

<take it  
from us it's  
great to give>

Lotteries Commission of South Australia

Annual Report 2002-03



Government  
of South Australia



**SA Lotteries**

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our vision, mission, core values and corporate objectives

we have so much to give>

# our vision>

To be a world class operator of entertaining and profitable games.

# our mission>

To achieve our goals in a socially responsible manner, for the benefit of the community of South Australia.

# our core values>

- Operate with integrity.
- Be responsible.
- Understand consumer needs.
- Commit to service excellence.
- Be innovative.
- Meet the highest professional standards.

# our corporate objectives>

- To generate maximum returns to the shareholders.
- To develop a corporate culture that is socially, financially, economically and environmentally responsible.
- To provide high standards of quality, service and value for customers.
- To provide innovative and entertaining games.
- To provide high level support to our distribution network.
- To employ the best people and maximise their potential.
- To ensure mutually beneficial relationships with suppliers.
- To pursue and utilise the most effective technology.

from the presiding member  
**take a look at us now>**

The Honourable Kevin Foley, MP  
Treasurer  
Parliament House, Adelaide SA 5000



**Hans J Ohff**  
Presiding Member



**Peter LeMessurier**  
Commission Member



**Suzanne Mackenzie**  
Commission Member



**Stephen Shirley**  
Commission Member



**Chris Crago**  
Commission Member

It is with pleasure that I present the Annual Report of the Lotteries Commission of South Australia for the year ended 30 June 2003 in accordance with Section 18B of the *State Lotteries Act 1966*, as amended.

In delivering our games in a socially responsible manner throughout the past year, SA Lotteries has continued to provide the maximum benefits for our shareholders, the Government and the community of South Australia, and ensure that SA Lotteries' positive reputation for integrity and excellence is maintained.

SA Lotteries' activities over the past year were in accordance with our vision as we continued the organisation's 36 year history of providing profitable games for the fun and entertainment of South Australians in a secure environment, accessible to all those who wished to play.

Revenue achieved for the full year was \$335.9 million, an increase of 7.0% over the previous financial year.

Players of our games shared prize money to the value of \$202.3 million during the year, representing 60.2% of total sales.

South Australians enjoyed the experience of winning more than 11 million prizes during 2002-03. For 21 lucky players, the past year will be remembered as one in which they experienced the ultimate lotteries excitement of becoming overnight millionaires.

As they have done since 1967, all South Australians continued to receive the benefits of our efficient operations. \$82.8 million was transferred to Treasury for distribution to the State Hospitals Fund and \$300 000 to the Recreation and Sport Fund.

The Independent Gambling Authority is in the process of finalising the State Lotteries Responsible Gambling and Advertising Codes of Practice. Whereas these codes may have some impact on sales revenue in future years, the strong ethical practices of SA Lotteries and our agents stand us in good stead.

The sale of lotteries games provides a significant source of income for many of our small business agents who are an important part of the State's economy. We thank our agents for their input and commitment to the continued success of lotteries within the State.

We continue to be proactive in a changing and competitive environment. Consumer demand for interactive games, in the context of new technologies, will be considered.

We strive to ensure congenial conditions and an effective working environment for our employees. A decision has been made to vacate the Rundle Mall building because extensive renovation is required to meet our contemporary demands from this location. SA Lotteries will move to new premises on Greenhill Road in 2004.

As Presiding Member I want to again express my gratitude to all of our dedicated staff and our Chief Executive, June Roache. It is also important that I thank my colleagues on the Commission Board for their time and dedication.

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**Hans J Ohff**  
Presiding Member

We thank our agents for their input  
and commitment to the continued  
success of lotteries within the State.



# we give priority to a responsible framework>

This statement outlines the main corporate governance practices that were in place throughout the financial year, unless otherwise stated. These practices are dealt with under the following headings: Commission Members and Committees; Internal Control Framework; Ethical Standards; and The Role of Stakeholders.

## commission members and committees

The Commission is responsible for the corporate governance of SA Lotteries including the strategic direction, establishing goals for management, and monitoring the achievement of these goals. To give further effect, an Audit Committee operates and a framework for the management of SA Lotteries is in place, including a system of internal control and the establishment of appropriate ethical standards.

### COMPOSITION OF THE COMMISSION

The Members of the Commission in office as at 30 June 2003 are:

Name: Mr H J Ohff,  
FIEAust, CPEng,  
BA (Hons)  
Position: Presiding Member  
Expertise: Engineering

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Name: Mr D P LeMessurier,  
Ass Dip (Man), SIA (aff),  
FAICD, MSDIA, MBA  
Position: Member  
Expertise: Stockbroking

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Name: Ms S J Mackenzie,  
B Comm (Accounting),  
LLB (Hons)  
Position: Member  
Expertise: Law

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Name: Ms C M Crago,  
Ass Dip (Bus),  
BBus (Mktg),  
Real Estate Certificate  
Position: Member  
Expertise: Marketing

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Name: Mr S K Shirley,  
BEc, CA, CPA, FTIA  
Position: Member  
Expertise: Accounting

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### APPOINTMENT

Members of the Commission are appointed under the State Lotteries Act.

The Commission shall consist of not less than three nor more than five members appointed by the Governor of South Australia, of whom one shall be nominated by the Governor as the Presiding Member of the Commission.

The Presiding Member of the Commission is a non-executive member.

The Commission comprises non-executive members.

The appointment letter covers the term of the appointment. A member shall be appointed for a term of office not exceeding five years determined by the Governor. On the expiration of the term of office as a member, a member shall be eligible for re-appointment.

## **SUSPENSION OR REMOVAL FROM OFFICE OF MEMBER**

The Governor may, by notice in writing served on a member, suspend the member from office for any period not exceeding the balance of the term of office, or remove the member from office, on grounds of misconduct or incapacity to perform the duties or functions as a member.

## **REMUNERATION**

The current remuneration for a member is \$18 700 per annum, plus an attraction and retention allowance of \$2200 per annum. The Presiding Member receives \$27 200 per annum, plus an attraction and retention allowance of \$2200 per annum.

Further details of members' remuneration payments are set out in Note 18 to the financial statements.

## **MEMBERSHIP**

Mr Hans Ohff, Mr Peter LeMessurier and Ms Suzanne Mackenzie were members for the full financial year.

On 29 August 2002, pursuant to the provisions of the State Lotteries Act, His Excellency the Governor's Deputy in Executive Council appointed Ms Chris Crago and Mr Stephen Shirley as members of the Commission.

## **AUDIT COMMITTEE**

The role of the Audit Committee is documented in a charter. In accordance with this charter, all members of the Committee are non-executives.

The role of the Committee is to advise on the establishment and maintenance of a framework for internal control for the management of SA Lotteries.

It also gives the Commission additional assurance regarding the quality and reliability of financial information prepared for use by the Commission in determining policies or for inclusion in financial statements.

The members of the Audit Committee during the 2002-03 financial year were:

### **From 1 July 2002 to 30 June 2003:**

Mr Peter LeMessurier                      Chair  
(full financial year)

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Ms Suzanne Mackenzie                  Member  
(full financial year)

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Mr Stephen Shirley                      Member  
(from 17 October 2002)

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The internal and external auditors are invited to Audit Committee meetings at the discretion of the Committee.

The responsibilities of the Audit Committee include:

### **Broad functions**

- The reviewing of the annual financial statements prior to their approval by the Commission to ensure that the Statement of Financial Performance, Statement of Financial Position and Statement of Cash Flows, together with the notes, present fairly, in accordance with Statements of Accounting Concepts, applicable Accounting Standards, Urgent Issues Group Consensus Views and the *Public Finance and Audit Act 1987*, as amended, the financial position of the Lotteries Commission of South Australia as at 30 June and the result of its operations and its cash flows for the year then ended; and ensuring that internal controls over financial reporting have been effective throughout the reporting period.
- Liaising with the Commission's external auditors, the Auditor-General's Department, on all matters concerning the outcome of the annual audits of the Lotteries Commission of South Australia.
- The regular reviewing of the adequacy of the accounting, internal auditing, reporting and other financial management systems and practices of the Lotteries Commission of South Australia or any other matter the Commission and/or Audit Committee requests.

### **Specific functions**

- Approving the release of an Internal Audit Tender document, and recommending to the Commission the signing of the agreement, following selection of the successful tenderer by the Committee.
- Liaising with the external auditor on such matters as the scope of the audit and the methodology.
- Reviewing and approving the audit plans of the Internal Auditor.
- Reviewing the effectiveness of internal audit, via regular Audit Committee meetings and interviews with internal audit, scrutinising project work undertaken and having consideration to exceptions revealed by external audit.
- Ensuring that internal auditors are able to perform their duties free from restrictions.
- Evaluating the adequacy and effectiveness of the Commission's administrative, operating and accounting systems.
- Reviewing corporate policies, with corporate policies submitted to the Audit Committee on a rotating basis, with all corporate policies having been reviewed at least once annually.
- Reviewing management operating authorities.
- Reviewing financial authorities.
- Reviewing all financial reports which are intended to be made public prior to their consideration by the Commission, including the corporate budget and forward estimates.
- Evaluating the Commission's exposure to fraud by ensuring that risk is adequately covered by audit plans and by reviewing auditor reports and management reports.
- Reviewing all significant accounting policy and reporting changes, which will reflect throughout the organisation.

- Reviewing compliance with the Act, the Charter (at least annually) and any other regulatory requirements relevant to the Commission.
- Reviewing human resource policies.
- Identifying and providing direction on audit investigations deemed necessary.
- Monitoring risk management processes in conjunction with the Internal Auditors.
- Reviewing the adequacy and effectiveness of the agency audit function.

The Audit Committee met on five occasions during the year. The findings and recommendations of the internal auditors, coupled with the direction and oversight of the Audit Committee, have ensured the maintenance and refinement of an efficient internal control framework.

#### **SUPERANNUATION POLICY COMMITTEE**

Membership of the Superannuation Policy Committee comprises four members: two employer-appointed and two member-elected representatives.

Membership comprised:

##### **Employer-appointed:**

##### **From 1 July 2002**

##### **to 30 June 2003:**

Ms Suzanne Mackenzie	Chair
Ms June Roache	Member

##### **Member-elected:**

##### **From 1 July 2002**

##### **to 30 June 2003:**

Mr Paul Wright	Member
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##### **Member-elected:**

##### **From 1 July 2002**

##### **to 4 October 2002:**

Mr Gary Button	Member
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##### **Member-elected:**

##### **From 22 April 2003**

##### **to 30 June 2003:**

Mr John Favretto	Member
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## internal control framework

The Commission acknowledges that it is responsible for the internal control framework, but recognises that a cost effective internal control system will not preclude all errors and irregularities. To assist in discharging this responsibility, the Commission has instigated an internal control framework that can be described under five headings:

#### **Financial reporting.**

There is a comprehensive budgeting system with an annual budget approved by the Commission prior to submission to the Treasurer.

Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly.

#### **Quality and integrity of personnel.**

The Commission follows guidelines for ethical conduct that define principles and standards with which all officers and employees are expected to comply in the performance of their respective functions.

A key element is the requirement that officers and employees are expected to act in accordance with the law and with the highest standards of propriety.

#### **Operating division controls.**

Financial controls and procedures, including information systems controls, are detailed in procedure manuals. A Commission questionnaire confirms compliance with these procedures. The questionnaire's objective is to ensure sound principles of corporate governance and accountability throughout the organisation.

#### **Functional specialty reporting.**

The Commission has identified key performance indicators which are subject to regular reporting.

### Attendance at Meetings

<b>Commission Members</b>	<b>Commission Meetings (13 held)</b>	<b>Audit Committee Meetings (five held)</b>	<b>Superannuation Policy Committee Meeting (one held)</b>
Mr Hans Ohff	13	#	#
Mr Peter LeMessurier	12	5	#
Ms Suzanne Mackenzie	11	3	1
Ms Chris Crago	7*	2#^	#
Mr Stephen Shirley	8*	3*	#

#Not a Member.

\*Member for part year only.

^Commission Member Chris Crago was invited to attend two Audit Committee meetings in 2002-03.

### **Capital investment appraisal.**

The Commission has clearly defined guidelines for capital expenditure. These include levels of authority, annual budgets, detailed cost benefit analysis and post-implementation review procedures for large expenditure items.

### **INTERNAL AUDIT**

The internal auditors, who are appointed by the Commission, assist the Commission in ensuring compliance with these internal controls. The Audit Committee is responsible for recommending to the Commission the appointment of internal auditors and for approving and overseeing the program of internal audit to be conducted each financial year and for the scope of the work to be performed in each division.

KPMG were the appointed internal auditors for the 2002-03 financial year.

### **ethical standards**

The Commission follows the principles of the Ethical Conduct Guidelines for the South Australian Public Service, with the expectation that executives, managers and employees will act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Commission. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment.

SA Lotteries also adheres to the Code of Conduct for South Australian Public Sector Employees issued by the Commissioner for Public Employment, and a specific Code of Conduct for SA Lotteries, which outlines the standards that are expected of SA Lotteries' employees. This Code covers topics such as ethics and honesty, conflict of interest, confidential information etc.

### **ENVIRONMENT**

The Commission aims to ensure that the highest standard of environmental care is achieved through awareness of and compliance with all relevant environmental legislation.

## **the role of stakeholders**

The Commission aims to ensure that stakeholders are informed of all major developments affecting the Commission's state of affairs. Information is communicated to stakeholders as follows:

- Written reports and meetings with the responsible Minister.
- Monthly and quarterly budget estimates reports presented to the Department of Treasury and Finance.
- Submission of the Commission's annual operating and capital budgets to the Treasurer.
- A Government observer attends Commission and Audit Committee meetings.
- The annual report is distributed to all stakeholders, including Members of Parliament, agents and staff. The Commission ensures that the annual report includes relevant information about the operations of SA Lotteries during the year, changes in the state of affairs, if any, and future directions, in addition to other disclosures required by the public sector.
- The Auditor-General's Annual Report to Parliament includes SA Lotteries.

### **MINISTERIAL DIRECTIONS**

The Commission ensures compliance with all formal directions issued by the responsible Minister.

### **RELATIONSHIP WITH OTHER AGENCIES WITHIN THE MINISTER'S AREA OF RESPONSIBILITY**

For the period 1 July 2002 to 12 May 2003 the Honourable Patrick Conlon MP was the Minister responsible for SA Lotteries as Minister for Government Enterprises.

From 13 May 2003 the Honourable Kevin Foley MP was appointed the Minister responsible for SA Lotteries under Treasury and Finance. Kevin Foley is Deputy Premier, Treasurer, Minister Assisting the Premier in Economic Development, Minister for Police and Minister for Federal/State Relations.

from 1994 to 2003 – a ten year financial summary

# a snapshot of our performance>

<b>Year ended 30 June</b>	<b>2003 \$'000</b>	<b>2002 \$'000</b>	<b>2001 \$'000</b>	<b>2000 \$'000</b>	<b>1999 \$'000</b>	<b>1998 \$'000</b>	<b>1997 \$'000</b>	<b>1996 \$'000</b>	<b>1995 \$'000</b>	<b>1994 \$'000</b>
<b>GROSS SALES</b>										
Lotto	129 603	123 632	123 023	120 304	115 074	113 220	107 314	116 181	108 431	109 330
SA Lotto	28 931	23 380	21 468	21 292	18 756	17 635	16 472	15 143	15 072	17 349
Oz Lotto*	16 575	17 127	17 133	16 662	16 977	19 590	15 027	15 124	16 220	5 922
Powerball*	51 379	44 526	46 438	34 288	35 200	27 223	25 228	2 884	-	-
Thursday Lotto*	-	-	-	-	-	-	-	19 972	23 960	32 295
Keno	67 155	64 838	61 689	68 620	69 308	71 818	71 961	70 431	70 425	76 621
Instant Scratchies	39 864	37 920	37 099	30 866	28 860	25 833	25 359	26 298	29 697	38 378
The Pools	742	605	716	607	609	566	570	787	817	2 255
Super 66	1 662	1 828	2 027	2 379	2 677	2 739	2 718	3 601	4 225	4 727
<b>TOTAL GROSS SALES</b>	<b>335 911</b>	<b>313 856</b>	<b>309 593</b>	<b>295 018</b>	<b>287 461</b>	<b>278 624</b>	<b>264 649</b>	<b>270 421</b>	<b>268 847</b>	<b>286 877</b>
Less Agents' Commission	24 694	23 100	22 707	21 853	20 692	20 104	19 192	19 787	20 592	22 058
<b>NET SALES</b>	<b>311 217</b>	<b>290 756</b>	<b>286 886</b>	<b>273 165</b>	<b>266 769</b>	<b>258 520</b>	<b>245 457</b>	<b>250 634</b>	<b>248 255</b>	<b>264 819</b>
Other Revenue**	9 846	6 204	7 171	6 520	5 117	5 319	5 171	5 583	4 781	4 043
<b>TOTAL REVENUE</b>	<b>321 063</b>	<b>296 960</b>	<b>294 057</b>	<b>279 685</b>	<b>271 886</b>	<b>263 839</b>	<b>250 628</b>	<b>256 217</b>	<b>253 036</b>	<b>268 862</b>
<b>Prizes</b>	202 336	187 217	180 604	174 519	173 982	169 695	162 978	164 631	162 335	173 555
% of gross sales	60.2%	59.7%	58.3%	59.2%	60.5%	60.9%	61.6%	60.9%	60.4%	60.5%
<b>Return to Government</b>										
Gambling Tax #	54 766	51 922	51 480	0	0	0	0	0	0	0
Surplus Distributed	17 673	15 369	15 689	53 128	50 028	48 088	44 172	45 595	72 870	76 137
Income Tax Equivalent	7 542	7 066	10 099	31 336	31 375	28 589	26 431	27 278	0	0
	79 981	74 357	77 268	84 464	81 403	76 677	70 603	72 873	72 870	76 137
% of gross sales	23.8%	23.7%	25.0%	28.6%	28.3%	27.5%	26.7%	26.9%	27.1%	26.5%
<b>Operating Expenses^</b>	36 558	34 083	32 271	20 297	17 151	16 435	15 453	17 062	15 731	16 169
% of gross sales	10.9%	10.9%	10.4%	6.9%	6.0%	5.9%	5.8%	6.3%	5.9%	5.6%
<b>GST (included in Operating Expenses)#</b>	12 143	11 513	11 415	0	0	0	0	0	0	0
% of gross sales	3.6%	3.7%	3.7%	N.A.						

\* Oz Lotto commenced in February 1994.

\* Powerball commenced in May 1996.

\* Thursday Lotto ceased in May 1996.

\*\* Other Revenue in 2003 excludes income from hosting the WLA Congress in Adelaide during November 2002.

^ Operating Expenses in 2003 excludes costs from hosting the WLA Congress in Adelaide during November 2002.

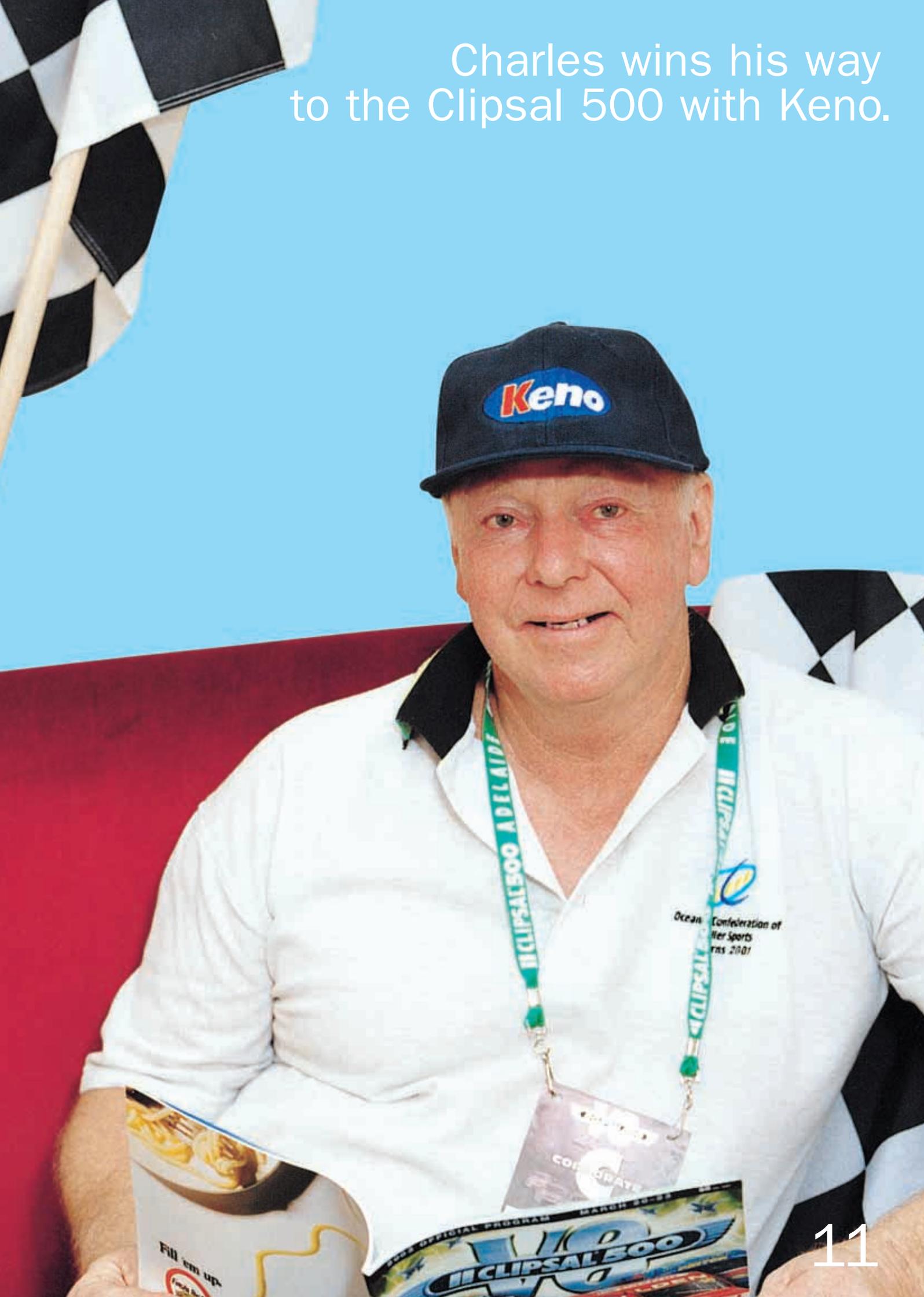
# State Gambling Tax and GST were introduced on 1 July 2000 and are levied on Net Gambling Revenue (NGR= Gross sales less prizes paid).

State Gambling Tax at the rate of 41% of NGR is paid to the Hospitals Fund/Recreation and Sport Fund.

GST at the rate of 9.09% of NGR is paid to the Australian Taxation Office.

Income Tax Equivalent included Sales Tax Equivalent for the period 1996 to 2000.

Charles wins his way to the Clipsal 500 with Keno.



from the chief executive

# we gave it our all in 2002-03 >

It is pleasing to report that SA Lotteries exceeded the financial performance targets for the 2002-03 financial year.

Gross sales of \$335.9 million, representing an increase of \$10.9 million (3.4%) on the budget, were achieved.

The sales per full-time equivalent employee were \$3.6 million compared with the target of \$3.3 million, with associated costs of \$68 800 against a target of \$69 300.

As a result of the sales increase and reduced costs, the Return to Government was \$80.0 million, representing an increase of \$4.3 million (5.7%) on budget. The total return included Gambling Tax of \$54.8 million, Income Tax Equivalent expense of \$7.5 million, and Surplus Distributed of \$17.7 million.

The achievement of our financial targets is dependent on the reliability of our infrastructure for transaction processing. During 2002-03, the on-line lotteries system was available for 99.9% of the time. Point-of-sale terminal performance, measured by mean transactions between failures, exceeded the target of 150 000 by 33.3%.

The challenges for the future will include ensuring the organisation is strategically adaptable and responsive to emerging opportunities, changing market conditions, legislative requirements and community and player expectations whilst understanding the risks and managing those risks.



**June Roache**  
Chief Executive

In South Australia, lotteries play continues to be the lowest per capita sales of any segment; however, in providing an attractive offer to meet players' needs, our aim is to continue to balance sustained growth with encouraging responsible play.

Similar to other segments of the gambling market in South Australia, a stricter regulatory environment will be implemented. The impending Lotteries Responsible Gambling Code of Practice and Advertising Code of Practice will impose changes in operating, reporting and compliance requirements. We will be providing extensive support to our agents to facilitate the implementation of, and compliance with, the Codes throughout our agency network.

Our core values drive organisational performance and form the behaviour standard adopted by the 97 South Australians who work at SA Lotteries. The contribution to our success by each one of them is valued and appreciated. Each is intent on continuing to make their contribution to the South Australian community by being committed to the integrity of our games, the service provided to our players and our agents, and meeting the highest professional standards in their daily work.

Through our broad agency network the commitment to our players is complemented by the 522 agents who are the direct interface with our players.

We are now the only Government-owned gambling organisation in South Australia and we take great pride in contributing to the State's economy and selling the "dream", in a responsible manner, to all those South Australians who wish to play our games.

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**June Roache**  
Chief Executive

## highlights and achievements

### 2002-03

- Gross Sales were **\$335.9** million.
- South Australians won **\$202.3** million in prizes.
- **\$82.8** million was paid to the State Hospitals Fund.

### Since 1967

- **\$1.42** billion distributed to the State Hospitals Fund.
- **\$2.99** billion paid in prize money.

# A northern suburbs family celebrate collecting \$3 million in Oz Lotto.

Photo courtesy of Greg Adams, The Advertiser.



The Jacob's Creek Tour Down Under was one key sporting event SA Lotteries sponsored this year.



our commitment

# we've given a lot back to the community>

**We have generated maximum returns to the shareholders and ensured a corporate culture that is socially, financially, economically and environmentally responsible.**

After 36 years, what has made SA Lotteries so successful? Ask our first winner who won \$14 000 in 1967, or the State's biggest ever winner who collected \$23.3 million in January this year, and they would say pure luck. And so would the thousands of other South Australians who have shared in \$2.99 billion in prize money across the decades.

But if you ask the people at SA Lotteries, we would answer differently. We believe that our success comes down to far more than just good luck.

In 2002-03 we have continued to generate maximum returns to our shareholders, returning some \$82.8 million to the State Hospitals Fund and a further \$0.3 million to the Recreation and Sport Fund.

We have partnered 521 small business operators who are the front line of lotteries across the State. These agents have derived commission over the past year of \$24.7 million providing an average income to these small businesses in excess of \$47 000. SA Lotteries is aware of the important role that it plays in our agents' businesses and the role that lotteries play in the economy of the State.

We have demonstrated our commitment to being financially and economically responsible by providing innovative and entertaining games, which returned \$202.3 million in prizes for lucky players in the last year. We have also managed our business in a manner that delivers the best possible returns and outcomes to our principal stakeholder, the Government of South Australia.

In using our resources efficiently and reducing waste wherever possible, we have also maintained our commitment to being environmentally responsible.

While we are proudly South Australian-owned and operated, our success extends beyond our borders. Within Australia we are in good company. Together with Victoria, New South Wales, Tasmania, Queensland, Western Australia, the Northern Territory and the Australian Capital Territory, South Australia is a member of the Australian Lotto Bloc, National Lotto Bloc, Powerball Bloc and the Australian Soccer Pools Bloc. These memberships ensure that we are able to offer South Australians much larger prize pools than State-based games could offer.

SA Lotteries furthered its reach internationally and heightened its contribution to the South Australian economy throughout the year by hosting the 2002 World Lottery Association Congress in Adelaide. SA Lotteries' staff were delighted to welcome representatives from 62 countries to Adelaide and to offer an event that provided an acclaimed showcase of South Australia. Achieving an unprecedented profit for SA Lotteries and the World Lottery Association, the Adelaide Congress was recognised as "the best yet" which is a great credit to all who worked so hard over four years to deliver it.

Our commitment to being socially responsible was also reinforced during the year by our sponsorship of key sporting events such as the Jacob's Creek Tour Down Under and the South Australian National Football League's Magarey Medal. Our support of the Newsagency Council of SA, Clubs SA and Australian Hotels Association (SA), being the key representative bodies of our agent network, also further our commitment to the South Australian community.

our customers

# we've given away \$202.3 million in prizes>

## **We have provided high standards of quality, service and value to our customers.**

Research tells us that some 80% of South Australians play SA Lotteries' games at least once throughout the year with 59% playing regularly.

SA Lotteries recognises that the organisation was created by the people of South Australia via a referendum in 1967. All South Australians are stakeholders in our business and are critical to our business success. We therefore adhere to a 'customer first' ethos in all that we do – focusing on reliability, responsiveness, courtesy, strong communication and secure play.

To consistently deliver high standards of service, SA Lotteries monitors performance and strives to exceed goals.

Performance is tracked against a set standard, to ensure that we delight the customer. Our average response time of 3.46 days for complaints, an improvement on performance in the previous year, ensured the performance target for Customer Service was successfully achieved in 2002-03.

### **Customer Service**

<b>2002-03</b>	<b>Target</b>	<b>Achieved</b>
Response time to complaints raised by customers	4.0 days	3.46 days

## **easiplay club**

The Easiplay Club was built on the premise of providing our valued customers with an appealing range of services including the protection of prizes, storing favourite numbers, using personal, joint or syndicate memberships, and the opportunity for unclaimed prizes to be automatically forwarded via cheque or electronic funds transfer (EFT).

Easiplay Club membership continues to be offered as a free service and, over the years, thousands of South Australians have taken advantage of the 'Gold Card', secure in the knowledge that they will never miss out on a prize won.

Players registered with the Easiplay Club who win a Division One prize are contacted by SA Lotteries the morning after the draw with the life-changing news.

Since 1994, a substantial database has been created, and at June 2003 there were more than 180 000 active members.

The Customer Relationships department, established in 2001-02, is responsible for the management of all Easiplay Club and general customer queries. Service delivery key performance indicators (KPIs) are closely monitored and are integral to the performance management of the department and a valuable guide for the organisation more broadly on its interaction with customers.

## **market research**

Market research is crucial to enable SA Lotteries to best understand its customers in order to develop and deliver new and enhanced products and the most valuable services. During 2002-03, market research was conducted by McGregor Tan Research, a national research company.

Research was conducted on both Keno and SA Lotto in order to determine product enhancement opportunities for the next 12 months.

A Segmentation Study will occur in 2004-05 and will be compared to the 2002 Segmentation Study in order to better understand how players participate.

The impact of selected provisions of the proposed Codes of Practice was also researched to assist SA Lotteries in providing the most accurate advice to the Independent Gambling Authority.

Eric scratched a top prize of  
\$25 000 on the Instant Scratchies  
Summer Sizzler ticket.



# our games give a lot of joy>

**We have provided innovative and entertaining games.**



- Gross Sales 2002-03 **\$129.6** million
- **\$6.0** million or **4.8%** increase on previous year
- Average number of weekly entries **311 259**
- \$ Value of Prizes won in SA **\$69.4** million
- **28** Division One Prize Winners in SA
- Total Number of Winners in SA **1 344 102**

Played on Saturday nights, Lotto continues to be SA Lotteries' flagship game with approximately 62% of adult South Australians trying their luck at least once throughout the year and accounting for 38.6% of sales during 2002-03.

Celebrating its 30th anniversary on 30 March 2003, Lotto continues to perform well, with strong base-week activity and incremental returns from Megadraws contributing towards the 4.8% increase on the previous year's result.

The successful repricing of Lotto from 40 to 45 cents per game in December 2002 resulted in a moderate increase in the level of the guaranteed weekly Division One prize pool (now \$3 million) and a higher average base week sales level. This has provided a solid foundation for increased Megadraw prize levels with up to \$28 million offered in December 2002, and for heightened activity within the coming year.



- Gross Sales 2002-03 **\$28.9** million
- **\$5.5** million or **23.7%** increase on previous year
- Average number of weekly entries **118 298**
- \$ Value of Prizes won in SA **\$14.7** million
- **8** Division One Prize Winners in SA
- Total Number of Winners in SA **515 274**

Positioned as South Australia's own game, SA Lotto's strong performance during 2002-03 was largely attributable to sustained jackpot activity and a highly successful Maxi-Pick promotion conducted in March 2003.

Reflecting an increase of 23.7% on the past year, there is scope to further develop the game and provide players with enhanced benefits, fun and entertainment. The game will be repositioned in 2003-04 to more effectively leverage SA Lotto's position as the favourite local game.



- Gross Sales 2002-03 **\$16.6** million
- **\$0.6** million or **3.2%** decrease on previous year
- Average number of weekly entries **40 431**
- \$ Value of Prizes won in SA **\$13.7** million
- **3** Division One Prize Winners in SA
- Total Number of Winners in SA **73 365**

With few jackpots throughout the year, the decline of 3.2% in Oz Lotto's performance was in line with expectations.

Whilst the game was repositioned with a new advertising campaign in January 2003 and given a new lease on life across the agent network, without regular jackpot activity, Oz Lotto is impacted by significant price-oriented competition from other games across the portfolio.

Initiatives to reinvigorate the game and stimulate increased jackpot incidence will be considered throughout the coming year to better meet the needs of existing and new players.



- Gross Sales 2002-03  
**\$51.4** million
- **\$6.9** million or **15.4%** increase on previous year
- Average number of weekly entries  
**146 804**
- \$ Value of Prizes won in SA  
**\$57.9** million
- **5** Division One Prize Winners in SA
- Total Number of Winners in SA **785 669**

A high level of jackpot activity occurred throughout the year, including two \$20 million jackpots and a \$30 million jackpot. A successful Maxi-Pick promotion, which saw the 25-game entry point increase in popularity, also contributed significantly to the 15.4% increase achieved.

In January 2003, a northern suburbs family collected Australia's second largest Division One prize of \$23.3 million and rewrote SA Lotteries' record books, collecting the largest prize ever paid in South Australia.

A new advertising campaign and additional game benefits are planned for 2003-04.



- Gross Sales 2002-03  
**\$1.7** million
- **\$0.2** million or **9.1%** decrease on previous year
- Average number of weekly entries  
**18,663**
- \$ Value of Prizes won in SA  
**\$0.8** million
- **1** Division One Prize Winner in SA
- Total Number of Winners in SA **30 890**

Super 66 sales declined in 2002-03 by \$0.2 million (9.1%) on last year's result.

A similar decline in participation in the game was also observed by other Bloc jurisdictions offering the game, consequently the future of Super 66 is under review.



- Gross Sales 2002-03  
**\$39.9** million
- **\$1.9** million or **5.1%** increase on previous year
- Number of tickets sold  
**21 602 224**
- \$ Value of Prizes won in SA  
**\$24.0** million
- Total Number of Winners in SA **5 294 547**
- \$25,000 \$1 winners **6**
- \$100,000 \$2 winners **6**
- \$150,000 \$3 winners **10**
- \$200,000 \$4 winners **1**
- \$250,000 \$5 winners **2**

Instant Scratchies has achieved its sixth consecutive year of sales growth with an increase of 5.1% on 2001-02 and returned for the first time to a level in excess of that achieved in 1993-94 prior to the launch of gaming machines in South Australia.

The continued success of the Extended Play category, the launch of a new \$4 price point, the implementation of a second 'Scratch, Match & Drive' promotion and Mother's Day, Father's Day and Christmas gift packs all contributed to this increase in sales.

The visibility of 'real' winners continued to build awareness and credibility of the game during 2002-03.



- Gross Sales 2002-03  
**\$0.7** million
- **\$0.1** million or **22.6%** increase on previous year
- Average number of weekly entries  
**3985**
- \$ Value of Prizes won in SA  
**\$0.7** million
- **2** Division One Prize Winners in SA
- Total Number of Winners in SA **9243**

The increase of 22.6% in sales can be attributed to two jackpots in excess of \$1 million in 2002-03, compared to one in 2001-02. Jackpot levels were also promoted on ticket messages for the first time during the year to increase brand and jackpot awareness for the game.



- Gross Sales 2002-03  
**\$67.2** million
- **\$2.3** million or **3.6%** increase on previous year
- Average number of weekly entries  
**214 594**
- \$ Value of Prizes won in SA  
**\$50.7** million
- **11** Spot 8 Winners in SA
- **1** Spot 9 Winner in SA
- **2** Spot 10 Winners in SA
- Total Number of Winners in SA **3 283 118**

In 2002-03 Keno sales increased by 3.6% on 2001-02; however, Keno is still approximately 12% below the sales level prior to the introduction of gaming machines in late 1994.

This growth has been achieved through the use of advanced monitor graphics, a fast growing Spot 10 Jackpot and a well-targeted advertising campaign.

Tanunda Newsagency, announced  
as 2001-02 Agent of the Year  
in August 2002.



our agents

# to achieve, it takes very special people>

## **We have provided high-level support to our distribution network.**

An increasing spirit of partnership between SA Lotteries and the 521 members of our agent network, many of whom are small business operators, ensures that mutually beneficial rewards are achieved.

SA Lotteries' games are currently available in both retail and licensed distribution channels.

SA Lotteries is firmly committed to ensuring that the goals and objectives outlined in our Small Business Charter are achieved.

## **agency excellence awards**

Since its launch in 1996, SA Lotteries' annual Agency Excellence Awards program has enabled us to evaluate our extensive agent network, while encouraging and rewarding our agents for their achievements.

As the SA Lotteries agent network provides the interface with customers, service quality is a key component of the annual awards program. In order to ensure that agents stay focused on providing high levels of customer service, their performance is reviewed on several service-related attributes such as friendliness, efficiency, cross-selling, providing advice, outlet appearance and merchandising techniques.

All agents are assessed twice a year via a mystery shopping review and through regular agent assessments conducted by SA Lotteries.

To enable agents to be benchmarked against like businesses, all metropolitan and country agents are classified into 'business channels', for example: Newsagents; Supermarkets and Delicatessens; Chemists, Kiosks and Others; Hotels, Clubs and Casino.

SA Lotteries congratulates the Tanunda Newsagency, which was announced as 2001-02 Agent of the Year in August 2002.

Now in its eighth year, the Agency Excellence Awards program has enabled us to enhance the performance of our agents and recognise their achievements. To ensure that the program continues to satisfy SA Lotteries' expectations and those of the agents, it will be reviewed in 2003-04 and refocused as appropriate.

## **agent training**

A priority of SA Lotteries is to ensure that our agents are highly trained in the operation of our terminals and the responsible promotion and sale of our games in order to deliver on our commitment to quality customer service.

A two-day course held at TAFE Regency Park is an extremely important element of the overall agent training program. Complemented by a 'hands on' day spent at the Head Office in Adelaide, this course assists new agents to understand SA Lotteries' games and point of sale terminals.

Sales staff also report an enthusiastic reception to 'in-house' agent training, which they conduct at agent locations as required.

The focus on agent training will be strengthened in the coming year as the State Lotteries Responsible Gambling and Advertising Codes of Practice are implemented. Agents will necessarily undertake training to assist in the identification and management of problem gamblers and to ensure that they undertake their business activities in a manner reflective of the requirements of the code.

### agent reference group

The Agent Reference Group continues to provide SA Lotteries with valuable input into marketing strategies and agent-based activities, and we are extremely appreciative of the ongoing commitment of the members of this group.

Six new members were welcomed to the group during 2002-03 to replace four members who had completed their term of appointment and two who resigned.

We would like to thank the retiring members Mr Trevor Kitson (Lotteries Kiosk), Mrs Anna Lupp (Salisbury Chemplus), Mr Bob Cruse (Roulettes Tavern), Mr Shane Seekamp (Renmark Hotel), Mr Adrian Hatcher (Moonta Newsagency) and Mr Garry Curtis (Highbury Hotel) for their contribution.

### industry liaison

Liaison with various industry bodies such as the Newsagency Council of SA, State Retailers Association of SA Inc, Clubs SA and the Australian Hotels Association (SA), which represent the interests of many of SA Lotteries' agent network, has continued to develop mutually beneficial relationships through sharing of information. We are also pleased to sponsor the annual awards programs of several of these industry bodies as a tangible demonstration of our ongoing support.

The relationship with these bodies has been particularly important during the past year, as SA Lotteries has considered the requirements of the Independent Gambling Authority and the Codes of Practice currently being implemented for the South Australian lotteries industry.

### retail image

In 1995, SA Lotteries introduced a corporate fit-out to give prominence to its retail and product branding. A program to enhance the corporate fit-out was introduced in 2002 to ensure that lotteries achieves a high profile within our agents' businesses. The corporate fit-out is mandatory for all new agents and is being progressively introduced across the existing agent network.

The number of outlets adopting the corporate fit-out increased, with a further 28 adopting the fit-out during the year. Currently 268 agents (51%) now feature the corporate fit-out at their outlet.

#### Distribution of Agents by Business Type 2002-03

<b>Business Type</b>	<b>Metro Numbers</b>	<b>% of Metro</b>	<b>Country Numbers</b>	<b>% of Country</b>	<b>Total</b>
Newsagents	118	32.3%	68	43.3%	<b>186</b>
Kiosks	11	3.0%	1	0.6%	<b>12</b>
Delicatessens	41	11.2%	10	6.4%	<b>51</b>
Chemists	26	7.1%	3	1.9%	<b>29</b>
Supermarkets	24	6.6%	6	3.8%	<b>30</b>
Service Stations	5	1.4%	0	0.0%	<b>5</b>
Hotels	111	30.4%	46	29.3%	<b>157</b>
Clubs	20	5.5%	11	7.0%	<b>31</b>
Others*	9	2.5%	12	7.7%	<b>21</b>
<b>TOTAL</b>	<b>365</b>	<b>100.0%</b>	<b>157</b>	<b>100.0%</b>	<b>522</b>

\* Others includes Rundle Mall Head Office.

Trevor and Debbie  
collected \$50 000 in Powerball.



our people

# we take a real interest in our staff >

## **We have continued to employ the best people and maximise their potential.**

We are committed to developing our people at SA Lotteries.

We want SA Lotteries to be a place where our people can achieve beyond their expectations and, in the process, deliver a reputation as an employer of choice.

## training and development

All training and development has been formulated in consultation during the biannual performance discussions. Development Action Plans are mutually agreed as part of these performance discussions to enhance skills and support the current and future needs of SA Lotteries.

In 2002-03, the percentage of training expenditure to the cost of salaries was 1.6% compared to 2.1% in 2001-02.

Most staff had the opportunity to attend aspects of the World Lottery Association Congress that was hosted by SA Lotteries in November 2002.

Participation in this international event provided our people with the opportunity to meet delegates from other lottery jurisdictions around the world, to attend sessions facilitated by world-renowned professional speakers and to be part of an internationally acclaimed event.

## managed performance

A leading edge performance management framework was introduced on 1 July 2002.

This program uses the balanced scorecard methodology and encompasses both aspects of performance – Key Performance Indicators (What our people do) and Capabilities (How they do it).

The Key Performance Indicators for every employee are identified from the SA Lotteries Corporate Strategy Map, and Capabilities are selected to drive the necessary behaviours and assist each employee to achieve their goals for the year.

Performance management is not a static process and therefore the performance management reviews are revised every 12 months to align with the planned key business drivers and strategies for the relevant financial year.

## protection of merit and equity

No instances of breaches of SA Lotteries' Equal Employment Opportunity Policy were recorded during 2002-03.

## evaluation and remuneration review

SA Lotteries uses Mercer HR Consulting to independently evaluate all positions annually to ensure that every role is remunerated in line with the job market.

In addition, salary increases of 4% were awarded under Enterprise Negotiations as at 1 October 2002 with a further 4% payment to be awarded from 1 October 2003.

## enterprise bargaining

SA Lotteries successfully negotiated its fourth Enterprise Agreement in 2002. The agreement was ratified on 4 February 2003 and expires on 30 June 2004.

Major outcomes in this Enterprise Agreement included enhancements to parental leave conditions and expansion of flexible working arrangements.

## leave management

Long Service Leave liability increased during the 2002–03 year.

Our people schedule and take their full annual leave allocation in the year it accrues unless special circumstances necessitate deferral.

## occupational health and safety performance

SA Lotteries is proactive in its approach to Occupational Health and Safety (OH&S) and promptly resolves issues raised by employees.

Our OH&S Committee meets quarterly to ensure compliance with the *Occupational Health Safety and Welfare Act 1986*. The OH&S Committee comprises the Manager – Human Resources as the OH&S Coordinator plus one management representative and four health and safety representatives from across the business.

A workplace inspection of the Head Office building, the warehouse and the remote site is conducted annually.

All OH&S issues are recorded and actioned immediately. The results of the inspections and associated action plans are reported to the OH&S Committee at its quarterly meeting.

SA Lotteries is committed to ensuring its workplace is free from unlawful discrimination, harassment and victimisation and conducts awareness sessions to educate its people.

Fire safety and awareness and first aid training are provided to those employees who volunteer to take on warden and first-aid functions.

A new Contractor Policy has been developed and implemented to ensure that all visitors to SA Lotteries comply with our OH&S standards.

## equal employment opportunity

We are totally committed to the values of having a diverse workplace at SA Lotteries.

We continue to employ and promote on merit regardless of race, gender, sexuality, marital status, pregnancy or physical impairment.

The objectives of our Equal Employment Opportunity Plan are to:

1. Achieve an environment that is free from harassment and unlawful discrimination and to develop a work environment that helps staff balance work, family and other responsibilities.
2. Ensure that the behaviour of all of our people reflect affirmative action principles.
3. Comply with the requirements of the *Disability Discrimination Act 1992*.

## disability action plan

SA Lotteries developed a Disability Discrimination Action Plan during 1997-98 to determine appropriate strategies to ensure people with disabilities can access our games, services and facilities and to demonstrate our commitment to the elimination of disability discrimination.

In accordance with the South Australian Government policy 'Promoting Independence - Disability Action Plans for South Australians', SA Lotteries' Disability Discrimination Action Plan outlines the following five outcomes:

### **1. Ensure accessibility to services for people with disabilities**

SA Lotteries' Head Office customer service area has been modified to allow adequate access to writing benches for people with disabilities, with agency corporate fit-outs redesigned to provide appropriate access compliant with Australian Standards. Emergency evacuation procedures give consideration to people with disabilities.

### **2. Ensure that information about our services includes people with disabilities**

SA Lotteries' Internet and Intranet sites include a copy of SA Lotteries' Disability Discrimination Action Plan.

### **3. Deliver advice or service to people with disabilities through awareness and understanding of relevant issues**

To reinforce SA Lotteries' commitment to equal opportunity, a copy of our Disability Discrimination Action Plan has been distributed to staff, agents, relevant disability associations and community groups as well as the Human Rights and Equal Opportunity Commission.

### **4. Provide opportunities for consultation with people with disabilities concerning service delivery and complaints and grievance mechanisms**

SA Lotteries has installed an innovative telephone system, a TTY (teletypewriter), to enable hearing-impaired customers to access results and general information on SA Lotteries' products, as well as providing an avenue for customers to lodge complaints or provide valuable feedback.

### **5. Meet the requirements of the Disability Discrimination Act 1992 and the Equal Opportunity Act 1994**

SA Lotteries' Disability Discrimination Action Plan is reviewed annually to ensure legislative requirements are met.

## staff presentations

During 2002-03 one staff member was recognised for their contribution to SA Lotteries throughout their many years of service. Paul Wright, our Major Account Representative, achieved the milestone of 25 years of service with SA Lotteries.

our business

# the giving nature of our business >

**We have ensured mutually beneficial relationships with suppliers.**

## our suppliers

The objective of SA Lotteries' Small Business Charter is to manage our relationship with small business in a way that fosters a mutually rewarding partnership that maximises the benefits to the South Australian community.

We continue to counter-balance the State Government's objective of open and fair competition with establishing long-term partnerships with suppliers to the mutual benefit of suppliers and SA Lotteries. In addition, SA Lotteries conforms with the State Government's commitment to openness and accountability by providing details of appropriate contracts on the Tenders and Contracts website in accordance with the Treasurer's Instruction 27.

In accordance with State Government policy and as a further benefit to South Australian suppliers, SA Lotteries promotes a 'buy local' philosophy when a local supplier or potential supplier provides a value for money outcome that equals or exceeds that offered by non-local suppliers or potential suppliers.

## our bankers

Following a comprehensive Banking and Related Services Request for Proposal undertaken by the South Australian Government during 2002, Westpac Banking Corporation was selected as the whole of government transaction banking service provider.

SA Lotteries commenced with Westpac on 3 February 2003 and the new arrangements facilitate the continued use of efficient and effective banking practices.

## contractual arrangements

SA Lotteries entered into a major strategic initiative with GTECH Corporation and GTECH Australasia Corporation for the acquisition of an on-line lotteries system which was installed ready for use on 27 June 1999.

The contractor provided the central system hardware, terminal equipment and upgraded TV controllers at a cost that included project implementation, software development and licensed software charges.

The duration of the contract is for an initial term of five years from the installation date, with a right of extension for a further term or terms up to three years in total.

An annual licensed software fee, paid annually in advance, and an annual software support fee, paid on a monthly 30-day term account, are commitments that continue over the contract period.

SA Lotteries is dependent on its on-line lotteries system for the distribution of all games through the Statewide agency network.

Margaret gave the thumbs up  
to her \$150 000 Instant Scratchies  
Snakes and Ladders win.



## account payment performance 2002-03

SA Lotteries' Small Business Charter states that we will pay all undisputed accounts within 30 days or in accordance with agreed terms and will ensure that all payments are accurate.

The following table summarises the account payment performance achieved during 2002-03:

### Account Payment Performance

Particulars	No of Accounts Paid	Percentage of Accounts Paid (by number)	Value in \$A of Accounts Paid	% of Accounts Paid (by value)
Paid by due date	2 034	100%	\$19.163m	100%
Paid within 30 days or less from due date	-	-	-	-
Paid more than 30 days from due date	-	-	-	-

## compliance and system assurance

### Risk Management

SA Lotteries' Risk Management Policy and framework was established during 1996-97. Since that time, an ongoing risk management program has been maintained to develop cost-effective strategies for minimising risks associated with identified threats.

During 2002-03, risks in relation to the protection of SA Lotteries' employees, assets, earnings, liabilities and the public were reassessed. New risks resulting from changes in operations during the year were identified and added to the program.

In addition, a risk evaluation was formally completed for all corporate projects undertaken during the financial year. This system ensures that the risks are assessed as part of all strategic and ongoing planning and decision making.

### Fraud Control

SA Lotteries has a Fraud Control Policy in place to minimise SA Lotteries' exposure to fraud by identifying potential risk areas. Any suspected incidents of fraud are investigated immediately. There were no instances of fraud during the year.

### Freedom of Information

SA Lotteries complies with the *Freedom of Information Act 1991* (FOI Act) and ensures appropriate and timely action is taken when access to information is requested. The following information is provided on request in accordance with the requirements of the FOI Act:

- SA Lotteries' organisation structure and broad functions.
- SA Lotteries' policy documents and manuals covering all areas of its operations.

Any person may obtain access to documents or seek amendments of SA Lotteries' records concerning their personal affairs by written request to SA Lotteries. The prescribed application fee under the FOI Act must accompany this application.

There were no requests for information during the financial year.

### Security

SA Lotteries is committed to the protection of employees and its customers. The position of Security Guard which was introduced in 2001-02 was maintained during 2002-03. The principal role of this outsourced position is to enhance controls over physical security in the Rundle Mall Head Office.

During 2002-03 a building security review audit of premises occupied and used was conducted by SA Lotteries.

### Quality Management

The Quality Management System (QMS) was introduced in SA Lotteries in 2001-02. The QMS focuses on continuous improvement. Following the quality external audit undertaken in March 2002, SA Lotteries was formally approved for certification to the Quality Standard AS/NZS ISO 9001:2000. This certification was maintained for 2002-03.

SA Lotteries is committed to undertaking the necessary requirements of QMS to maintain certification to the Quality Standard.

### Systems Assurance

A Systems Assurance function operates in SA Lotteries. This is responsible for the quality assurance testing of all computer software changes, including changes to the on-line Wagering System and the New Business System.

## Information Security

As part of our commitment toward achieving the highest possible standards, SA Lotteries operates within the requirements of ISO/IEC 17799:2000 and AS/NZS 7799:2000. Independent biannual audits are conducted to ensure ongoing compliance.

## National Competition Policy

The Department of Treasury and Finance has completed a National Competition Policy review of Gambling Legislation, which included the State Lotteries Act and the Lottery and Gaming Act. The final report has been released which will form the basis of consultation with industry stakeholders as required.

## Crisis Plan

SA Lotteries' Crisis Plan comprises a set of written procedures covering pre-incident planning, emergency handling and post-loss recovery, to cater for identified threats. This plan was reviewed and updated during 2002-03.

## Energy Efficiency Action Plan

On 3 May 2002 the Premier launched a Government Energy Efficiency Action Plan to improve energy efficiency and reduce costs across all sectors of the government's operations. This initiative is an integral part of the National Greenhouse Strategy and incorporates the Government's target of a 15% reduction in energy use in government buildings by 30 June 2010.

In accordance with the Plan, SA Lotteries is accountable for managing energy use and is required to report its energy use and progress in meeting target reductions in its annual reports.

The following table provides a comparison of the current year against the base year of 2000-01.

## Performance against Annual Energy Use Targets

Period	Energy Use (Gjs)	Expenditure (\$)	Greenhouse Gas Emissions (kgs)
Base Year 2000-01	3834	116 165	1 181 764
Year 2001-02	3961	133 903	1 220 894
Year 2002-03	3897	135 009	1 201 064
Target 2002-03	3706	N/A	1 142 326
Target 2009-10	3258	N/A	1 004 499

SA Lotteries has an Energy Policy in place. The purpose of the policy is to ensure SA Lotteries is environmentally responsible by reducing energy consumption wherever possible. This is achieved by ensuring energy efficient office equipment and plant is purchased wherever possible, installing energy efficient lighting systems when undergoing office renovations and alterations and ensuring lighting, office equipment and plant is used efficiently.

In 2002-03, plans to upgrade ageing air-conditioning plant and lighting had been deferred pending a decision to relocate SA Lotteries' Head Office premises.

## overseas visits

A summary of overseas travel during 2002-03 by employees of SA Lotteries appears below:

In addition to the overseas travel expenditure incurred in 2002-03, travel expenditure of \$97 517 incurred in financial years 1999-00 to 2001-02 was expensed to the WLA 2002 Congress budget and reimbursed to SA Lotteries.

Date	Destination	Reason for Travel	Employee Involved	Total Cost
7 – 14 Oct 2002	Baltimore USA	To attend the 2002 NASPL Conference to boost delegate attendance at the 2002 WLA Congress in Adelaide.	1	\$6249
<b>TOTAL</b>				<b>\$6249</b>

The Clovercrest Newsagency  
syndicate shared  
more than \$1.6 million.



our systems

# it takes the best technology to succeed >

## **We have pursued and utilised the most effective technology.**

Our games are delivered to our customers using point-of-sale terminals located in agencies across the State. Overall system and network reliability continues to be exceptional with an availability of 99.9% being achieved for the year.

Reliability of our point-of-sale terminals continues to be extremely pleasing, with an average of 198 400 mean transactions between failure being recorded, compared to 192 752 in 2001-02. This improvement was achieved through a point-of-sale maintenance of equipment program being progressed by SA Lotteries' service technicians. Timely support to agents for equipment failure was provided by our service technicians, with an average response time of 44 minutes being achieved for the metropolitan area (up to 100km from the GPO), compared to 49 minutes for the previous year.

## **lottery results and telephone sales service**

SA Lotteries' telephone results service again proved popular throughout the year. With an increase of over 30 000 calls over the last year, more than 405 000 calls were received during 2002-03. Results are available in nine languages other than English: Italian, Greek, German, Dutch, Vietnamese, Polish, Mandarin Chinese, Serbian and Croatian.

The replacement of the ageing telephone results service was to be incorporated into the planned Telephone Sales System. This project was planned for implementation in 2002-03; however, following a review of costs versus benefits, will now not proceed. An alternative strategy to replace the telephone results service will be progressed in 2003-04.

A review will be conducted in 2003-04 in light of developing a broader Electronic Distribution Channels strategy. This will involve an assessment of the latest developments in electronic communications technology to assess their potential application in the cost effective and convenient distribution of lottery games.

## **sa lotteries website**

SA Lotteries' Internet website continues to undergo minor enhancements to keep the site fresh and relevant to customers.

Over 500 000 visits were recorded on the site during the year, an increase of over 200 000 from the previous year.

Key features of the site include how-to-play information, frequently drawn numbers, up-to-date Keno results, and a service for automatically emailing draw results and dividends to registered customers. This site has also successfully been used for promotional activity.

## **SALi**

SALi is SA Lotteries' Intranet site and is an important repository and access medium for staff. Commissioned in March 2002, SALi continues to grow as the central point of contact and resource access tool for organisational information to all staff.

Information content is designed to maximise staff involvement, to keep the content current, while keeping the appearance and theme consistent. SALi is an important step towards reducing reliance on paper-based information.

## **new business system**

The New Business System project, initiated in 2001-02, is nearing completion, with the financial sub-system commencing operation in April 2003. The system will be fully operational in early 2003-04, bringing together the management of financial, purchasing, human resources and customer relationship data and the reporting of management information.

As staff become more proficient in the use of the new system, improvements in efficiency and effectiveness of reporting and access to information will be achieved.

our organisation

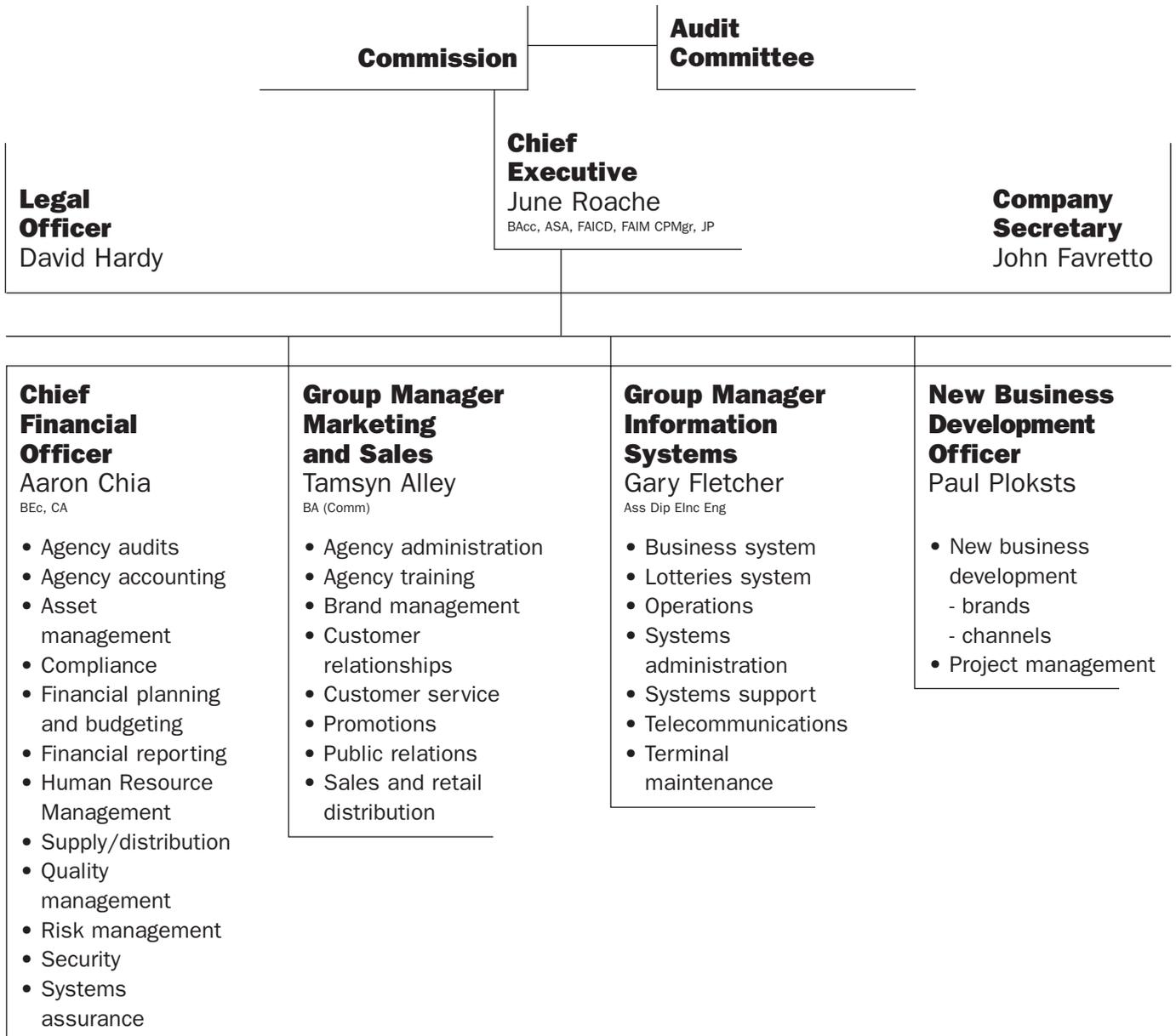
# what it takes to make us winners>



**Pictured left to right:** Tamsyn Alley, Paul Ploksts, June Roache, Gary Fletcher and Aaron Chia.



**Our staff**



## Workforce Diversity

	Total employees	Female employees	% of employees who are female	No. of employees identifying as indigenous	No. of employees with a permanent disability	No. of employees accessing family related workplace policies
Executives	5	2	40.00%	Nil	Nil	1
Senior Managers	15	5	33.33%	Nil	Nil	2
Middle Managers	17	5	29.41%	Nil	Nil	0
First Line Supervisors	27	16	59.26%	Nil	Nil	3
Others	33	27	81.82%	Nil	1	1
<b>Total</b>	<b>97</b>	<b>55</b>	<b>56.70%</b>	<b>Nil</b>	<b>1</b>	<b>7</b>

### Executive Employment

The Chief Executive, Chief Financial Officer and Group Managers are employed under contract and do not have the right to be appointed to another position in the public sector at the end of their contract. The New Business Development Officer is employed on contract with ongoing tenure in the public sector.

**Level C** – 1 Female **Level A** – 3 Males and 1 Female

### Non-Executive Employment Classification

Classifications	Permanent			Permanent PT			Contract			Total		
	M	F	Total	M	F	Total	M	F	Total	M	F	Total
AS01	2	7	9	-	9	9	-	-	0	2	16	18
AS02	4	8	12	-	3	3	-	-	0	4	11	15
AS03	3	8	11	-	-	0	-	-	0	3	8	11
AS04	5	6	11	-	2	2	-	-	0	5	8	13
AS05	4	3	7	-	-	0	-	-	0	4	3	7
AS06	7	2	9	-	-	0	-	-	0	7	2	9
AS07	5	3	8	-	-	0	-	-	0	5	3	8
AS08	2	1	3	-	-	0	-	-	0	2	1	3
TG02	3	-	3	-	-	0	-	-	0	3	0	3
MAS3	3	1	4	-	-	0	-	-	0	3	1	4
Contract	-	-	0	-	-	0	1	-	1	1	0	1
<b>Total</b>	<b>38</b>	<b>39</b>	<b>77</b>	<b>0</b>	<b>14</b>	<b>14</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>39</b>	<b>53</b>	<b>92</b>

## Leave Management

	2002-03	2001-02	2000-01
Average number of sick leave days taken per FTE	6.46	8.80	6.80
Average number of family carers' leave days taken per FTE	0.55	0.69	0.60

## Age Profile

Age Group (years)	Number of Employees (persons)		
	Male	Female	Total
15-19	0	0	0
20-24	3	2	5
25-29	6	4	10
30-34	7	9	16
35-39	4	7	11
40-44	6	6	12
45-49	10	6	16
50-54	3	10	13
55-59	3	6	9
60-64	0	4	4
65+	0	1	1
<b>Total</b>	<b>42</b>	<b>55</b>	<b>97</b>

## Occupational Health, Safety and Injury Management

	2002-03	2001-02	2000-01
<b>1 OH&amp;S legislative requirements</b>			
Number of notifiable occurrences pursuant to OHS&W Regulations Division 6.6	nil	nil	nil
Number of notifiable injuries pursuant to OHS&W Regulations Division 6.6	nil	nil	nil
Number of notices served pursuant to OHS&W Act s35,s39 and s40	nil	nil	nil
<b>2 Injury Management legislative requirements</b>			
Total number of employees who participated in the rehabilitation program	2	6	2
Total number of employees rehabilitated and reassigned to alternative duties	nil	nil	nil
Total number of employees rehabilitated back to their original work	1	6	nil
<b>3 WorkCover Action Limits</b>			
Number of open claims	1	1	2
Percentage of workers' compensation expenditure over gross annual remuneration	0.34	0.52	0.86
<b>4 Number of Injuries</b>			
Number of new workers' compensation claims in the financial year	2	8	2
Number of fatalities	nil	nil	nil
Number of lost-time injuries	nil	4	1
Number of medical treatment only	2	4	1
Total number of whole working days lost	64	146	18
<b>5 Cost of Workers' Compensation</b>			
Cost of new claims for financial year	nil	\$27 818	\$1867
Cost of all claims excluding lump sum payments	\$17 753	\$27 818	\$38 986
Amount paid for lump sum payments (s42,s43,s44)	nil	nil	nil
Total amount recovered from external sources (s54)	nil	nil	nil
Budget allocation for workers' compensation	\$113 680	\$110 860	\$110 860
<b>6 Trends</b>			
Injury frequency rate for new lost-time injury/disease for each million hours worked	0	20.79	5.27
Most frequent cause (mechanism) of injury	slips and trips	slips and trips	overuse syndrome
Most expensive cause (mechanism) of injury	trauma	trauma	overuse syndrome

# financial statements>

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# statement of financial performance>

for the year ended 30 june 2003

	Note	2003 (\$'000)	2002 (\$'000)
<b>REVENUES FROM ORDINARY ACTIVITIES</b>			
Sales revenue	2	335 911	313 856
Less cost of sales	3	281 796	262 239
<b>Trading surplus</b>		54 115	51 617
Other revenues	4	9 846	6 204
<b>Total revenues from ordinary activities</b>		63 961	57 821
<b>EXPENSES FROM ORDINARY ACTIVITIES</b>			
Services and supplies	5	15 297	12 804
Goods and services tax		12 143	11 513
Employee expenses		7 063	6 627
Depreciation	6	3 801	2 714
Borrowing costs		518	611
<b>Total expenses from ordinary activities</b>		38 822	34 269
<b>SURPLUS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EQUIVALENT</b>			
		25 139	23 552
Income tax equivalent expense relating to ordinary activities	17	7 542	7 066
<b>SURPLUS FROM ORDINARY ACTIVITIES AFTER INCOME TAX EQUIVALENT</b>			
	16	17 597	16 486
(Decrease) increase in asset revaluation reserve	15(i)	(1 814)	5 402
<b>TOTAL CHANGE IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER</b>		15 783	21 888

*The Statement of Financial Performance is to be read in conjunction with the Notes.*

# statement of financial position>

as at 30 june 2003

	Note	2003 (\$'000)	2002 (\$'000)
<b>CURRENT ASSETS</b>			
Cash assets		44 816	45 510
Receivables	7	3 820	3 827
Inventories	8	397	225
Prepayments		126	607
<b>Total current assets</b>		49 159	50 169
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	19 010	23 972
<b>Total non-current assets</b>		19 010	23 972
<b>TOTAL ASSETS</b>		68 169	74 141
<b>CURRENT LIABILITIES</b>			
Payables	10	19 353	21 605
Interest-bearing liabilities		1 452	1 368
Provision for employee benefits	11	319	300
Other	12	8 133	7 945
<b>Total current liabilities</b>		29 257	31 218
<b>NON-CURRENT LIABILITIES</b>			
Payables	10	208	191
Interest-bearing liabilities		5 429	6 882
Provision for employee benefits	11	776	684
Unclaimed prizes reserve	13	7 489	8 266
<b>Total non-current liabilities</b>		13 902	16 023
<b>TOTAL LIABILITIES</b>		43 159	47 241
<b>NET ASSETS</b>		25 010	26 900
<b>EQUITY</b>			
Funds retained for capital purposes	14	2 976	2 976
Reserves	15	22 034	23 924
Retained surplus	16	-	-
<b>TOTAL EQUITY</b>		25 010	26 900
Commitments	26		

*The Statement of Financial Position is to be read in conjunction with the Notes.*

# statement of cash flows>

for the year ended 30 june 2003

		<b>2003</b>	<b>2002</b>
	<b>Note</b>	<b>(\$'000) Inflows (Outflows)</b>	<b>(\$'000) Inflows (Outflows)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		317 973	292 172
Prizes paid		(201 117)	(184 277)
Payments to suppliers and employees (excluding GST)		(22 061)	(19 447)
GST payments to taxation authority		(8 986)	(8 242)
GST payments on purchases		(3 954)	(3 516)
GST receipts on sales		624	399
Interest received		2 209	2 004
Borrowing costs paid		(553)	(633)
<b>Net cash provided by operating activities</b>	27(ii)	84 135	78 460
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment		(405)	(553)
Proceeds on disposal of non-current assets		1	-
<b>Net cash used in investing activities</b>		(404)	(553)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings		(1 368)	(1 289)
Distribution to the Hospitals Fund and Recreation and Sport Fund for gambling tax	17	(55 577)	(50 744)
Distribution to the Hospitals Fund for income tax equivalent	17	(7 787)	(8 153)
Distribution to the Hospitals Fund and Recreation and Sport Fund			
- after tax surplus	17	(18 232)	(14 343)
- unclaimed prizes	17	(1 461)	(1 652)
<b>Net cash used in financing activities</b>		(84 425)	(76 181)
<b>Net (decrease) increase in cash held</b>		(694)	1 726
<b>Cash at the beginning of the financial year</b>		45 510	43 784
<b>Cash at the end of the financial year</b>	27(i)	44 816	45 510

*The Statement of Cash Flows is to be read in conjunction with the Notes.*

# notes to and forming part of the financial statements>

as at 30 june 2003

## 1. ACCOUNTING POLICIES

### (a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the State Lotteries Act 1966, as amended, and the Lottery Rules promulgated under the State Lotteries Act 1966, in addition to the Treasurer's Instructions issued pursuant to the Public Finance and Audit Act 1987 and Accounting Policy Statements, the Statements of Accounting Concepts, Australian Accounting Standards and Urgent Issues Group Consensus Views.

The financial statements are based on the historical cost convention and except where stated, have not been adjusted to take account of current valuations or current costs.

### (b) Change in accounting policy

In accordance with Accounting Standard AASB 1028 "Employee Benefits", on 1 July 2002 the Commission changed its policy for recognising its liability for salaries and wages and annual leave. Under the new policy the amount of the liability is calculated using the remuneration rate that is expected to apply at the time of settlement rather than the remuneration rate that applies at reporting date.

This change in accounting policy had no material impact on the results for the period.

### (c) Depreciation of non-current assets

Property, plant and equipment, excluding freehold land, are depreciated by the Commission on the straight line basis to reflect their decline in service potential over their estimated useful lives.

The depreciation rates used for each class of asset are as follows:

Buildings	2.9 percent and 3.3 percent.
Plant and equipment	5 percent, 6.67 percent, 10 percent, 20 percent and 33.3 percent.
On-line lotteries system	12.5 percent, 20 percent and 33.3 percent.

### (d) Valuation of non-current assets

Property, plant and equipment are brought to account at fair value.

- (i) Plant and equipment is at historical cost.
- (ii) Independent valuations for freehold land and buildings were obtained in May 2001 from Simon Hickin B App Sc (Val), AAPI, ASIA, Certified Practising Valuer of Jones Lang LaSalle and was determined on the basis of open market values for existing use.
- (iii) An independent valuation for the on-line lotteries system was obtained in June 2003 from Andrew Lucas, MBA, B App Sc (Val), AAPI, ASA, Certified Practising Valuer of Valcorp Australia Pty Ltd and represents the written down current cost of items in this group of assets.

### (e) Recognition of income

Sales for Lotto, SA Lotto, Oz Lotto, Powerball, Super 66, Keno and The Pools are recognised as at the date of the draw or competition. Sales for Instant Scratchies are recognised daily when tickets are sold. Lotto, SA Lotto, Oz Lotto, Powerball, Super 66 and The Pools sales as at 30 June for draws or competitions subsequent to that date are treated as sales in advance.

### (f) Inventories

Inventories are carried at actual cost.

### (g) Employee benefits

Provision has been made in the financial statements for the Commission's liability for employee benefits arising from services rendered by employees to balance date. Related on-costs consequential to the employment of employees have been included in payables in the determination of the liability.

# notes to and forming part of the financial statements>

continued

(i) Superannuation

The Commission contributes to externally managed superannuation funds. Contributions are charged as an expense in the period in which they occur.

(ii) Annual leave

Provision has been made for the unused component of annual leave at balance date. The provision has been determined by estimating the amount expected to be paid at the time the liability is settled.

(iii) Long service leave

Provision has been made for employee benefits for long service leave. An estimate of the present value of future cash outflows for all eligible employees has been made using a benchmark of seven years' service as a method of estimating long service leave liability. Provision for employees with service benefits expected to be settled within the next 12 months is accounted for as a current liability with the balance of the provision accounted for as a non-current liability.

(iv) Sick leave

No provision has been made in respect of sick leave which is non-vesting. As sick leave taken by employees is considered to be taken from the current year's accrual, no liability is recognised.

(v) Workers compensation

A workers compensation levy rate of 1.326 percent is paid to WorkCover Corporation to cover any claims.

**(h) Building maintenance reserve**

This reserve was established to meet future major building maintenance costs.

**(i) Capital asset reserve**

This reserve was established to contribute to the financing of the cost of replacement/upgrade of the on-line lotteries system hardware and software, and the purchase of other non-current assets.

**(j) Keno prize reserve**

This reserve was established to meet a payment for a second and subsequent payment of Keno Spot 10 (10 hits) Jackpot Prize within a financial year.

**(k) Receivables**

**Debtors**

Debtor agents and sundry debtors are settled within seven days and 14 days respectively and are carried at amounts due. All debts considered bad or doubtful are written off to bad debt expense in the year in which they are recognised as irrecoverable.

**Prizes receivable from Blocs**

Lotto, Oz Lotto, Powerball, Super 66 and The Pools are games supported by inter-jurisdiction prize pooling arrangements. State lottery operators participating in individual games form Blocs for the relevant games. Amounts receivable from Blocs represent monies due from other jurisdictions for prizes won in South Australia. Settlement of amounts receivable from Bloc members are normally due 13 days after the date of draw.

**(l) Cash**

For the purpose of the Statement of Cash Flows, cash includes cash on hand and short term deposits at call.

Short term deposits are held with the South Australian Government Financing Authority (SAFA) in At Call Deposit or Cash Management Fund deposits and are valued at cost. Interest is paid at a minimum of SAFA's overnight at call deposit rate. The deposits principally reflect funds available for unclaimed prizes and for distribution to the Hospitals Fund and the Recreation and Sport Fund.

# notes to and forming part of the financial statements>

continued

## **(m) Payables**

### **Creditors**

Creditors are recognised for amounts to be paid in the future for goods and services received and are normally settled within 30 days.

### **Prizes payable**

Prizes payable represent amounts due to be paid to customers for prizes won in South Australia and to lottery operators in other States participating in interjurisdictional prize pooling arrangements. State lottery operators have formed Blocs to conduct the games of Lotto, Oz Lotto, Powerball, Super 66 and The Pools.

Amounts payable for prizes won in South Australia are generally available for settlement the day following the draw, or in the case of Instant Scratchies and minor Keno prizes, on the date of sale or draw. Division 1 and 2 prizes for Lotto type games are normally settled 13 days after the date of draw in accordance with the Lottery Rules.

Amounts payable to Blocs represent monies due to other lottery operators for prizes won in interstate jurisdictions. Settlement of amounts payable to Bloc members are normally due 13 days after the date of draw.

## **(n) Foreign currency**

Exchange differences arising up to the date of purchase or sale are deferred and are included in the measurement of the purchase or sale.

## **(o) Unclaimed prizes reserve**

If a prize in a lottery has not been collected or taken delivery of within 12 months of the date of the draw or relevant day, the prize is forfeited to the Commission and transferred to the unclaimed prizes reserve. Section 16C(4) of the State Lotteries Act 1966, requires the Commission to pay:

- 50 percent of the amount derived from unclaimed prizes in The Pools to the Recreation and Sport Fund; and
- 50 percent of the amount derived from unclaimed prizes in other lotteries to the Hospitals Fund.

The balance in the reserve is applied by the Commission from time to time for the purposes of providing additional increased prizes in subsequent lotteries, providing prizes in promotional lotteries or making ex-gratia prize payments.

The State Lotteries Act 1966, provides for ex-gratia payments to a person who satisfies the Commission that he or she is a winner of a prize in a lottery conducted by the Commission, despite the fact that a prize has been forfeited to the Commission, the winning ticket has been lost or destroyed or a notice of a claim for the prize has not been complied with in accordance with the Lottery Rules.

Ex-gratia prize payments are charged to the unclaimed prizes reserve. Subsequent payments to either the Recreation and Sport Fund or Hospitals Fund are reduced by an amount equivalent to 50 percent of the ex-gratia payment, depending on the game played.

## **(p) Tax equivalent regime**

Pursuant to Treasurer's Instruction 22, a tax equivalent regime applies to the Commission. The regime requires the Commission to pay amounts deemed equivalent to that which would have been paid to the Commonwealth if it was not exempt from the taxation laws of the Commonwealth.

The tax equivalent regime has been applied in a manner that is consistent with the requirement of the Commission, pursuant to Section 16(3) of the State Lotteries Act 1966, to pay surplus funds to the Hospitals Fund.

The Commission is obliged to adopt the accounting surplus method of tax effect accounting with respect to income tax whereby income tax expense is calculated on the accounting surplus. Permanent and timing differences do not arise. Tax due but not paid at balance date is recognised as a current liability.

# notes to and forming part of the financial statements >

as at 30 june 2003

## **(q) Goods and Services Tax (GST)**

The Commission, as a gambling operator, is required to pay one eleventh of net gambling revenue (NGR), defined as gross sales less total monetary prizes, direct to the Australian Taxation Office (ATO).

Revenues, expenses and non-current assets are recognised net of the amount of GST. Receivables and payables are stated with the amount of GST included.

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

Cash flows from operating activities are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing activities in capital equipment which is recoverable from the ATO is classified as operating cash flows.

## **(r) Distribution of funds to Government**

In accordance with Section 16(3) of the State Lotteries Act 1966, the Commission is required to pay to the Hospitals Fund the balance of surplus funds remaining after payment of gambling tax and GST on NGR; making allowances for operating and capital expenses; applying the net proceeds and gambling tax of The Pools to the Recreation and Sport Fund; and retaining funds for certain designated purposes.

As detailed in note 1(p), the Commission is required to make tax equivalent payments as a result of the application of the tax equivalent regime. In recognition of the provisions of the State Lotteries Act 1966, and in accordance with Schedule 1 of Treasurer's Instruction 22, the transfer of funds to the Hospitals Fund is reflected in the Financial Statements in the form of:

- (i) a gambling tax of 41 percent on NGR in respect of all lotteries conducted by the Commission except sports lotteries and special lotteries;
- (ii) an income tax equivalent payment (calculated on the accounting surplus method), recorded as an expense item in the Statement of Financial Performance;
- (iii) an after tax surplus distribution payment, recorded as a surplus distributed;
- (iv) unclaimed prizes.

The composition of amounts due and payable to Government on account of the Hospitals Fund and Recreation and Sport Fund is detailed in note 17.

## **(s) Interest bearing liabilities**

Loans are brought to account at their principal amounts. Interest is accrued over the period it becomes due and is recorded as part of other creditors. Borrowing costs are recognised as expenses in the period in which they are incurred. No borrowing costs have been capitalised in the financial period.

The loans are unsecured and repayments are made six monthly on a credit foncier loan basis, with interest charged at the lender's benchmark rate. The carrying amount for borrowings therefore approximates fair value.

## **(t) Segment information**

The Commission has not established any partnership, body corporate or trust to carry out any function of its business operations. The business operations are conducted in the one business and geographical segment, selling lottery products within the economic environment of South Australia.

## **(u) Leases**

The Commission has an operating lease agreement for a remote computer site at Kidman Park where the lessor effectively retains all risks and benefits incidental to ownership. Operating lease payments are representative of the pattern of benefits derived from the leased asset and are charged to the Statement of Financial Performance in the period in which they occur.

# notes to and forming part of the financial statements >

continued

## 2. SALES REVENUE

	<b>2003 (\$'000)</b>	<b>2002 (\$'000)</b>
Lotto	129 603	123 632
SA Lotto	28 931	23 380
Oz Lotto	16 575	17 127
Powerball	51 379	44 526
Keno	67 155	64 838
Instant Scratchies	39 864	37 920
Super 66	1 662	1 828
The Pools	742	605
	<u>335 911</u>	<u>313 856</u>

Sales revenue includes agents' commission.

## 3. COST OF SALES

	<b>2003 (\$'000)</b>	<b>2002 (\$'000)</b>
Prizes	202 336	187 217
Gambling tax	54 766	51 922
Agents' commission*	24 694	23 100
	<u>281 796</u>	<u>262 239</u>

\*Agents' commission represents the service fee on sale of lottery tickets retained by agents at point of sale with net sales proceeds being remitted to the Commission.

## 4. OTHER REVENUES

	<b>2003 (\$'000)</b>	<b>2002 (\$'000)</b>
Agents' fees and charges	3 539	3 217
Interest	2 211	2 010
Commission on Head Office sales	406	388
Easisplay Club service fee	323	290
Sundry	399	299
WLA Congress*	2 968	-
	<u>9 846</u>	<u>6 204</u>

\*Revenue from hosting the 2002 World Lottery Association Congress in Adelaide in November 2002.

# notes to and forming part of the financial statements >

continued

## 5. SERVICES AND SUPPLIES

	<b>2003</b> <b>(\$'000)</b>	<b>2002</b> <b>(\$'000)</b>
Advertising and marketing	5 398	5 021
Computer operations	3 447	3 764
Printing of tickets	1 543	1 337
Other	2 562	2 409
Operating lease	75	84
Bad debts	8	3
WLA Congress*	2 264	186
	<u>15 297</u>	<u>12 804</u>

\* Expenditure incurred in hosting the 2002 World Lottery Association Congress in Adelaide in November 2002.

## 6. DEPRECIATION

	<b>2003</b> <b>(\$'000)</b>	<b>2002</b> <b>(\$'000)</b>
Buildings	81	81
Plant and equipment	275	243
On-line lotteries system	3 445	2 390
	<u>3 801</u>	<u>2 714</u>

## 7. RECEIVABLES

	<b>2003</b> <b>(\$'000)</b>	<b>2002</b> <b>(\$'000)</b>
Debtor - agents	1 972	2 652
Prize money due from Blocs	1 139	403
Sundry	709	772
	<u>3 820</u>	<u>3 827</u>

## 8. INVENTORIES

	<b>2003</b> <b>(\$'000)</b>	<b>2002</b> <b>(\$'000)</b>
Ticket stock	397	225

Ticket stock includes Instant Scratchies tickets, on-line coupons, ticket rolls and ribbons.

# notes to and forming part of the financial statements >

continued

## 9. PROPERTY, PLANT AND EQUIPMENT

	<b>2003</b> <b>(\$'000)</b>	<b>2002</b> <b>(\$'000)</b>
<b>Freehold land and buildings</b>		
Buildings at independent valuation	2 490	2 490
Accumulated depreciation	(169)	(88)
	<u>2 321</u>	<u>2 402</u>
Land at independent valuation	3 310	3 310
	<u>5 631</u>	<u>5 712</u>
<b>Plant and equipment</b>		
Plant and equipment at historical cost	4 873	4 584
Accumulated depreciation	(3 729)	(3 643)
	<u>1 144</u>	<u>941</u>
<b>On-line lotteries system</b>		
On-line lotteries system at independent valuation	12 235	17 319
<b>Total property, plant and equipment</b>	<u>19 010</u>	<u>23 972</u>

### Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	<b>2003</b> <b>(\$'000)</b>	<b>2002</b> <b>(\$'000)</b>
<b>Freehold land</b>		
Carrying amount 30 June	<u>3 310</u>	<u>3 310</u>
<b>Buildings</b>		
Carrying amount 1 July	2 402	2 483
Depreciation expense	(81)	(81)
Carrying amount 30 June	<u>2 321</u>	<u>2 402</u>
<b>Plant and equipment</b>		
Carrying amount 1 July	941	659
Additions	478	525
Depreciation expense	(275)	(243)
Carrying amount 30 June	<u>1 144</u>	<u>941</u>
<b>On-line lotteries system</b>		
Carrying amount 1 July	17 319	14 286
Depreciation expense	(3 445)	(2 390)
Revaluation increment	-	5 402
Revaluation decrement	(1 814)	-
Additions	181	21
Disposals	(6)	-
Carrying amount 30 June	<u>12 235</u>	<u>17 319</u>

# notes to and forming part of the financial statements >

continued

## 10. PAYABLES

	<b>2003</b> <b>(\$'000)</b>	<b>2002</b> <b>(\$'000)</b>
<b>Current</b>		
Creditors	3 288	3 328
Prizes payable	9 494	10 181
Undistributed funds (refer to note 17)	6 571	8 096
	<u>19 353</u>	<u>21 605</u>
<b>Non-current</b>		
Creditors	208	191
	<u>19 561</u>	<u>21 796</u>

## 11. EMPLOYEE BENEFITS

	<b>2003</b> <b>(\$'000)</b>	<b>2002</b> <b>(\$'000)</b>
<b>Current</b>		
Provision for employee benefits:		
Annual leave	266	252
Long service leave	53	48
On-costs (accounted for in payables)	59	56
	<u>378</u>	<u>356</u>
<b>Non-current</b>		
Provision for employee benefits:		
Long service leave	776	684
On-costs (accounted for in payables)	208	191
	<u>984</u>	<u>875</u>
Aggregate employee benefits and related on-costs liabilities	<u>1 362</u>	<u>1 231</u>

# notes to and forming part of the financial statements >

continued

## 12. OTHER LIABILITIES

	<b>2003</b> <b>(\$'000)</b>	<b>2002</b> <b>(\$'000)</b>
Prize fund (i)	7 092	6 814
Sales in advance	1 041	1 131
	<u>8 133</u>	<u>7 945</u>
<b>(i) Prize fund</b>		
Balance at 1 July	6 814	6 091
Allocated to prize fund	9 182	8 595
	<u>15 996</u>	<u>14 686</u>
Applied to prizes	(8 904)	(7 872)
Balance at 30 June	<u>7 092</u>	<u>6 814</u>

The prize fund allocation comprises the following percentages of net sales (sales revenue less agents' commission) for the following games:

- 5.0 percent for Lotto and SA Lotto;
- 3.5 percent for Oz Lotto and Super 66;
- 2.5 percent for Powerball;
- 2.0 percent for The Pools.

These funds are distributed from time to time as additional prize money in the respective games.

## 13 UNCLAIMED PRIZES RESERVE

	<b>2003</b> <b>(\$'000)</b>	<b>2002</b> <b>(\$'000)</b>
Balance at 1 July	8 266	11 612
Unclaimed monies forfeited	3 102	3 313
	<u>11 368</u>	<u>14 925</u>
Monies provided for distribution to the Hospitals Fund	(1 550)	(1 656)
Monies provided for distribution to the Recreation and Sport Fund	(1)	(2)
Promotional tickets	(1 527)	(3 400)
Additional prizes	(801)	(1 601)
Balance at 30 June	<u>7 489</u>	<u>8 266</u>

## 14. FUNDS RETAINED FOR CAPITAL PURPOSES

The Commission has retained funds of \$2 976 000, which represent the historical cost of the investment in land and buildings at 23 Rundle Mall, Adelaide and 26 Payneham Road, Stepney.

# notes to and forming part of the financial statements >

continued

## 15. RESERVES

	<b>2003</b> <b>(\$'000)</b>	<b>2002</b> <b>(\$'000)</b>
Asset revaluation (i)	6 599	8 413
Building maintenance (ii)	94	94
Capital asset (iii)	13 628	12 567
Keno prize (iv)	1 713	2 850
	<u>22 034</u>	<u>23 924</u>
<b>(i) Asset revaluation</b>		
Balance at 1 July	8 413	3 011
Transferred to reserve	-	5 402
	<u>8 413</u>	<u>8 413</u>
Transferred from reserve	(1 814)	-
Balance at 30 June	<u>6 599</u>	<u>8 413</u>
<b>(ii) Building maintenance</b>		
Balance at 30 June	<u>94</u>	<u>94</u>
<b>(iii) Capital asset</b>		
Balance at 1 July	12 567	11 450
Transfer to reserve	2 000	2 000
Transfer to retained surplus	(939)	(883)
Net transfer to reserve	<u>1 061</u>	<u>1 117</u>
Balance at 30 June	<u>13 628</u>	<u>12 567</u>
Capital asset comprises the:		
Capital fund account	9 757	8 415
Capital fund assets (at amortised value)*	3 871	4 152
	<u>13 628</u>	<u>12 567</u>
Capital fund account		
Balance at 1 July	8 415	6 961
Transferred to reserve	2 000	2 000
Assets financed	(658)	(546)
Balance at 30 June	<u>9 757</u>	<u>8 415</u>
Capital fund assets		
Amortised value at 1 July	4 152	4 489
Assets financed	658	546
Depreciation	(939)	(883)
Amortised value at 30 June	<u>3 871</u>	<u>4 152</u>

# notes to and forming part of the financial statements >

continued

	<b>2003</b> <b>(\$'000)</b>	<b>2002</b> <b>(\$'000)</b>
*Assets financed from the capital fund		
Balance at 1 July	7 927	7 423
Assets financed	658	546
	<u>8 585</u>	<u>7 969</u>
Assets disposed	(6)	(42)
Balance at 30 June	<u>8 579</u>	<u>7 927</u>
Accumulated depreciation write-down	(4 708)	(3 775)
Capital fund assets (at amortised value)	<u>3 871</u>	<u>4 152</u>
(iv) <b>Keno prize</b>		
Balance at 1 July	2 850	2 850
Transfer from reserve	(1 137)	-
Balance at 30 June	<u>1 713</u>	<u>2 850</u>

## 16. RETAINED SURPLUS

	<b>2003</b> <b>(\$'000)</b>	<b>2002</b> <b>(\$'000)</b>
Retained surplus at beginning of period	-	-
Transfer to capital asset reserve	(2 000)	(2 000)
Transfer from Keno prize reserve	1 137	-
Transfer from capital asset reserve	939	883
Surplus for year (after income tax equivalent)	<u>17 597</u>	<u>16 486</u>
	<u>17 673</u>	<u>15 369</u>
Surplus distributed	17 673	15 369
Retained surplus at end of period	<u>-</u>	<u>-</u>

# notes to and forming part of the financial statements >

continued

## 17. DISTRIBUTION OF FUNDS TO GOVERNMENT

	<b>Balance 1 July (\$'000)</b>	<b>Distribution Provided (\$'000)</b>	<b>Distribution Paid (\$'000)</b>	<b>Balance 30 June (\$'000)</b>
Gambling tax	5 611	54 766	55 577	4 800
Income tax equivalent	743	7 542	7 787	498
Surplus distributed	1 637	17 673	18 232	1 078
Unclaimed prizes	105	1 551	1 461	195
	<u>8 096</u>	<u>81 532</u>	<u>83 057</u>	<u>6 571</u>
<b>Comprising:</b>				
<b>Distribution to Hospitals Fund</b>				
Gambling tax	5 603	54 603	55 425	4 781
Income tax equivalent	743	7 542	7 787	498
Surplus distributed	1 630	17 563	18 129	1 064
Unclaimed prizes	105	1 550	1 460	195
	<u>8 081</u>	<u>81 258</u>	<u>82 801</u>	<u>6 538</u>
<b>Distribution to Recreation and Sport Fund</b>				
Gambling tax	8	163	152	19
Surplus distributed	7	110	103	14
Unclaimed prizes	-	1	1	-
	<u>15</u>	<u>274</u>	<u>256</u>	<u>33</u>
<b>Total 2002 - 2003</b>	<u>8 096</u>	<u>81 532</u>	<u>83 057</u>	<u>6 571</u>
<b>Total 2001 - 2002</b>	<u>6 975</u>	<u>76 013</u>	<u>74 892</u>	<u>8 096</u>

## 18. COMMISSION MEMBERS' FEES

	<b>2003 No.</b>	<b>2002 No.</b>
The number of Commission Members whose fees were within the following bands:		
\$1 - \$9 999	-	2
\$10 000 - \$19 999	-	2
\$20 000 - \$29 999	4	2
\$40 000 - \$49 999	1	-
	<b>(\$'000)</b>	<b>(\$'000)</b>
Total fees received, or due and receivable, by Commission Members	<u>135</u>	<u>104</u>

# notes to and forming part of the financial statements>

continued

## 19. REMUNERATION OF EMPLOYEES

	<b>2003 No.</b>	<b>2002 No.</b>
The number of employees whose remuneration paid and payable was within the following bands:		
\$100 000 - \$109 999	1	-
\$110 000 - \$119 999	1	-
\$130 000 - \$139 999	1	-
\$140 000 - \$149 999	1	1
\$160 000 - \$169 999	-	1
\$240 000 - \$249 999	1	-
\$250 000 - \$259 999	-	1

There were five full-time employee positions (2002: five full-time employee positions) whose remuneration was greater than \$100 000.

Employees that were employed for part of the year, whose remuneration was less than \$100 000, have not been included. Remuneration paid to these employees includes salary, fringe benefit and superannuation payments made to or on behalf of employees.

	<b>(\$'000)</b>	<b>(\$'000)</b>
The total remuneration paid and payable on behalf of employees whose remuneration was \$100 000 or more.	747	559

## 20. NUMBER OF EMPLOYEES

	<b>2003 No.</b>	<b>2002 No.</b>
Number of employees at 30 June	97	99
Number of full time equivalent at 30 June	93.1	94.1

## 21. REMUNERATION OF AUDITORS

	<b>2003 (\$'000)</b>	<b>2002 (\$'000)</b>
Amounts received, or due and receivable, by the auditors for auditing the accounts	130	127

# notes to and forming part of the financial statements >

continued

## 22. EXTERNAL CONSULTANTS

	<b>2003</b> <b>(\$'000)</b>	<b>2002</b> <b>(\$'000)</b>
The external consultancies used by the Commission and the expenditure has been grouped under the following ranges:		
Below \$10 000	50	70
\$10 000 - \$50 000	232	208
Adelaide Research & Innovation Pty Ltd – game statistical analysis		
Dept for Administrative and Information Services – occupancy project		
Executive People Solutions – staff recruitment		
Hender Consulting – staff recruitment		
McGregor Tan Research – market research		
PricewaterhouseCoopers – new business system project		
Speakman & Associates Pty Ltd – staff recruitment		
The Marketing Centre – mystery shopping		
Above \$50 000	147	312
Moore Stephens Hughes Fincher – game audits		
KPMG – internal audit		
	429	590
	<b>2003</b> <b>No.</b>	<b>2002</b> <b>No.</b>
The number of consultancies engaged below \$10 000:	14	15

## 23. SUPERANNUATION

The Commission contributed to the following employee superannuation schemes:

- (a) The Commission has an established superannuation scheme for its employees. The scheme accommodates both defined benefit members and accumulation members for benefits payable on resignation, retirement, death or disability.

The scheme is subject to a triennial review and is externally managed. The last full actuarial investigation was conducted as at 30 June 2000 by Allan Archer, BSc, FIA, FIAA, Superannuation Actuary. The report was dated 31 January 2001.

### Information from the last actuarial report:

	<b>\$'000</b>
Accrued benefits as at 1 July 2000, the last measurement date	5 891
Net market value of assets as at 1 July 2000	6 792
Net market value of assets as at 1 July 2000 in excess of accrued benefits	901
Information from the last audited annual accounts:	
Vested benefits as at 30 June 2000	5 696
Net market value of assets as at 30 June 2000	6 792

Funds are invested in a “Mercer Growth” strategy in the scheme known as Mercer Super Trust – Lotteries Commission of South Australia Superannuation Plan.

# notes to and forming part of the financial statements>

continued

As at 30 June 2003 the Policy Committee for the scheme comprised:

Commission appointed - S J Mackenzie (Chairman)  
- J R Roache

Member representatives - J Favretto  
- P H Wright

For defined benefit members, the Commission pays the contribution level recommended by the actuary appropriate to meet the expected long term costs of benefits being provided. Contribution to the defined benefits plan during the year was \$431 000 (\$489 000).

For accumulation benefit members, the Commission pays either 14.5 percent for members who have transferred from the defined benefit plan or 9 percent under the Commonwealth Superannuation Guarantee legislation. The contribution by the Commission for the accumulation members of the plan during the year was \$164 000 (\$117 000). These contributions are mainly invested in a "Mercer Growth" strategy under the Mercer Super Trust.

- (b) The Commission contributed \$3 000 (\$8 000) for superannuation on behalf of employees who are members of private funds.
- (c) The Commission contributed \$19 000 (\$13 000) to the State Pension Scheme on behalf of an employee who is a member of that scheme.

## 24. FINANCIAL INSTRUMENTS

### (a) Interest rate risk

With the exception of cash assets and interest bearing liabilities, all other financial assets and financial liabilities are non-interest bearing. The Commission's exposure to interest rate risks and the effective interest rates of financial assets and liabilities at balance date are as follows:

	<b>Floating Interest Rate (\$'000)</b>	<b>Fixed Interest Rate (\$'000)</b>	<b>Non Interest Bearing (\$'000)</b>	<b>Total (\$'000)</b>
<b>Financial assets</b>				
Cash assets	44 691	-	125	44 816
Receivables	-	-	3 820	3 820
Total financial assets 30 June 2003	<u>44 691</u>	<u>-</u>	<u>3 945</u>	<u>48 636</u>
Weighted average interest rate	<u>4.84 %</u>			
Total financial assets 30 June 2002	<u>45 385</u>	<u>-</u>	<u>3 952</u>	<u>49 337</u>
Weighted average interest rate	<u>4.54 %</u>			

# notes to and forming part of the financial statements >

continued

	<b>Floating Interest Rate (\$'000)</b>	<b>Fixed Interest Rate (\$'000)</b>	<b>Non Interest Bearing (\$'000)</b>	<b>Total (\$'000)</b>
<b>Financial liabilities</b>				
Interest bearing liabilities	-	6 881	-	6 881
Payables	-	-	19 561	19 561
Total financial liabilities 30 June 2003	-	6 881	19 561	26 442
Weighted average interest rate		6.84%		
Total financial liabilities 30 June 2002	-	8 250	21 796	30 046
Weighted average interest rate		7.13%		

## (b) Foreign exchange risk

The Commission entered into forward exchange contracts to hedge anticipated purchase commitments in US dollars.

The following table sets out the gross value to be paid under foreign currency contracts, the weighted average contracted exchange rates and the settlement periods of the outstanding contracts.

	<b>2003 Weighted</b>	<b>2002 Ave. Rate</b>	<b>2003 (\$'000)</b>	<b>2002 (\$'000)</b>
<b>Buying US dollars:</b>				
Not longer than one year	0.59	-	341	-
			341	-

## (c) Credit risk

The Commission's maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the Statement of Financial Position. Credit risk represents the loss that would be recognised if parties holding financial assets of the Commission at balance date fail to honour their obligations under contract.

The Commission minimises its credit risk on trade debtors by undertaking its sales transactions with a large number of agents and requires those agents to remit outstandings on a twice weekly basis; therefore, the Commission is not materially exposed to credit risk.

## (d) Net fair values

The Commission's accounting policies used to determine the net fair value of financial assets and liabilities are disclosed in note 1. The aggregate net fair values of recognised financial assets and financial liabilities at the balance date are equal to the carrying values as per the Statement of Financial Position.

# notes to and forming part of the financial statements >

continued

## 25. RELATED PARTY DISCLOSURES

### Commission Members

For the full financial year the following persons held the position of Member of the Lotteries Commission of South Australia:

Presiding member, Mr H J Ohff, BA (Hons), FIEAust, CPEng; Mr D P LeMessurier, Ass Dip (BM), FAICD, SIA (Aff), ADA1 (ASX), MSDIA, MBA and Ms S J Mackenzie, BComm (Accounting), LLB (Hons).

For the period 1 September 2002 to 30 June 2003, the following persons held the position of Member of the Lotteries Commission of South Australia:

Mr S K Shirley, BEc, CA, CPA, FTIA and Ms C M Crago, Ass Dip (BM), BBus (Mktg), Real Estate Certificate.

Details of Commission Members' Fees are set out in note 18.

No Commission Member has entered into a material contract with the Commission since the end of the previous financial year and there were no material contracts involving Commission Members' interests subsisting at the end of the financial year.

## 26. COMMITMENTS FOR EXPENDITURE

	<b>2003</b> <b>(\$'000)</b>	<b>2002</b> <b>(\$'000)</b>
<b>Capital commitments</b>		
Commitments in relation to capital commitments contracted for at the reporting date but not recognised as liabilities, payable:		
Not later than one year	183	393
	<u>183</u>	<u>393</u>
<b>Lease commitments</b>		
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities, payable:		
Not later than one year	87	83
Later than one year and not later than five years	186	273
	<u>273</u>	<u>356</u>
The operating lease for the remote computer site at Kidman Park is non-cancellable with rental payable monthly in arrears. Contingent rental provisions within the lease agreement require the minimum lease payments to be increased by five percent per annum.		
<b>Other commitments</b>		
Commitments in relation to other expenditure contracted for, but yet to be supplied, at the reporting date but not recognised as liabilities, payable:		
Not later than one year	1 999	4 753
Later than one year and not later than five years	1 434	3 038
	<u>3 433</u>	<u>7 791</u>

# notes to and forming part of the financial statements >

continued

## 27. STATEMENT OF CASH FLOWS

### (i) Reconciliation of cash

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

	<b>2003</b> <b>(\$'000)</b>	<b>2002</b> <b>(\$'000)</b>
Cash	44 816	45 510

### (ii) Reconciliation of net cash provided by operating activities to surplus from ordinary activities before income tax equivalent.

	<b>2003</b> <b>(\$'000)</b>	<b>2002</b> <b>(\$'000)</b>
Surplus from ordinary activities before income tax equivalent	25 139	23 552
Gambling tax	54 766	51 922
Depreciation	3 801	2 714
Provision for employees' benefits	110	(3)
Prepayments, inventory and debtors	316	996
Unclaimed prizes reserve	774	(1 689)
Prize fund	278	723
Sale of equipment	4	-
Creditors	(277)	530
Prizes payable	(686)	(403)
Sales in advance	(90)	118
Net cash provided by operating activities	84 135	78 460

# notes to and forming part of the financial statements>

continued

## **STATEMENT BY THE PRESIDING MEMBER AND CHIEF EXECUTIVE**

We, the undersigned, the Presiding Member and Chief Executive of the Lotteries Commission of South Australia, hereby state that in our opinion the foregoing Statement of Financial Performance, Statement of Financial Position and Statement of Cash Flows, together with the notes thereto:

- a. present fairly, in accordance with Statements of Accounting Concepts, applicable Accounting Standards, Urgent Issues Group Consensus Views and the Public Finance and Audit Act, 1987, as amended, the financial position of the Lotteries Commission of South Australia as at 30 June 2003 and the result of its operations and its cash flows for the year then ended; and
- b. that internal controls over financial reporting have been effective throughout the reporting period.

**H J OHFF**

PRESIDING MEMBER

**J R ROACHE**

CHIEF EXECUTIVE

**AG****Auditor-General's  
Department**

## INDEPENDENT AUDIT REPORT

### TO THE PRESIDING MEMBER LOTTERIES COMMISSION OF SOUTH AUSTRALIA

#### SCOPE

As required by section 31 of the *Public Finance and Audit Act 1987* and section 18A of the *State Lotteries Act 1966*, I have audited the financial report of the Lotteries Commission of South Australia for the financial year ended 30 June 2003. The financial report comprises:

- A Statement of Financial Performance;
- A Statement of Financial Position;
- A Statement of Cash Flows;
- Notes to and forming part of the Financial Statements;
- Certificate by the Presiding Member and the Chief Executive.

The members of the Lotteries Commission of South Australia are responsible for the financial report. I have conducted an independent audit of the financial report in order to express an opinion on it to the Presiding Member.

The audit has been conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing and Assurance Standards to provide reasonable assurance that the financial report is free of material misstatement.

Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with my understanding of the Lotteries Commission of South Australia's financial position, its financial performance and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

#### AUDIT OPINION

In my opinion the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Lotteries Commission of South Australia as at 30 June 2003, its financial performance and its cash flows for the year then ended.

26 August 2003

**K I MacPHERSON  
AUDITOR-GENERAL**



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Government  
of South Australia

