. Review of Operations

For the year ended 30 June 2008, the Company recorded a pre-tax profit of \$4.079M and profit after income tax of \$2.865M. These results represent a 76.2% and 62.9% increase respectively over those for the 2006/07 year.

The Company delivered \$6.999M to the Federal and State Governments and the community by way of GST and income tax equivalents. In respect of the financial year ended 30 June 2008, the directors resolved that no dividend will be paid.

There were no significant changes in the state of affairs of the Company during the year.

4. Likely developments

Developments that have the potential to have significant impact on the Company's future operations are as follows:

Wagering Industry – The national wagering industry is undergoing a period of significant change with each State, including Tasmania, legislating to introduce Race Fields legislation. The likely impact of this will be the payment of fees between the States in the Australian market. It is unclear at this time whether Race Fields legislation, particularly in NSW, will withstand threatened legal challenge.

GST – The Company is currently reviewing the basis upon which Goods & Service Tax ('GST') applies to its wagering margin and is seeking a determination in this regard and the directors consider that it may be possible to recover some GST already paid. At the date of this report it is not practical to quantify the effect of this issue.

Further information about likely developments in the operations of the Company and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

5. Shareholders

The 22.6M shares in the Company are held in equal proportions, on behalf of the state of Tasmania, by the Treasurer of the State of Tasmania and the Minister for Racing. As the Hon. Michael Aird MLC holds both portfolios and two shareholders are required, the Hon. Jim Cox MHA has been nominated as the other shareholder.

6. Board Composition

The Company's constitution provides that the number of directors be not less than three and not more than eight unless otherwise resolved. The Chairman is appointed annually and directors are appointed for rolling periods of three years. The names of the directors and details of their qualifications and experience are detailed on page 6.

7. Board Responsibilities

The Board is responsible for the overall corporate governance of the Company. It is responsible for establishing the strategic direction and objectives of the Company via a rolling three year business plan and for monitoring the achievement of those objectives. The Board monitors performance against the business plan quarterly and also assesses compliance with annual operating budgets prepared by management. The Board is responsible for the review and approval of major expenditure items and reviews operating performance on a monthly basis.

The Board regularly receives and reviews reports from management on financial and business performance, regulatory compliance, service delivery, human resource management, management initiatives and projects of strategic significance.

Succession planning, the remuneration of staff and management and other human resource matters are overseen by the Board appointed Remuneration Committee.

The Board has also established and appointed an Insurance Committee to oversee the management of the Company's and broader industry's insurance program.

The Chairman and Chief Executive Officer regularly meet with, and communicate with, the Treasurer and the Minister for Racing, both in his capacity as Minister and shareholder.

8. Audit and Risk Management

The Board has established an Audit Committee which comprises three non-executive directors. Meetings are attended by the Chief Executive Officer, Chief Financial Officer, and other General Managers as appropriate. The committee meets at least four times per year with additional meetings scheduled as required. The committee's responsibilities under its charter include active participation in the review of:

- external reporting, including financial statements;
- internal control;
- risk management;
- appointment of internal auditors and completion of internal audit services; and
- appointment of external auditors and completion of external audit services.

The Board receives a report detailing the outcomes of each meeting of the Audit Committee from the Chairman of the committee.

The financial statements of the Company are independently audited by the Auditor General who has provided the directors with an Independence Declaration as required under section 307C of the *Corporations Act 2001* (see page 30).

9. Board and Committee Meetings

The Board generally meets monthly with additional meetings held as required. The Audit Committee meets four times per year with additional meetings as required. The Insurance, Information Technology and Remuneration Committees meet as and when required. The Racing Committee was specifically established to oversee the \$10.2M project at Tasman Park to upgrade the grandstand and install a new thoroughbred racing track. Details of Board and Committee meetings attended by directors during the year are detailed in the following table.

Name	Board	Audit	Remuneration	Racing	Information Technology	Insurance
Meetings Held	11	4	3	10	9	1
Meetings Attended						
M J Kent AM	11		3			
E M Plachta	11	4			9	1
W K Downie	10	4			8	1
B R Speers	11	3	3	10		
D J Pettiona	10				8	
D Cooper	11			10		

The Board receives a report detailing the outcomes of each Board Committee meeting from the Chairman of the committee.

10. Indemnification and Insurance of Officers and Auditors

Indemnification

Since the end of the previous financial year, the Company has not indemnified, or made a relevant agreement for indemnifying, against a liability any person who is or has been an officer or auditor of the Company.

Insurance premiums

During the financial year the Company has paid premiums in respect of directors' and officers' liability and met legal expenses relating to insurance contracts for the year ended 30 June 2008 and since the financial year, the Company has paid or agreed to pay, premiums in respect of such insurance contracts for the year ending 30 June 2009. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been directors or executive officers of the Company.

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

11. Board Process Review

Annually the Board conducts a full review of the effectiveness of its performance. This process involves feedback from individual directors and also from management.

12. CEO Performance

The performance of the CEO is assessed annually by the Board and is linked to the overall performance of the Company in achieving the targets set out in the business plan.

13. Superannuation

Approximately 10% of the Company's workforce are members of either the contributory or non-contributory schemes under the *Retirement Benefits Act 1993* and the Retirement Benefits Regulations 2008. The company has met the requirements of the *Commonwealth Superannuation Guarantee (Administration) Act 1992* for employees not covered under the *Retirement Benefits Act 1993* and the Retirement Benefits Regulations 2008 in the 2007/08 financial year.

14. Best Practice Corporate Governance

Whilst the Company is not listed, as part of its commitment to leading edge corporate governance practices, the Board has assessed the Company's compliance with the relevant sections of the ASX Corporate Governance Council paper on, Principles of Good Corporate Governance and Best Practice Recommendations released in March 2003. The practices in relation to the 10 principles are:

1. Lay solid foundations for management and oversight

The Board sets the Company's strategic direction and approves a rolling three year business plan. The Board receives quarterly reports of progress against the achievement of goals therein and also of performance against budgetary targets. Monthly the Board receives a report comparing actual turnover and profit results, capital and balance sheet information against budget and the prior year. The directors each receive weekly turnover information and management monitors this information daily. The Board has approved a delegations manual which documents the limits of the authority delegated to management.

2. Structure the Board to add value

The composition of and appointments to the Board are prescribed by the Company's constitution and appointments are made directly by the shareholders. The qualifications and experience of directors are detailed on page 6 and the Board's annual performance review process is outlined elsewhere in this report.

3. Make timely and balanced disclosure

The Company is not listed and does not have to comply with ASX rules of continuous disclosure. The Chairman and Chief Executive Officer regularly meet with, and communicate with, the Treasurer and the Minister for Racing, both in his capacity as Minister and shareholder.

4. Promote ethical and responsible decision making

The Board and management encourage a culture of honest and ethical behaviour and integrity is a core Company value. The Company has a code of conduct and all staff attest to their knowledge of and compliance with it periodically.

5. Safeguard integrity in financial reporting

The Board has established an Audit Committee the role of which is detailed elsewhere in this report. The Auditor-General conducts the external audit of the Company and he or his representative regularly attends meetings of the Audit Committee. Representatives of the Company's internal auditor also attend the meetings of the Audit Committee regularly.

6. Respect the rights of shareholders

The Company reports formally to its shareholders several times per year, most significantly via the annual report and business plan. Frequent meetings are held with shareholders as discussed previously and Company representatives participate annually in Government Business Enterprise Scrutiny Committee meetings.

7. Recognise and manage risk

The Company completes an annual review of its business risks in accordance with accepted risk management standards. Responsibility for managing actions arising from the review falls to management and is documented in individual business plans which underpin the Company's business plan. The Audit Committee is responsible for overseeing the management of business risks.

8. Encourage enhanced performance

The Company has an established performance management process whereby the performance of all staff is assessed annually. Personal development and training needs are identified from this process and delivery managed over ensuing periods.

9. Remunerate fairly and responsibly

The Board has established a Remuneration Committee which is responsible for ensuring the Company's remuneration policies and practices are responsible and competitive. The Committee is responsible for the remuneration of staff and management, executive incentive schemes and overseeing succession planning. The Company periodically uses external salary benchmarking consultants to endorse its remuneration policies. The Committee makes recommendations to the Board for decision as necessary.

10. Recognise the legitimate interests of stakeholders

The Company's business plan recognises the needs of 12 primary influences and 28 stakeholder groups. Preparation of the plan considered the needs and expectations both of the Company and each group on each other, as well as strategies to be pursued and actions to be taken over the planning period to further these.

Directors note that the ASX Corporate Governance Principles and Recommendations (Second Edition Corporate Governance Guidelines) will be applied in the 2008/09 financial year, being the commencement of the first financial year after 1 January 2008

Signed in accordance with a resolution of the directors.



MJ Kent AM
Chairman
HOBART, 28 August 2008



22 August 2008

The Board of Directors
TOTE Tasmania Pty Ltd
Tattersall's Park
GLENORCHY TAS 7010

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Hobart Tasmania 7000
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Tattersall's Park
Glenorchy Tasmania 7010
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Dear Board Members

Auditor's Independence Declaration

In accordance with section 307C of the *Corporations Act 2001*, I provide the following declaration of independence.

As the auditor of the financial report of TOTE Tasmania Pty Ltd for the financial year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.

Pursuant to section 298(1)(c) a copy of this declaration must be included in the Director's report.

Yours sincerely

H M Blake
AUDITOR-GENERAL