

WE'VE GOT  
GREAT NEWS  
TO SHARE

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ANNUAL REPORT 2011-12



prizes to players  
profits to hospitals



prizes to players  
profits to hospitals

SA Lotteries Annual Report 2011-12

Additional copies of this annual report can be obtained by:

- › visiting [www.salotteries.com.au](http://www.salotteries.com.au);
- › visiting SA Lotteries Head Office at 24-25 Greenhill Road, Wayville, South Australia;
- › telephoning +61 (8) 8208 4100;
- › emailing [info@salotteries.com.au](mailto:info@salotteries.com.au); or
- › writing to SA Lotteries at GPO Box 2277, Adelaide, South Australia 5001.

This report is printed to ISO 14001 International Environmental Standards.



**Government of  
South Australia**

This year, we have great news to share: record game sales of more than \$423 million. This has allowed us to make our greatest contribution yet to the South Australian community.

From the sale of SA Lotteries' games in 2011-12, 97 cents of every \$1 received was returned to South Australians in the following ways:

\$257.4 MILLION in prize money to players, taking the total since 1967 to \$5 billion.

\$102.4 MILLION to develop and improve public hospitals via the Hospitals Fund, taking the total contributed since the Fund was established in 1967 to \$2.3 billion.

\$31.5 MILLION in commission earnings to SA Lotteries' agency network, comprised predominantly of small businesses.

\$10.3 MILLION to local suppliers in exchange for goods and services.

\$9.6 MILLION to employ local South Australians at SA Lotteries Head Office and warehouse.

\$257 027 to support and develop sporting facilities and services via the Recreation and Sport Fund, taking the total contributed since the Fund was established in 1987 to \$9.2 million.

# PRESIDING MEMBER AND CHIEF EXECUTIVE REPORT

**The Honourable Michael O'Brien, MP  
Minister for Finance  
Parliament House, Adelaide SA 5000**

We are pleased to present the Annual Report of the Lotteries Commission of South Australia for the year ended 30 June 2012, in accordance with Section 18B of the *State Lotteries Act 1966*, as amended.

SA Lotteries' mission to benefit the South Australian community resulted in record revenue of \$423.6 million in the 2011-12 financial year. Of this amount, SA Lotteries returned \$411.5 million to the South Australian community. Distribution of prize money was \$257.4 million; our agents received commission payments, and local suppliers benefited through the goods and services they provided to SA Lotteries. The South Australian Government collected gambling tax, income tax equivalents, and dividend payments.

Return to the State Government amounted to \$102.7 million, with \$102.4 million directed toward developing and improving public hospitals, and more than \$250 000 for recreation and sporting facilities.

Since 1967, the year SA Lotteries commenced operations, the organisation has contributed \$2.3 billion to the South Australian Government's Hospitals Fund and \$9.2 million to the Recreation and Sport Fund.

Since the Government's announcement in June 2011, proposing to allocate the right to operate SA Lotteries' brands and products to a private sector operator, SA Lotteries has continued with 'business as usual' whilst assisting the Government to achieve its objective. The Commission is focused on ensuring an optimal outcome for staff, agents, customers and, ultimately, the community of South Australia.

SA Lotteries' alliance with the operator of [www.ozlotteries.com](http://www.ozlotteries.com) for the sale of its lotteries games online was announced in December 2011. It will ensure that the money already spent by South Australians on lottery games via the internet is redirected to South Australia.

We are committed to our retail agents remaining the primary sales channel for SA Lotteries' games.

Recent research confirms that our agents, as the direct interface with customers, continue to maintain high customer satisfaction levels. Equally, support provided by SA Lotteries to assist agents with the operation of their agencies has been maintained at a high level.

The Agent Reference Group, and the more recently established Industry Focus Group, ensure that agents' concerns are communicated directly to SA Lotteries and Government.

The professionalism and commitment of our staff during the past 12 months is commendable. We thank them and our agents for their outstanding contribution to SA Lotteries' record financial performance this year.

**Hans J Ohff**  
Presiding Member

**June Roache**  
Chief Executive

28 September 2012

THIS IS WHO WE ARE 07

|                  |    |
|------------------|----|
| OUR COMMISSION   | 10 |
| OUR ORGANISATION | 12 |
| OUR PEOPLE       | 15 |
| OUR CULTURE      | 19 |

THIS IS WHAT INSPIRES US 25

|                |    |
|----------------|----|
| OUR WINNERS    | 27 |
| OUR COMMITMENT | 29 |

THIS IS WHAT WE DO 33

|             |    |
|-------------|----|
| OUR YEAR    | 35 |
| OUR GAMES   | 36 |
| OUR NETWORK | 40 |
| OUR SERVICE | 43 |

THIS IS HOW WE DO IT 47

|                 |    |
|-----------------|----|
| INTEGRITY       | 49 |
| ACCOUNTABILITY  | 53 |
| RESPECT         | 55 |
| LOOKING BACK    | 58 |
| LOOKING FORWARD | 59 |

THESE ARE OUR WINNING NUMBERS 61

|                               |    |
|-------------------------------|----|
| ANNUAL FINANCIAL STATEMENTS   | 62 |
| REPORT OF THE AUDITOR-GENERAL | 96 |
| GLOSSARY                      | 98 |

**SAL**  **Lotteries**





# THIS IS WHO WE ARE

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OUR COMMISSION <sup>10</sup> OUR ORGANISATION <sup>12</sup> OUR PEOPLE <sup>15</sup>  
OUR CULTURE <sup>19</sup>

# THE PAST 45 YEARS

1967



SA Lotteries moves its head office to 23 Rundle Mall, Adelaide and celebrates by holding its first \$1 million lottery. *Photograph courtesy of The Advertiser.*

1977

1970

1980

1990

2005



24-25 Greenhill Road, Wayville becomes SA Lotteries Head Office.



SA Lotteries introduces a new corporate logo and product branding. Retail fit-outs are installed in agencies, with Powerball branding incorporated from 1996.

1995/1996

2000

2010

2010



Corporate branding is refreshed and new signage is installed throughout SA Lotteries' state-wide agent network.

2012



## OUR MISSION

To benefit the community of South Australia through the responsible promotion and conduct of lotteries.

## OUR VALUES

In the promotion and conduct of lotteries and the way we conduct our business, we will operate with integrity, accountability and respect.

## OUR GOALS

1. To promote, conduct and distribute lotteries games for the benefit of the South Australian community.
2. To be a corporately responsible and respected organisation that has a broad base of community support.
3. To optimise profits through the effective allocation of resources.

## OUR COMMISSION

The Lotteries Commission of South Australia (the Commission) is established under the *State Lotteries Act 1966* (the Act) to promote and conduct lotteries in South Australia. The Commission is guided by a formal charter that provides for the effective operation of SA Lotteries. The Commission usually convenes on a monthly basis to review performance of the organisation and deliver strategic direction, as needed. SA Lotteries has operated as a statutory authority since 1967.

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

Commission members have a broad range of expertise and extensive business and management experience.



*SA Lotteries' Commission Members and Chief Executive.*

*Anne E Lindsay, Wayne R Jackson, Hans J Ohff, Amanda E Heyworth, Suzanne J Mackenzie and June Roache (Chief Executive).*

### COMMISSION MEMBERSHIP

Membership as at 30 June 2012 comprised:

**Name:** Hans J Ohff,  
PhD, BA (Hons), FIEAust, CPEng  
**Position:** Presiding Member  
**Expertise:** Engineering

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

**Name:** Wayne R Jackson, BEc, FASA  
**Position:** Member  
**Expertise:** Business Management Consultant

**Name:** Anne E Lindsay, BA (Hons), LLB (Hons)  
**Position:** Member  
**Expertise:** Law/Industrial Relations

**Name:** Amanda E Heyworth,  
BA (Acc), MBA (AGSM), SF Fin, FAICD  
**Position:** Member  
**Expertise:** Finance, Marketing and Business Strategy

A member is appointed for a term of office not exceeding five years. On expiration of his or her term, a member will be eligible for reappointment.

In 2011-12, both Wayne R Jackson and Suzanne J Mackenzie were reappointed for a further period of one year.

Remuneration for a qualifying member is \$24 765 per annum. The Presiding Member receives \$37 148 per annum. Further detail of members' remuneration payments is set out in Note 8 to the Annual Financial Statements.

### AUDIT COMMITTEE

The Audit Committee was established by the Commission to assist in fulfilling its responsibilities by identifying and monitoring areas of significant business risk.

The Audit Committee has a charter outlining its formal responsibilities including:

- › reviewing the General Purpose Financial Report prior to its approval by the Commission;
- › liaising with SA Lotteries' external auditor, the Auditor-General, on all matters concerning the outcome of audits;

- › reviewing the adequacy of the accounting, internal auditing, reporting and other financial management systems and practices; and
- › performing the role of an executive remuneration committee for the Commission.

The Audit Committee comprises three Commission members. During the year, membership comprised:

- › Wayne R Jackson, Chair;
- › Anne E Lindsay, Member; and
- › Amanda E Heyworth, Member.

Audit Committee members receive a fee of \$3 715 per annum and the Chair receives a fee of \$5 572 per annum.

The internal auditor, KPMG, and external auditor, may be invited to attend Audit Committee meetings at the discretion of the Committee. Internal and external auditor representatives attended all meetings of the Audit Committee in 2011-12.

## INFORMATION TECHNOLOGY COMMITTEE

The Information Technology (IT) Committee assists the Commission to oversee the use of information technology within SA Lotteries. The IT Committee has a formal charter to:

- › monitor the development and implementation of major technology projects;
- › evaluate risk management strategies designed to minimise interruption to online selling activities; and
- › provide advice to the Commission on all matters associated with major technology projects.

The IT Committee comprises one Commission member, Hans J Ohff, who is the Chair of the Committee, and members of SA Lotteries' executive management team. The Chair receives a fee of \$5 572 per annum. A representative from the Auditor-General's Department is invited to attend IT Committee meetings.

## ROLE OF THE SHAREHOLDER

SA Lotteries' shareholder is the Government of South Australia (the Government). For the period 1 July 2011 to 20 October 2011 the Honourable Gail Gago MLC, Minister for Government Enterprises, was responsible for SA Lotteries. Effective from 21 October 2011 the Honourable Michael O'Brien MP was appointed Minister for Finance and assumed responsibility for SA Lotteries.

SA Lotteries ensures that the Government, via the Minister, is informed of all major developments affecting SA Lotteries' operations. A Government Observer attends meetings of the Commission and its Committees.

## FREEDOM OF INFORMATION

SA Lotteries' accountability as a statutory authority also includes the requirement to comply with the *Freedom of Information Act 1991*. Members of the public may obtain access to documents by written request to SA Lotteries and the prescribed application fee must accompany the application. In 2011-12, 20 requests for information were received.

SA Lotteries publishes a Freedom of Information Statement on its website.

## ATTENDANCE AT MEETINGS

|                     | COMMISSION MEETING<br>(11 HELD) | AUDIT COMMITTEE<br>MEETING (4 HELD) | IT COMMITTEE MEETING<br>(5 HELD) |
|---------------------|---------------------------------|-------------------------------------|----------------------------------|
| Hans J Ohff         | 10                              | #                                   | 5                                |
| Suzanne J Mackenzie | 11                              | #                                   | #                                |
| Wayne R Jackson     | 10                              | 4                                   | #                                |
| Anne E Lindsay      | 11                              | 4                                   | #                                |
| Amanda E Heyworth   | 9                               | 3                                   | #                                |

# Not a member

## OUR ORGANISATION

The Chief Executive is accountable to the Commission and is responsible for the day-to-day management of the business. The Commission clearly defines management accountabilities through approved management operating authorities.

SA Lotteries has an internal cost control framework to assist in the preclusion of errors and irregularities across the business, which encompasses the following areas:

### **Financial reporting**

A comprehensive budgeting system with an annual budget approved by the Commission prior to submission to Government. Monthly actual results are reported against budget.

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

Employees are bound by the Code of Ethics for the South Australian Public Sector and SA Lotteries' Code of Ethics.

### **Operating division controls**

Financial controls and procedures, including information systems controls, are in place. A Commission questionnaire details compliance with these controls and procedures to ensure sound principles of corporate governance and accountability.

### **Functional speciality reporting**

Performance measures are identified and regularly reported in a corporate scorecard.

### **Capital investment appraisal**

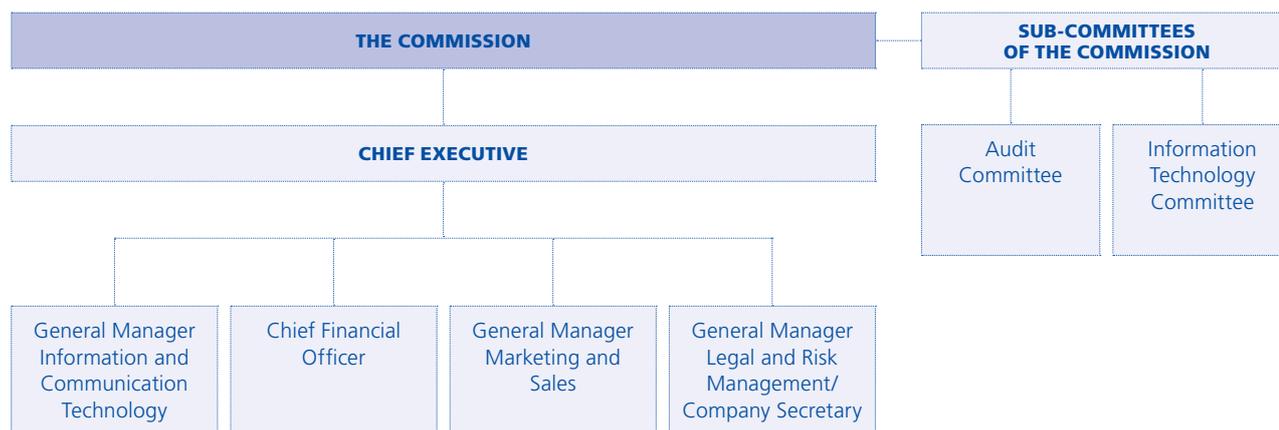
SA Lotteries has clearly defined guidelines for capital expenditure.

These include levels of authority, annual budgets, detailed cost benefit analyses and post-implementation reviews of major expenditure.



*SA Lotteries' Executive Management Team.  
Callum Mulvihill (General Manager – Marketing and Sales), John Favretto (General Manager – Information and Communication Technology), June Roache (Chief Executive), Chris McSporran (Chief Financial Officer) and David Hardy (General Manager – Legal and Risk Management/Company Secretary).*

## ORGANISATIONAL STRUCTURE



## CORPORATE GOVERNANCE

SA Lotteries has four executive divisional managers responsible for the following key areas of business operations: Finance and Corporate Services, Marketing and Sales, Information and Communication Technology, and Legal and Risk Management.

SA Lotteries' approach to corporate governance is based on a defined set of values and behaviours that underpin its operations. The values of integrity, accountability and respect are upheld in all areas of business practice and are enshrined through the corporate policy framework. This framework is supported by divisional policies, guidelines and procedures which are reviewed by management on an ongoing basis.

Three organisational goals drive business activities throughout the year, and are underpinned by six specific strategies and a range of targets, providing a benchmark for measurement of achievement.

SA Lotteries' performance measures table for 2011-12 demonstrates that the majority of targets established at the outset of the year have been met or exceeded.

## PERFORMANCE MEASURES

| SOUTH AUSTRALIA'S STRATEGIC PLAN OBJECTIVE  | PERFORMANCE MEASURE  | TARGET 2011-12 | ACTUAL 2011-12 |
|---|--|----------------|----------------|
| <b>GOAL 1:</b> To promote, conduct and distribute lotteries games for the benefit of the South Australian community.  |  |                |                |
| <b>STRATEGY 1:</b> Grow revenue by enhancing existing games and introducing new games and initiatives.                |  |                |                |
| Growing Prosperity  | Gross sales  | \$385.8M       | \$423.6M       |
|   | Sales per capita*  | \$299.29       | \$326.56       |
|   | Tickets sold   | 51.1M          | 52.1M          |
|   | SA Lotteries' proportion of Australian Bloc sales                            | 7.29%          | 6.77%          |
| <b>STRATEGY 2:</b> Exceed customer expectations by providing an accessible and reliable service.                      |  |                |                |
| Fostering Creativity and Innovation   | Selling system down time: central system                                     | 0.04%          | 0.02%          |
|   | Point of Sale terminal reliability (MTBF)*                                   | 240 000        | 513 785        |
|   | Number of visits to corporate website  | 3 600 000      | 3 724 040      |
|   | Easisplay Club membership  | 190 000        | 197 093        |
| <b>GOAL 2:</b> To be a corporately responsible and respected organisation that has a broad base of community support. |  |                |                |
| <b>STRATEGY 3:</b> Ensure community and stakeholder trust and support.  |  |                |                |
| Improving Wellbeing   | Non-compliance (Codes of Practice and other)                                 | 6.0%           | 7.0%           |
|   | Customer satisfaction  | 99%            | 93%            |
|   | Awareness of SA Lotteries' beneficiaries                                     | 40%            | 41%            |
| <b>STRATEGY 4:</b> Adopt sound environmental practices (12 months to 31 March 2012)                                   |  |                |                |
| Attaining Sustainability  | Greenhouse gas emissions   | 806 tonnes     | 734 tonnes     |
| <b>GOAL 3:</b> To optimise profits through the effective allocation of resources.                                     |  |                |                |
| <b>STRATEGY 5:</b> Ensure a high performance and ethical culture.   |  |                |                |
| Expanding Opportunity   | FTEs employed during the year*   | 86.21          | 78.71          |
|   | Training and development costs as a percentage of base salary costs          | 2.5%           | 1.86%          |
|   | Employee retention – staff turnover  | 12%            | 9.49%          |
|   | Employees understanding of SA Lotteries' values                              | 100%           | 99%            |
| <b>STRATEGY 6:</b> Ensure sustainable growth opportunities are pursued.   |  |                |                |
| Growing Prosperity  | EBITDA*  | \$26.3M        | \$34M          |
|   | EBITDA per FTE   | \$0.306M       | \$0.432M       |
|   | Total operating expenses as a percentage of gross sales                      | 7.9%           | 6.5%           |
|   | Cost per FTE   | \$0.353M       | \$0.348M       |
| Building Communities  | Return to Government (Hospitals Fund and Recreation and Sport Fund)          | \$87.3M        | \$102.7M       |
| Improving Wellbeing   | Number of SA suppliers as a percentage of total suppliers as at 30 June 2012 | 70%            | 70.4%          |

\* Sales per capita-based on South Australian adult (18+) population. EBITDA - Earnings Before Interest, Tax, Depreciation and Amortisation.  
FTE – Average Operating Full-time Equivalent employee numbers during the year. MTBF – Average number of Transactions Between Failures.

# OUR PEOPLE

THIS  
IS WHO  
WE  
ARE 15

Each of SA Lotteries' 83 employees contributed to the ongoing success of the organisation in 2011-12 and helped to meet the organisation's key objectives and achieve record sales.

SA Lotteries aims to attract and retain the very best people for the job, ensuring that all persons seeking employment are treated fairly in keeping with the principles of equal opportunity.

SA Lotteries' workforce reflects an even gender and broad age distribution, benefiting from diversity in cultural background and a high level of qualified personnel, with 68 per cent of employees having completed vocational or higher education qualifications.

Three employees are based at SA Lotteries' warehouse and continued to provide reliable, efficient distribution of materials to the agent network and prompt resolution of queries throughout the year.

Each year, SA Lotteries offers an internship opportunity for a University of South Australia marketing graduate. In January 2012, Bachelor of Marketing and Communications graduate Catherine Andruchowycz joined SA Lotteries' marketing team for a 12-month placement.

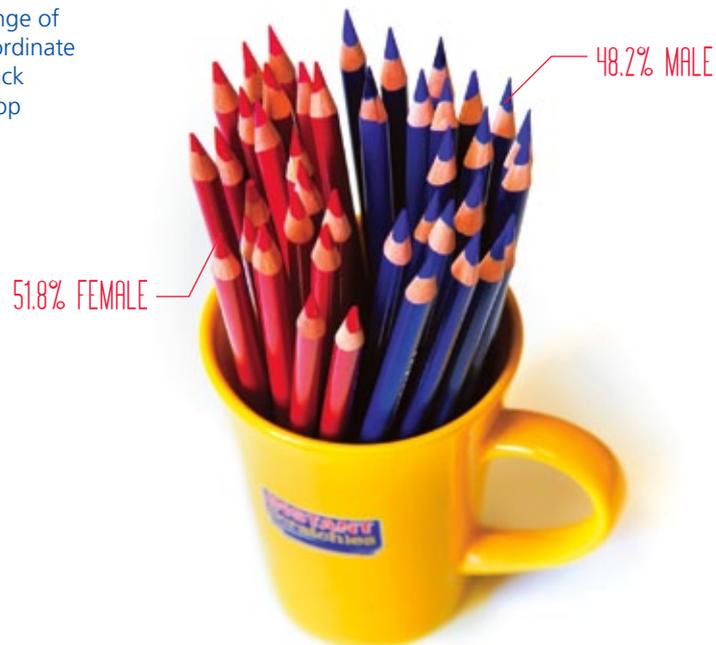
In this role, Catherine has learnt a range of skills first-hand, including how to coordinate brand and marketing promotions, track sales, analyse market data and develop online advertising.



*'SA Lotteries' marketing internship has given me invaluable experience and skills that will assist my future marketing career.'*

*Catherine Andruchowycz, Marketing Trainee.*

## EMPLOYEE GENDER



# OUR PEOPLE

## SA LOTTERIES' EMPLOYEES

|   |       |
|---|-------|
| Persons (as at 30 June 2012)  | 83    |
| Full-Time Equivalent employee numbers (as at 30 June 2012)                      | 78.71 |
| Number of persons separated from SA Lotteries during the 2011-12 financial year | 9     |
| Number of persons recruited to SA Lotteries during the 2011-12 financial year   | 7     |
| Number of persons on leave without pay (as at 30 June 2012)                     | 3     |

## EMPLOYEE SALARY BRACKET

|        | \$0 - \$51 599 | \$51 600 - \$65 699 | \$65 700 - \$84 099 | \$84 100 - \$106 199 | \$106 200 + | TOTAL |
|--------|----------------|---------------------|---------------------|----------------------|-------------|-------|
| Male   | 5              | 15                  | 8                   | 8                    | 4           | 40    |
| Female | 10             | 14                  | 11                  | 7                    | 1           | 43    |
| Total  | 15             | 29                  | 19                  | 15                   | 5           | 83    |

*Part time and casuals reflected as what they would earn if they worked full time.  
Three (3) employees on unpaid leave.*

## EXECUTIVES BY GENDER, CLASSIFICATION AND STATUS

| CLASSIFICATION | CONTRACT TENURED |        | CONTRACT UNTENURED |        | TOTAL |        |       |
|----------------|------------------|--------|--------------------|--------|-------|--------|-------|
|                | Male             | Female | Male               | Female | Male  | Female | Total |
| Level D        | 0                | 0      | 0                  | 1      | 0     | 1      | 1     |
| Level B        | 0                | 0      | 2                  | 0      | 2     | 0      | 2     |
| Level A        | 0                | 0      | 2                  | 0      | 2     | 0      | 2     |
| Total          | 0                | 0      | 4                  | 1      | 4     | 1      | 5     |



## STATUS OF EMPLOYEES IN CURRENT POSITION (AS AT 30 JUNE 2012)

| FULL-TIME EQUIVALENTS | ONGOING | SHORT-TERM CONTRACT | LONG-TERM CONTRACT | OTHER (CASUAL) | TOTAL |
|-----------------------|---------|---------------------|--------------------|----------------|-------|
| Male                  | 34      | 1.8                 | 4                  | 0              | 39.80 |
| Female                | 33.71   | 4.2                 | 1                  | 0              | 38.91 |
| Total                 | 67.71   | 6                   | 5                  | 0              | 78.71 |

## STATUS OF EMPLOYEES IN CURRENT POSITION (AS AT 30 JUNE 2012)

| PERSONS | ONGOING | SHORT-TERM CONTRACT | LONG-TERM CONTRACT | OTHER (CASUAL) | TOTAL |
|---------|---------|---------------------|--------------------|----------------|-------|
| Male    | 34      | 2                   | 4                  | 0              | 40    |
| Female  | 37      | 5                   | 1                  | 0              | 43    |
| Total   | 71      | 7                   | 5                  | 0              | 83    |

## NUMBER OF ABORIGINAL AND/OR TORRES STRAIT ISLANDER EMPLOYEES

|                                   | MALE | FEMALE | TOTAL | % OF TOTAL | TARGET * |
|-----------------------------------|------|--------|-------|------------|----------|
| Aboriginal/Torres Strait Islander | 0    | 0      | 0     | 0          | 2.0%     |

\* Target from South Australia's Strategic Plan.

## CULTURAL AND LINGUISTIC DIVERSITY

|  | MALE | FEMALE | TOTAL | % OF TOTAL | SA COMMUNITY* |
|--|------|--------|-------|------------|---------------|
| Number of employees born overseas                                    | 8    | 10     | 18    | 21.69      | 20.3          |
| Number of employees who speak language(s) other than English at home | 3    | 5      | 8     | 9.64       | 16.6          |

\* Benchmarks from ABS Publication Basic Community Profile (SA) Cat No. 2001.0, 2006 census.



# OUR PEOPLE

## EMPLOYEES BY AGE BRACKET AND BY GENDER

| AGE BRACKET | MALE | FEMALE | TOTAL | % TOTAL | WORKFORCE BENCHMARK* |
|-------------|------|--------|-------|---------|----------------------|
| 15-19       | 0    | 0      | 0     | 0       | 6.4                  |
| 20-24       | 2    | 2      | 4     | 4.82    | 10.4                 |
| 25-29       | 3    | 8      | 11    | 13.25   | 11.0                 |
| 30-34       | 5    | 5      | 10    | 12.05   | 10.1                 |
| 35-39       | 8    | 4      | 12    | 14.46   | 10.3                 |
| 40-44       | 6    | 6      | 12    | 14.46   | 11.0                 |
| 45-49       | 4    | 6      | 10    | 12.05   | 11.5                 |
| 50-54       | 5    | 5      | 10    | 12.05   | 11.4                 |
| 55-59       | 5    | 2      | 7     | 8.43    | 9.4                  |
| 60-64       | 2    | 3      | 5     | 6.02    | 5.5                  |
| 65+         | 0    | 2      | 2     | 2.41    | 3.0                  |
| Total       | 40   | 43     | 83    | 100.00  | 100.0                |

\* Source: Australian Bureau of Statistics Australian Demographic Statistics 6291.0.55.001, Labour Force Status (ST LM8) by sex, age, state, marital status – employed – total from Feb 78 Supertable, South Australia at May 2011.

## TYPES OF EMPLOYEE DISABILITIES

| DISABILITY                                | MALE | FEMALE | TOTAL | % OF TOTAL |
|---|------|--------|-------|------------|
| Disability Requiring Workplace Adaptation | 0    | 1      | 1     | 1.2        |
| Physical                                  | 0    | 0      | 0     | 0          |
| Intellectual                              | 0    | 0      | 0     | 0          |
| Sensory                                   | 0    | 0      | 0     | 0          |
| Psychological/Psychiatric                 | 0    | 0      | 0     | 0          |
| Other                                     | 0    | 0      | 0     | 0          |
| Total                                     | 0    | 1      | 1     | 1.2        |



# OUR CULTURE

THIS IS WHO WE ARE 19

A core priority for SA Lotteries is maintaining its high performance and ethical organisational culture.

SA Lotteries strives to keep the values of integrity, accountability and respect at the forefront of its operations and in the day-to-day conduct of all employees. This is reinforced through education, induction and performance management processes and monitored through regular meetings of SA Lotteries' **Ethics and Culture Committee**.

Feedback gained from 'on-boarding' and 'exit' surveys continues to provide trend analysis and influence the development of policy initiatives.

An annual ethics survey revealed that employees continued to recognise SA Lotteries' values, with 99 per cent of employees agreeing that SA Lotteries has a clear set of values and are aware of how these values guide expected behaviour in the organisation. Importantly, the survey also revealed that 96 per cent of employees believe that their colleagues act in accordance with the values of integrity, accountability and respect.

## INVESTING IN PEOPLE

Career training and development opportunities, performance feedback and recognition, and effective, regular communication with employees are central elements to the creation of a supportive culture at SA Lotteries.

In 2011-12, 1.86 per cent of base salary costs was invested in training, with 97.6 per cent of staff participating in training courses throughout the period. This dedicated focus resulted in over 1 900 hours of training being undertaken by employees, equating to approximately 24.5 hours for every full-time equivalent member of SA Lotteries' workforce.

Depending on skill requirements, employees are also able to access fee and study leave support to undertake further education or specialised training related to their field of work.

SA Lotteries continued to invest in its management team, with a new Management Development Program being implemented in 2011-12. The program is designed to strengthen competencies in strategy, people and relationship management and to foster leadership potential. This year, 12 managers participated in workshops providing instruction in organisational change, communication skills and performance management.



*'At SA Lotteries, everyone makes a difference. Our people are professional, diverse and value the contribution their work makes to the community.'*  
Michele Mayger,  
Human Resources Manager.

## LEADERSHIP AND MANAGEMENT TRAINING EXPENDITURE

| TRAINING AND DEVELOPMENT                                | TOTAL COST | % OF TOTAL REMUNERATION EXPENDITURE* |
|---|------------|--------------------------------------|
| Total training and development expenditure**            | \$208 473  | 2.78                                 |
| Total leadership and management development expenditure | \$89 609   | 1.19                                 |

\* Total remuneration expenditure is based on gross salaries plus employer superannuation and payroll tax.

\*\* Total training and development expenditure is based on course fees plus all associated costs.

## RECOGNISING ACHIEVEMENT

SA Lotteries' commitment to training has assisted with meeting a key performance target for 2011-12: ensuring 100 per cent involvement of staff in the **Performance Management System** launched in the previous year.

This new online system provides employees with greater clarity regarding expectations of their role and the benefit of regular performance feedback and recognition. All employees have embraced the new system, with documented individual performance plans or reviews in place for 100 per cent of employees in the 2011-12 year.

Formal recognition of long-serving employees at SA Lotteries also is given high priority each year. In 2011-12, 15 employees were recognised at monthly staff celebrations for achieving service milestones:

- › 5 years – 8 employees
- › 10 years – 5 employees
- › 15 years – 1 employee
- › 25 years – 1 employee.



*'Most of my working life has been spent at SA Lotteries. I have great respect for SA Lotteries and its staff – this respect and honesty has allowed for a very satisfying relationship.'*

*Joan Venning, Retail Territory Manager.*

## COMMUNICATION AND SUPPORT

In 2011-12, priority has been given to ensuring that all employees are provided with up-to-date information regarding the Government's proposal to allocate the right to operate SA Lotteries' brands and products to a private sector operator.

All key announcements made by the Government have been communicated to employees, with responses to questions provided as soon as practicable.

A staff development day and workshop on 29 June 2012 provided information and strategies to assist employees with managing uncertainty and maintaining high performance during times of change.

SA Lotteries continued to offer an **Employee Assistance Program**, which provides confidential guidance and advice for personal and work-related matters.

## A HEALTHY BALANCE

The flexible working environment at SA Lotteries allows employees to manage family and work responsibilities with greater ease. During the year, 29 per cent of staff members benefited from a voluntary flexible working arrangement.

SA Lotteries' **Lifestyle Program** makes the health of employees a priority by providing access to services, information and training that will assist in promoting good health and wellbeing.

As part of this program, 27 staff received fully subsidised flu vaccinations and 10 employees completed First Aid training throughout the year. Employees also were offered discounted corporate health premiums and special health plan offers.

The program is reviewed regularly to ensure relevance and interest to employees.

To support work-life balance and effective workplace practices, all staff are also encouraged to take their 20 days annual leave entitlement each financial year.

## PERFORMANCE DEVELOPMENT

| EMPLOYEES WITH:                                | % TOTAL WORKFORCE |
|--|-------------------|
| A plan and/or review within the past 12 months | 100               |

## VOLUNTARY FLEXIBLE WORKING ARRANGEMENTS

|                  | MALE | FEMALE | TOTAL |
|------------------|------|--------|-------|
| Purchased leave  | 0    | 0      | 0     |
| Flexible hours   | 3    | 4      | 7     |
| Compressed weeks | 0    | 1      | 1     |
| Part-time        | 1    | 13     | 14    |
| Job share        | 0    | 2      | 2     |

## AVERAGE DAYS LEAVE TAKEN PER FULL-TIME EQUIVALENT EMPLOYEE

| LEAVE TYPE                  | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
|-----------------------------|---------|---------|---------|---------|
| Sick leave taken*           | 7.0     | 6.6     | 6.4     | 7.2     |
| Family carer's leave taken  | 1.0     | 1.3     | 1.4     | 1.6     |
| Miscellaneous special leave | 0.2     | 0.3     | 0.3     | 0.5     |

\* Figures do not include unpaid leave.

## OUR CULTURE



*Members of SA Lotteries' Marketing Brand Team.  
Katherine Mullan, Chloe Royle, Thu Anh Pham and Jeff Tomopoulos.*

### EMPLOYEE PROTECTIONS

To ensure protection of employee wages and conditions, SA Lotteries has an **Enterprise Bargaining Agreement** in place that allows for the negotiation of workplace conditions and organisational change. SA Lotteries' current Enterprise Bargaining Agreement expires on 30 September 2012.

SA Lotteries is committed to the continuation of provisions contained in the current agreement with the addition of conditions arising from the successor to the South Australian Government Wages Parity (Salaried) Enterprise Agreement 2010.

SA Lotteries has an established **Disability Discrimination Action Plan** (the Plan), which identifies barriers for employees with a disability and recommends strategies for eliminating those barriers. A review in 2011-12 confirmed that the Plan continues to meet all legislative requirements. It can be accessed on SA Lotteries' corporate website.

SA Lotteries strives to continually improve **Occupational Health and Safety** systems and practices to ensure that all employees are as safe as possible from injury and risk to health while at work.

During 2011-12, the following health and safety activities took place:

- › An annual occupational health and safety inspection of premises;
- › Ergonomic assessments of new employee workstations;
- › First Aid training for relevant employees;
- › Quarterly occupational health and safety committee meetings;
- › Review of all occupational health and safety policies, guidelines and procedures;
- › Fire warden training for relevant employees.

SA Lotteries had one workers' compensation claim for 2011-12. Support for the employee resulted in a successful return to work. SA Lotteries maintained its WorkCover levy rate for 2011-12.

## OCCUPATIONAL HEALTH AND SAFETY (OHS&W)

| OCCUPATIONAL HEALTH, SAFETY AND INJURY MANAGEMENT   | 2011-12           | 2010-11           | 2009-10                      |
|---|-------------------|-------------------|------------------------------|
| <b>1 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                  | Nil               | Nil               | Nil                          |
| Total number of employees rehabilitated and reassigned to alternative duties              | Nil               | Nil               | Nil                          |
| Total number of employees rehabilitated back to their original work                       | Nil               | Nil               | Nil                          |
| Number of open claims (as at 30 June 2012)  | Nil               | Nil               | 1                            |
| Percentage of workers' compensation expenditure over gross remuneration                   | 0.03              | 0.03              | 0.03                         |
| <b>3 NUMBER OF CLAIMS</b>   |                   |                   |                              |
| Number of new workers' compensation claims  | 1                 | Nil               | 2                            |
| Number of fatalities  | Nil               | Nil               | Nil                          |
| Number of lost time injuries  | 1                 | Nil               | Nil                          |
| Number of medical treatment only  | Nil               | Nil               | 2                            |
| Total number of whole working days lost   | 6                 | Nil               | Nil                          |
| <b>4 COST OF WORKERS' COMPENSATION</b>  |                   |                   |                              |
| Cost of new claims for financial year   | \$2 174           | Nil               | \$1 914                      |
| Cost of all claims excluding lump sum payments  | \$2 174           | \$2 074           | \$1 194                      |
| Amount paid for lump sum payments on the settlement of a claim (s42, s43, s44)            | Nil               | Nil               | \$85 000                     |
| Total amount recovered from external sources (s54) including from a negligent third party | Nil               | Nil               | Nil                          |
| Budget allocation for workers' compensation   | \$92 582          | \$89 036          | \$86 678                     |
| <b>5 TRENDS</b>   |                   |                   |                              |
| Injury frequency rate for new lost-time injury/disease for each million hours worked      | Nil               | Nil               | Nil                          |
| Most frequent cause (mechanism) of injury   | Repetitive strain | Repetitive strain | Repetitive strain/laceration |
| Most expensive cause (mechanism) of injury  | Repetitive strain | Repetitive strain | Repetitive strain            |





# THIS IS WHAT INSPIRES US

---

OUR WINNERS 27    OUR COMMITMENT 29

THE PAST 45 YEARS

1967

1967



South Australia's inaugural lottery prize of \$14 000 is won by Mrs C T Hargraves of Fitzroy.

1970

1978



The first winning Instant Scratchies ticket is presented for a \$100 prize. *Photograph courtesy of The Advertiser.*

1980

2006/2007

SA Lotteries establishes partnerships with the Adelaide Symphony Orchestra and Adelaide Fringe to deliver musical and comedy performances to hospital patients and staff.

1990

2007



The SA Lotteries Footy Express launches, transporting thousands of football fans to and from Australian Football League matches at AAMI Stadium for free. *Photograph courtesy of Adelaide Metro (DPTI, Government of South Australia).*

2000

2007



A man from Adelaide's western suburbs wins South Australia's largest lottery prize of \$53.3 million.

2010

2012

# OUR WINNERS

THIS IS  
WHAT  
INSPIRES  
US 27

Since 1967, SA Lotteries has been responsibly operating lotteries in South Australia, guided by the fundamental objective of maximising proceeds from the sale of lottery games to benefit the South Australian community.

## Fulfilling the dreams of local players and contributing to the prosperity of South Australia is what inspires us.

Over the past 45 years, SA Lotteries' games have generated more than \$5 billion in prize money for local players.

The intentions of winners are often similar: paying off the family home, a long-hoped for overseas holiday or making the lives of loved ones more comfortable; in short, the dream of greater freedom to do more and worry less.

In 2011-12, total prize money won by players from SA Lotteries' games reached \$257.4 million, including 105 prize winners who shared a record \$105 million in Division One prize money.

## MEMORABLE MOMENTS

### Shared Good Fortune

Oz Lotto experienced a jackpot year with three Division One winners sharing in \$39.9 million. South Australia's third largest lottery prize in history, \$24.9 million, was won by a South Australian from Adelaide's western suburbs in May 2012.

The winner watched the Oz Lotto draw and discovered shortly afterward that she had matched all seven winning numbers to those on her ticket. 'I was in bed when I checked my ticket. I must have screamed because the whole family rushed into my bedroom,' the winner said.



*Nola Wright of West Lakes Lotteries Kiosk celebrates the sale of the \$24.9 million winning ticket.*

Her main hope is to share her good fortune and 'change other people's lives for the better.'

The winner purchased her winning 17-game entry at West Lakes Lotteries Kiosk.

## Millions for a House

In 2011-12, Monday and Wednesday X Lotto saw 12 players win Division One prizes amounting to \$18.6 million, with one winner becoming a multi-millionaire overnight.

The regular player from South Australia's Limestone Coast was pinching herself after learning that she won \$4 million in January. 'Did you say \$4 million? Oh my gosh!' the winner screamed. 'I know it's early in the day, but I think I might have a nip of brandy to celebrate,' she said.

Although still coming to terms with her newfound fortune, the winner thought a house might be top of her wish list.

## Spreading the Joy

In Saturday X Lotto, 34 winners shared in \$31 million of Division One prize money in 2011-12.

Paul, the manager of a winning syndicate, was 'shaking like a leaf' when he realised he and his workmates had won a Division One prize of \$465 425 as well as \$26 638 in prize money from other divisions. After checking the numbers in the newspaper, he immediately began spreading the good news amongst other syndicate members.

'We all picked a number, so each of us had an equal part to play in the win,' he said.



*Syndicate winners – Andrew, Shaun, Shane, Justin, Wayne, Paul, Mark, Tim and Jeff celebrate their Saturday X Lotto win.*

## OUR WINNERS

### Life-Changing Win

SA Lotteries' Powerball game produced two Division One wins this year paying \$6 million in total to these players.

Using SA Lotteries' SMS results service, a Limestone Coast man in his twenties confirmed he had won \$3 million which he described as an 'absolutely life-changing win.'

The regular player purchased his winning entry at the Brooklyn Park Newsagency on the spur-of-the-moment and had 'about three million ideas' of how he would spend the money in a future that is 'looking brighter every minute.'

### Secure Future

Keno this year delivered 27 Top Prize wins (Spots 8, 9 and 10), amounting to \$4.9 million.

In November 2011, a Barossa Valley man won a Keno Spot 10 jackpot of more than \$1.2 million.

The winner told SA Lotteries that he 'saw the numbers displayed on screen and could not believe my eyes.'

With no expectation of winning, the man said that it is 'such an incredible feeling to know that (his) future is secure.'

### Win for Life

Instant Scratchies \$5 annuity-style ticket, *Win For Life*, delivered just that to Jay from the Flinders Ranges and Outback region, when he scratched his way to a decade of good fortune.

Jay won the top prize of \$75 000 paid every year for 10 years, amounting to a total win of \$750 000. He greeted the win by 'yelling and screaming' and said that it felt 'amazing to have won.'

In 2011-12, 23 Instant Scratchies Top Prize winners shared in \$3.1 million.

### A Win 20 Years in the Making

Super 66 delivered two Division One winners who shared in \$287 577 this year.

One regular player from Adelaide's northern suburbs was delighted to be one of those to win the top Division after 20 years of playing. He described his win of \$118 154 as 'magic' and said that it 'couldn't have come at a better time!'

### Double the Luck

In 2011-12, The Pools game saw two Division One wins but only one winner!

A self-confessed 'mad football fan' from Adelaide's northern suburbs won in January and then again in June, claiming total prize money of \$1.2 million. The man said he enjoys the 'thrill of playing,' and winning twice has thrilled him too.



*Instant Scratchies \$5 Win For Life Series 3 winner, Jay.*

*Photographer Bianca DeMarchi, photograph courtesy of The Advertiser.*

# OUR COMMITMENT

THIS IS  
WHAT  
INSPIRES  
US 29

Contributing to the prosperity and health of the South Australian community is another of SA Lotteries' inspirations.

Since 1967, SA Lotteries has returned \$2.3 billion to hospitals and, since the creation of the Recreation and Sport Fund in 1987, \$9.2 million to sporting and leisure facilities in South Australia.

This year, a record \$102.4 million was distributed to the State's Hospitals Fund, equating to approximately \$2 million each week for the provision, maintenance, development and improvement of public hospitals.

The Recreation and Sport Fund also received \$257 027 to support and develop State sporting facilities and services, contributing to the wellbeing of South Australians.

Annual survey results in 2011-12 reveal that 41 per cent of adult South Australians are aware of SA Lotteries' profit distributions to hospitals, with 62 per cent of South Australian adults aware that SA Lotteries' profits benefit the local community.



*St John volunteers with SA Lotteries' First Aid vehicle.*

## SPONSORSHIPS AND PARTNERSHIPS

To continue to strengthen awareness of these benefits to the community of South Australia, and to extend the benefits even further, SA Lotteries pursues a range of sponsorship and community initiatives.

In 2011-12, SA Lotteries extended support to the Flinders Medical Centre Foundation, Women's & Children's Hospital Foundation, Royal Flying Doctor Service and Down Syndrome SA via sponsorship initiatives.

Other partnerships that have continued in 2011-12 are:

- › The *SA Lotteries Footy Express*, which is run in partnership with the **South Australian National Football League**. Throughout the year, this free bus service for South Australians travelling to and from AAMI Stadium for Adelaide Crows and Port Adelaide Power Australian Football League matches, transported more than 120 000 fans (20.6 per cent of match attendees) from 146 bus stops across metropolitan Adelaide and some regional areas. A great additional benefit is the reduction in the number of vehicles travelling to AAMI Stadium as a result of this service, which is estimated to equate to more than a 6 000-tonne reduction in greenhouse gas emissions.
- › SA Lotteries' partnership with **St John Ambulance Australia (SA) Inc** also continued this year, assisting St John volunteers to provide First Aid assistance at many major and local events such as Clipsal 500, Santos Tour Down Under and the Big Day Out music festival. More than 14 000 South Australians received First Aid treatment at public events by the St John Ambulance team of more than 1 600 volunteers.

## OUR COMMITMENT

### THE HEALING ARTS

SA Lotteries again worked with key partners from Adelaide arts organisations to extend the healing gifts of music and comedy to South Australian patients in State hospitals.

*SA Lotteries Symphony Sessions* aim to promote the positive effects of music on health and wellbeing by giving patients in the Royal Adelaide Hospital an intimate experience with the **Adelaide Symphony Orchestra (ASO)**.

In 2011-12, patients receiving treatment in the Dialysis, Radiation Oncology, and Intensive Care Units of the hospital were treated to the soothing sounds of the violin, viola, cello, oboe, double bass, harp and bassoon. More than 3 000 patients, staff and members of the public attended these ASO performances.

Patients also were given *SA Lotteries Symphony Sessions* CDs to inspire the healing process beyond the in-hospital performance.

This long-standing partnership was formally acknowledged for demonstrating good practice between business, the arts and health this year, by winning the **State Arts and Health Foundation Award** at the 2011 Australian Business Arts Foundation (ABaF) Awards.



*SA Lotteries Symphony Sessions performance at the Royal Adelaide Hospital.*



*'Laughter is a wonderful medicine and I was proud to create some of that.'*

*Hospital Hilarity performer.*

*Photograph courtesy of Tony Virgo.*

*Hospital Hilarity*, the result of SA Lotteries' long standing partnership with the **Adelaide Fringe**, brings the fun of the largest arts festival in the southern hemisphere to those who are not well enough to attend shows.

This year, comedy artists and a musician brightened the spirits of more than 250 patients, with the *Hospital Hilarity* team appearing at the Women's and Children's Hospital, Flinders Medical Centre and hitting the road in the spirit of the 'Tour of the Unexpected' visiting Port Augusta Hospital as part of Desert Fringe.

**State Opera South Australia's** partnership with SA Lotteries brought leading opera singers into six different Adelaide hospitals this year, including the Flinders Medical Centre, Hampstead Rehabilitation Hospital and the Queen Elizabeth Hospital. Patients and nursing staff were presented with nine performances throughout 2011-12.

Regional hospitals and centres also benefited from SA Lotteries' partnership with the **Australian String Quartet**, which helped to bring the calming music of strings to Kingston, Millicent and Mount Gambier with patients and nursing staff treated to *SA Lotteries String Sessions* in July 2011.

## NEW PROGRAMS AND PARTNERS

Each year, SA Lotteries looks for new and innovative ways to support the health and wellbeing of South Australians.

This year, we continued our partnership with the **State Theatre Company of South Australia** but directed our support into a new program focused on providing specially designed theatre performances for those with vision or hearing impairment.

Audio described performances include pre-show briefings with descriptions of the set and stage layout and an opportunity to meet the cast and feel the costumes and props, while the hearing impaired can attend fully-captioned performances.

SA Lotteries also supported the inaugural **Ride4Repat**, an exciting new initiative of Daw House Hospice Foundation and Foundation Daw Park.

In March 2012, 18 riders completed a seven-day cycling journey, travelling an average distance of 130 km each day, to raise funds for hospice renovations, veteran support projects and the purchase of vital medical equipment.



*SA Lotteries' partner Ride4Repat team, ready to embark on their inaugural ride.*





# THIS IS WHAT WE DO

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OUR YEAR 35   OUR GAMES 36   OUR NETWORK 40   OUR SERVICE 43

# THE PAST 45 YEARS

1967

1967



South Australia's first lottery is drawn by the Premier, the Honourable Frank Walsh. *Photograph courtesy of The Advertiser.*

1970

The introduction of X Lotto allows South Australian players to choose their own lottery numbers for the first time.

1973

1980



SA Lotteries pioneers the Australian launch of instant money games, now known as Instant Scratchies.

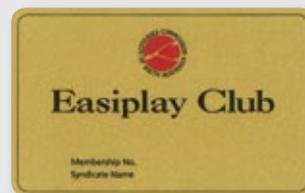
1978

1990

SA Lotteries launches Club Keno and is the first in the world to establish a state-wide Keno network.

1990

1994



The Easiplay Club is introduced to offer improved prize security for players.

2000

1996

SA Lotteries introduces Powerball to replace Thursday Lotto.

1996

Oz Lotto commences Australia-wide on Tuesday nights.

2010

2012

# OUR YEAR

THIS IS  
WHAT  
WE DO 35

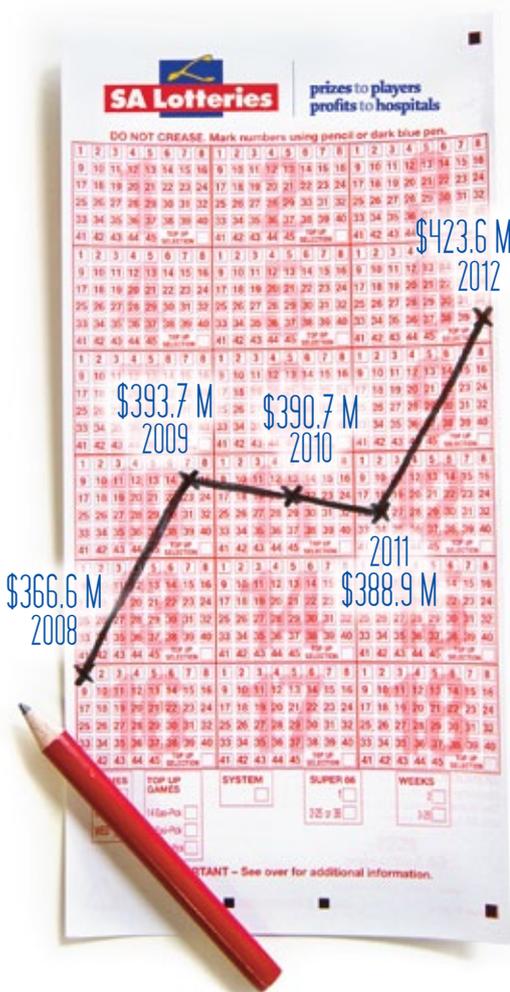
The leading organisational goal for SA Lotteries is to promote, conduct and distribute lotteries games for the benefit of the South Australian community. To meet this goal, a key strategy has been to focus on growing revenue by enhancing existing games and initiatives.

**Game sales have grown from \$388.9 million in 2010-11 to a record \$423.6 million in 2011-12.**

The number of tickets sold exceeded the target of 51.1 million set at the start of the year, reaching 52.1 million ticket sales.

To achieve these results, SA Lotteries has continued to provide South Australian players with a variety of games that have a choice of purchase price, play option and prize offer. Enhancements were made to Monday and Wednesday X Lotto and a series of successful game promotions were conducted throughout the year.

## GAME SALES



**Bloc Executive Committee.**  
*Jan Stewart (Chief Executive Officer – Lotterywest),  
 Bill Thorburn (Chief Executive – Tatts Lotteries)  
 and June Roache (Chief Executive – SA Lotteries).*  
 Photograph courtesy of Jason Thomas Photography.

Of the eight SA Lotteries games on offer to players, Saturday X Lotto remains the flagship game, representing 36.2 per cent of sales. In 2011-12, Saturday X Lotto saw an increase of 11.1 per cent in sales over the previous year. This record result was driven by a successful restructure of the game in January 2011, an additional Megadraw and two major promotions during the year.

The month of May proved popular for Oz Lotto players with a jackpot run including two large Division One prize pools of \$50 million and then \$70 million, which helped generate total Oz Lotto sales of \$46.7 million in 2011-12, an increase of 26.6 per cent from the previous year.

Instant Scratchies achieved its best sales result since 1993, benefiting from three successful promotions focused on gift-giving: Christmas, Mother's Day and Father's Day.

SA Lotteries' multi-jurisdictional (Bloc) arrangements for all games, except Keno and Instant Scratchies, continued in 2011-12 with Tatts Lotteries (Tattersall's Sweeps Pty Ltd, Golden Casket Corporation Limited, NSW Lotteries Corporation Pty Ltd) and Lotterywest.

As a key marker of performance, SA Lotteries improved its national sales share of Bloc games from 6.74 per cent in 2010-11 to 6.77 per cent in 2011-12.

## OUR GAMES



In **Saturday X Lotto**, six numbers and two supplementary numbers are randomly drawn from a barrel of 45 numbers every Saturday. To win Saturday X Lotto, players need to match their selection of numbers with those drawn, and the more numbers matched, the greater their prize.

Saturday X Lotto offers players Australia-wide the chance to share in an estimated Division One prize pool of \$4 million every Saturday, with eight Megadraw prize pools of \$20 million or more also offered in 2011-12.

### Sales Performance

- › 2011-12 result: \$153.2 million
- › % of total sales: 36.2
- › 2010-11 comparison: Increase of \$15.3 million or 11.1 per cent.

### Highlights

- › A record sales result with the full year impact of the game restructure implemented in January 2011;
- › A record end of year Megadraw and successful promotional strategies; and
- › the offer of an additional Megadraw of \$30 million on 30 June 2012.

### Total Prizes Won:

2 806 172 totalling \$87.8 million.



In **Monday and Wednesday X Lotto**, six numbers and two supplementary numbers are randomly drawn from a barrel of 45 numbers every Monday and Wednesday. To win Monday and Wednesday X Lotto, players need to match their selection of numbers with those drawn, and the more numbers matched, the greater their prize.

Monday and Wednesday X Lotto is offered in all Australian States and Territories, except Queensland.

### Sales Performance

- › 2011-12 result: \$37.4 million
- › % of total sales: 8.8
- › 2010-11 comparison: Increase of \$2.7 million or 7.9 per cent.

### Highlights

- › Significant game enhancements made in February 2012 introduced:
  - an additional prize division, Division Six, to deliver twice as many winners in each draw; and
  - a guaranteed \$1 million Division One prize for up to two Division One winners, to provide more players with the opportunity to become a millionaire.
- › Free ticket and double dividend promotions in March and May 2012 to reinforce the revised game format;
- › Following the game changes, average draw sales have increased by 27 per cent in 2011-12, including the impact of the promotion during March and May; and
- › Following the introduction of the additional prize division, South Australian players have won 188 455 Division Six prizes in 2011-12, totalling more than \$2.2 million in prize money.

### Total Prizes Won:

565 870 totalling \$29.3 million.



In **Oz Lotto**, seven numbers and two supplementary numbers are randomly drawn from a barrel of 45 numbers every Tuesday. To win Oz Lotto, players need to match their selection of numbers with those drawn, and the more numbers matched, the greater their prize.

Each week, Oz Lotto offers players Australia-wide the chance to share in a multi-million dollar prize pool that jackpots if not won.

**Sales Performance**

- › 2011-12 result: \$46.7 million
- › % of total sales: 11.0
- › 2010-11 comparison: Increase of \$9.8 million or 26.6 per cent.

**Highlights**

- › \$70 million jackpot in May 2012, which generated the second highest sales result in a single Oz Lotto draw, after the \$90 million jackpot in June 2009; and
- › A promotion in January 2012 delivered sales approximately 80 per cent above normal sales at the same jackpot level.

**Total Prizes Won:**

725 730 totalling \$54.5 million.



In **Powerball**, five numbers are randomly drawn from one barrel of 45 numbers, and a sixth Powerball number is drawn from a separate barrel of 45 numbers, every Thursday. To win Powerball, players need to match their selection of numbers with those drawn, and the more numbers matched, the greater their prize.

Each week, Powerball offers players Australia-wide the chance to share in a multi-million dollar prize pool that jackpots if not won.

**Sales Performance**

- › 2011-12 result: \$44.4 million
- › % of total sales: 10.5
- › 2010-11 comparison: Increase of \$1.6 million or 3.8 per cent.

**Highlight**

- › Promotion in March 2012, delivered sales approximately 190 per cent above normal sales at the same jackpot level.

**Total Prizes Won:**

470 301 totalling \$21.2 million.

## OUR GAMES



In **Keno**, 20 numbers are randomly generated from a possible 80 numbers every 3.5 minutes. To play Keno, players can choose to select one number (Spot 1) up to 10 numbers (Spot 10). Players can also select 'Heads', 'Tails' or 'Evens' in the add-on game, Keno Coin Toss. Each draw, Keno offers a guaranteed Spot 10 prize of \$1 million, that jackpots if not won.

### Sales Performance

- › 2011-12 result: \$99.4 million
- › % of total sales: 23.5
- › 2010-11 comparison: Increase of \$3.5 million or 3.7 per cent.

### Highlights

- › Continued growth in Keno game sales resulting in a record result.

### Total Prizes Won:

4 285 356 totalling \$73.4 million.



**Instant Scratchies** games are a series of themed scratch lottery tickets that give South Australians the chance to win instant prizes of up to \$750 000. A minimum of 10 Instant Scratchies games are offered to players at any one time.

### Sales Performance

- › 2011-12 result: \$40.7 million
- › % of total sales: 9.6
- › 2010-11 comparison: Increase of \$1.6 million or 4.2 per cent.

### Highlights

- › Successful gift-giving campaigns for peak selling periods, Christmas, Mother's Day and Father's Day;
- › Expanded distribution with 98 hotels (existing SA Lotteries agencies) commencing Instant Scratchies sales from January; and
- › The best Instant Scratchies sales result since 1993.

### Total Prizes Won:

4 272 379 totalling \$26.0 million.



In **Super 66**, six numbered balls are randomly drawn from six separate compartments that each contain 10 balls numbered zero to nine. To win Super 66, players need to match their selection of numbers with those drawn, in the order drawn, and the more numbers matched, the greater their prize.

Each week, Super 66 offers players in all Australian States and Territories, except New South Wales, the chance to win a guaranteed Division One prize of \$16 666, which jackpots if not won.

#### **Sales Performance**

- › 2011-12 result: \$1.1 million
- › % of total sales: 0.3
- › 2010-11 comparison: Decrease of \$0.02 million or 2.1 per cent.

#### **Total Prizes Won:**

20 487 totalling \$0.76 million.



In **The Pools**, six winning numbers and one supplementary number are determined by the results of a pre-determined list of 38 soccer matches. To win The Pools, players need to match their selection of numbers with those determined by the results of the soccer games specified on the relevant weekly Match List. The more numbers matched, the greater the prize.

Each week, The Pools offers players Australia-wide the chance to win an estimated Division One prize pool of \$65 000 that jackpots if not won.

#### **Sales Performance**

- › 2011-12 result: \$0.7 million
- › % of total sales: 0.2
- › 2010-11 comparison: Increase of \$0.06 million or 10 per cent.

#### **Total Prizes Won:**

8 645 totalling \$1.3 million.

## OUR NETWORK

SA Lotteries' agent network comprised 576 businesses as at 30 June 2012. A variety of business types such as newsagencies, kiosks, convenience stores, supermarkets, chemists, hotels and clubs are represented in the network, with SA Lotteries' Keno game also available at 163 SA TAB agencies.



*'Lotteries continue to do well for retailers around the state. Thanks to our great staff, we've maintained our position as the highest grossing agent in SA Lotteries' network.'*  
Fred Godley, Munno Para Newsagency.

**Businesses in SA Lotteries' agent network earned \$31.5 million in commission from the sale of tickets in 2011-12.**

SA Lotteries boasts the most diverse lottery agent network in Australia, offering South Australian players the highest level of convenience and choice in purchasing their lottery tickets.

SA Lotteries aims to optimise distribution each year by undertaking ongoing assessment of market demand and trends in retail behaviour. New agency applications are assessed on their ability to generate incremental sales and their commercial viability. The assessments include:

- › comparisons of similar businesses with lottery agencies;
- › area analysis to determine the level of incremental sales;
- › site inspections, including an evaluation of existing customer traffic; and
- › a cost benefit analysis to determine the commercial viability of the agency based on the estimated sales.

In 2011-12, SA Lotteries expanded its agent network with the addition of 22 petrol and convenience stores, two supermarkets, one chemist, one regional community club and one general store. These additional sites are meeting the objective of delivering sales incremental to those already achieved by the existing network.

In December 2011, SA Lotteries also announced a proposal to sell SA Lotteries' games, except Keno and Instant Scratchies, online. An alliance with the operator of [www.ozlotteries.com](http://www.ozlotteries.com) was made to facilitate this new distribution channel, which will become operational in 2012-13.

### BUSINESS DIVERSITY IN SA LOTTERIES' AGENT NETWORK



## NETWORK EXCELLENCE

As the trusted customer interface with SA Lotteries games, every new member of our agent network is provided with extensive training.

SA Lotteries makes a significant annual investment, with accredited training provider Business SA, providing training in business management, customer service, lottery terminal operation, and responsible gambling promotion. In 2011-12, 502 agency employees and 116 agency managers or owners successfully completed the dedicated training modules.

Outstanding businesses in the retail and licensed agent network were formally recognised at an SA Lotteries' gala awards presentation dinner.



*Agency Excellence Award winners.*

### The 2011-12 Agency Excellence Awards

ceremony was held at the InterContinental Adelaide on 27 August 2011 and was attended by 218 finalists, winners and staff. Based on set performance criteria, winners were determined across eight award categories:

- › **Best Retail Agency – Gold**  
Kylie Brown's Newsagency, Glenelg;
- › **Best Licensed Agency – Gold**  
Crown Inn Hotel, Reynella;
- › **Best Retail Agency – Silver**  
Flagstaff Hill Licensed Post Office and Newsagency;
- › **Best Licensed Agency – Silver**  
Para Hills Community Club;
- › **Best Retail Agency – Bronze**  
Pinnaroo Newsagency;
- › **Best Licensed Agency – Bronze**  
Talbot Hotel, Adelaide;
- › **Community Service Award**  
Ardrossan Newsagency; and
- › **Agency Employee of the Year**  
Lyndsey Burton of Campbell's Newsagency, Oaklands Park.

The following agencies also were recognised for attaining 20 years of service as an SA Lotteries agency:

- › Lizzy's Café, Woodville;
- › St Agnes Newsagency;
- › Timesavers Newsagency, Wynn Vale; and
- › Cummins Newsagency.

## KEEPING IN TOUCH

SA Lotteries places a high priority on engaging with its agent network on a regular basis to ensure that there are clear channels for agents to provide suggestions and influence any proposed policy or procedure changes.

The key group for ongoing consultation is the **Agent Reference Group**, which was established in January 1996. This group is comprised of members of SA Lotteries' Marketing and Sales team and agents from regional and metropolitan South Australia.

In 2011-12, the Group met on four occasions to facilitate network feedback on business promotions, policy and procedure changes, new ideas and concepts.

## OUR NETWORK

SA Lotteries acknowledges the efforts of the following members during 2011-12:

- › George Tong, Elizabeth Park Newsagency & Lotto;
- › George Chin, Chinatown Espresso, Adelaide;
- › Greg Saunders, Parafield Gardens Community Club;
- › Chris Woodman, Peterborough Newsagency;
- › Neil Cole, Seaford Newsagency;
- › Geoff Roberts, Happy Valley Newsagency;
- › Mark Kinsley, Bridgewater Newsagency;
- › Anthony Antoniadis, Parabanks Newsagency;
- › Mary Kitson, Hilton Plaza Lottery Kiosk; and
- › Charlie Zucco, West Lakes Shore Foodland.

This year, an **Industry Focus Group** also provided a direct mechanism for agents, through their peak industry representatives, to communicate with SA Lotteries' management and the State Government. Industry groups are represented as follows:

- › Australian Newsagents' Federation: Colin Shipton (SA/NT Branch Manager);
- › Clubs SA: Cameron Taylor (President);
- › Pharmacy Guild of Australia: Michael Robertson (SA Branch Director);
- › Australian Hotels' Association SA: Ian Horne (General Manager); and
- › Master Grocers Association SA: John Brownsea (Executive Director).

The Industry Focus Group met five times in 2011-12, enabling agent priorities for the future to be discussed.

In 2011-12, SA Lotteries continued to provide sponsorship support to the following industry bodies representing members of its agency network:

- › Australian Newsagents' Federation (SA branch);
- › Australian Hotels Association (SA); and
- › Clubs SA.

### SUPPLIERS

During the year, SA Lotteries spent \$15.8 million sourcing goods or services, with a total of 219 suppliers, 70 per cent of whom are based in South Australia.

**Local businesses collectively earned \$10.3 million in exchange for goods and services.**

SA Lotteries' transparent acquisition process requires that the procurement of goods and services valued at \$220 000 (inclusive of GST) or greater be subject to an open tender process. Contracts are awarded on the basis of specific criteria to ensure that SA Lotteries obtains the best value for money and quality of goods and services.

The following initiatives are undertaken to ensure that best practice procurement is achieved and maintained:

- › quarterly rating of existing suppliers to ensure suppliers deliver on price, quality and service;
- › quality management reviews of the Suppliers Register; and
- › assessment of each tenderer's corporate, social and environmental contributions to the community during the tender evaluation process.

In 2011-12, there were no contractual arrangements entered into with a total value exceeding \$4 million (inclusive of GST). There were two consultancy engagements, both with expenditure of less than \$10 000.

## ACCOUNT PAYMENT PERFORMANCE 2011-12

|   | NUMBER OF ACCOUNTS PAID | % OF ACCOUNTS PAID (BY NUMBER) | VALUE IN \$A OF ACCOUNTS PAID | % OF ACCOUNTS PAID (BY VALUE) |
|---|-------------------------|--------------------------------|-------------------------------|-------------------------------|
| Paid by due date                                  | 3 542                   | 99.80                          | \$18 633 828                  | 99.99                         |
| Paid late but paid within 30 days of the due date | 7                       | 0.20                           | \$2 501                       | 0.01                          |
| Paid more than 30 days from due date              | 0                       | 0.00                           | -                             | 0.00                          |

# OUR SERVICE

THIS IS  
WHAT  
WE  
DO 43

SA Lotteries provides service to many South Australians each year, with approximately 62 per cent of adults choosing to play an SA Lotteries game at least once per year.

**In 2011-12, 52.1 million tickets were sold and players claimed 10.4 million prizes.**

Processing these sales and prize payments depends on the reliability of the online lotteries system, which is accessed by agents throughout South Australia. Over 63 million transactions were processed through the online system in 2011-12 with access available to agents 99.98 per cent of the time.

At point of sale, full-colour customer display screens showing purchase and prize validation information, and sales summary slips with itemised transactions, continued to offer players prize transparency and security during the year. Self-service ticket checking units are also installed in agencies to allow players the flexibility to check their own tickets.

Access to game results and dividend information continued to be convenient for players with a variety of services provided.

## RESULTS AVAILABILITY

- ✓ Registered Division One prize winners contacted via telephone.
- ✓ Game results broadcast on free-to-air television.
- ✓ Game results immediately published on SA Lotteries' corporate website.
- ✓ Game results immediately disseminated via SA Lotteries' iPhone Application.
- ✓ Game results immediately disseminated to SA Lotteries' official results telephone hotlines.
- ✓ Results disseminated to mass media.
- ✓ Results emailed to subscribers.
- ✓ Results sent via SMS.

In 2011-12, there were more than 300 000 requests for results and dividend information via the telephone and SMS services.

SA Lotteries' iPhone Application (App) providing access to game results anywhere and at any time, proved popular this year. In 2011-12, there were more than 591 000 App user sessions, averaging 49 000 sessions per month. Additional features for App users include the ability to generate a set of lucky numbers for their favourite game, find their nearest SA Lotteries agency and view all current Instant Scratchies for sale.

In 2011-12, SA Lotteries' corporate website, [www.salotteries.com.au](http://www.salotteries.com.au), attracted approximately 310 000 SA Lotteries players each month, amounting to 3.7 million visits in total. This represents an increase of 21.1 per cent on the previous year. The website was listed as the most visited website for the South Australian Government, with 13 per cent of total visits to Government sites.

While more than 90 per cent of website visitors access game results, the website also provides players with an immediate and comprehensive source of information.

## PLAYER INFORMATION ON SA LOTTERIES' WEBSITE

- ✓ Information dedicated to the prize claim process.
- ✓ Player security measures.
- ✓ Dedicated lottery scam alert area.
- ✓ List of unclaimed prizes, updated weekly.
- ✓ Draw broadcasts for Saturday X Lotto, Oz Lotto and Powerball.
- ✓ Feature to generate the most frequently drawn numbers.
- ✓ The Google maps tool locates the nearest SA Lotteries agency by postcode or agency name.
- ✓ Assistance with assessing whether gambling may be affecting their health and links to support services.

## OUR SERVICE

SA Lotteries gives high priority to ensuring that the prize claim process remains secure and reliable for our valued customers.

**SA Lotteries' Easiplay Club is the best way for players to safeguard prizes won on lost, damaged or stolen tickets.**

Easiplay Club membership increased in 2011-12, with 197 093 members as at 30 June 2012, representing 15 per cent of the South Australian adult population. To maximise a player's ability to enjoy the benefits of Easiplay Club membership, card inactivity prior to membership expiration was extended from 12 months to 36 months. This was a contributing factor in membership growth from 2010-11 levels.

Throughout the year, Easiplay Club members received \$5.9 million in uncollected prize money via cheque or direct bank deposit. In 2011-12, 43 Easiplay Club members were notified by SA Lotteries of a Division One prize win.

## EASIPLAY CLUB MEMBERSHIP



The following additional measures are provided to ensure the prize claim process is transparent and secure.

## PRIZE CLAIMS

- ✓ Validation slips are provided to players to confirm status of ticket.
- ✓ Non-winning tickets are returned to customers.
- ✓ Unregistered Division One and Two prizes can only be claimed at SA Lotteries Head Office.
- ✓ Easisplay Club registered tickets are unable to be validated without the originating membership card.
- ✓ Easisplay Club registered tickets bear the primary member's name.
- ✓ Ex gratia prize claims can be lodged for lost or damaged unregistered tickets.
- ✓ SA Lotteries Head Office offers secure prize payment, such as electronic funds transfer.

Customer feedback collated throughout the year, and research conducted annually, provides SA Lotteries with an effective means of monitoring customer experiences and expectations of our service.

In 2011-12, SA Lotteries received a total of 1 213 enquiries and complaints, including suggestions for improvement, and responses were provided within an average time of 2.89 days.

Research evaluating the level of satisfaction among SA Lotteries' customers indicated that 93 per cent were either satisfied or extremely satisfied with the service they received in 2011-12. This result did not meet the target of 99 per cent set for the year, however, this can be attributed to an increase in the number of respondents who were not able to recall or rate their experience when responding to the survey. Only one per cent of respondents expressed dissatisfaction with the service provided by SA Lotteries.





# THIS IS HOW WE DO IT

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INTEGRITY 49   ACCOUNTABILITY 53   RESPECT 55   LOOKING BACK 58  
LOOKING FORWARD 59

# THE PAST 45 YEARS

1967



2002

SA Lotteries is certified as operating in compliance with the Quality Standard AS/NZS ISO 9001, with the certification maintained in 2011-12.



2011

Information Security  
ISO 27001  
SAI GLOBAL

SA Lotteries is certified with Information Security Standard AS/NZS ISO/IEC 27001.

1970

1980

1990

2000

2010

2009



**CERTIFIED**  
WLA RESPONSIBLE GAMING  
FRAMEWORK

SA Lotteries becomes one of only three lottery operators in the world to achieve the highest level (4) of accreditation under the World Lottery Association Responsible Gaming Framework.

2012



**CERTIFIED**  
SECURITY CONTROL STANDARD

SA Lotteries obtains accreditation to the World Lottery Association Security Control Standard.

2012

# INTEGRITY



## At SA Lotteries, our values guide everything we do.

To be a corporately responsible and respected organisation with a broad base of community support, the values of integrity, accountability and respect are paramount.

Research conducted in 2011-12 revealed that 78 per cent of South Australian respondents believed that the SA Lotteries brand has a strong association with operating responsibly.

SA Lotteries has earned a reputation of integrity and trustworthiness among our stakeholders and we are focused on upholding this reputation through every aspect of operations: from business management practices to secure operating systems, and through an ongoing commitment to the principles of responsible gambling and corporate social responsibility.

A clearly defined and robust framework ensures that SA Lotteries' assets, information, personnel and operations are protected, and standards complied with, at all times.

## CORPORATE FRAMEWORK

|   | 2011-12                                    |
|---|--|
| Risk Management Program and Risk Register – includes all strategic and operating risks  | Reviewed                                   |
| Protective Security Policy – assets, operations, information and personnel  | Maintained                                 |
| Intellectual Assets Management – including Trade Mark Management Agreements and Trade Mark Licence Agreements with its interstate Bloc counterparts | Maintained                                 |
| Crisis Plan and Business Continuity Plans   | Reviewed                                   |
| Fraud and Corruption Control Policy   | Maintained<br>Nil fraud incidents          |
| SA Lotteries' Compliance Program – laws, regulations, codes and organisational standards  | Maintained<br>Nil non-compliance incidents |

# INTEGRITY

## AGENT INTEGRITY

Maintaining the integrity and high security profile of SA Lotteries' systems extends to distribution and involves all agents in the SA Lotteries network.

Every transaction with a customer must be conducted in accordance with established procedures.

## CHECKS AND BALANCES

- ✓ Prize claims greater than \$5 000 (at SA Lotteries Head Office) require a signed Statutory Declaration if the prize claimant is an SA Lotteries employee, agent, agent employee or relative of an agent or employee.
- ✓ Prizes greater than \$5 000 won by agents, agency staff and their relatives are monitored. In 2011-12, the rate of wins for this group was 2.6 per cent of total wins over \$5 000.
- ✓ Agents must obtain a prescribed range of business insurances.
- ✓ Agents are regularly reminded to return non-winning tickets, validation slips and sales summary slips to players.
- ✓ All applicants for an agency undergo national police checks.
- ✓ Agents are provided with SA Police fraud and scam alerts.
- ✓ Agents are encouraged to notify SA Lotteries of any suggested improvements to security procedures.
- ✓ Incidents of suspected fraud are investigated and, if necessary, referred to SA Police.
- ✓ Disciplinary process is applied to agents or agency employees in breach of security policies.
- ✓ Regular, random and comprehensive compliance audits are conducted at all agencies at least once a year.
- ✓ Dedicated player security website page encourages reports of agency deficiencies.
- ✓ A defined customer complaints process applies to allow for the identification and notice of escalation of security-based issues.
- ✓ A confidential questionnaire, 'Can We Help You?' is available at all agencies for customers to provide feedback on agent service and integrity.
- ✓ Senior management position is responsible for security-based issues.
- ✓ Monthly reviews are undertaken to ensure that responses to, and investigations of, customer complaints are conducted in a timely manner.

## INTERNATIONAL REPUTATION

SA Lotteries is committed to the implementation of the highest standards of quality practices and secure systems in all aspects of business operations.

SA Lotteries strives to meet the objectives described in the organisation's Quality Policy Statement and follows closely all processes and controls outlined in the Quality Management System. Regular internal reviews ensure a focus on continual improvement of practices and systems and the Quality Management System is audited at least annually by external sources.

### Certification to the international Quality Standard AS/NZS ISO 9001 was maintained in 2011-12.

This year, as a result of significant effort over two years, SA Lotteries also attained accreditation with two internationally recognised security standards:

- › **Information Security Standard AS/NZS ISO/IEC 27001** on 9 September 2011; and
- › **World Lottery Association (WLA) Security Control Standard** on 7 March 2012.

These standards demonstrate an organisation's adherence to the most stringent information and system security controls. Accreditation signifies to customers, the general public and the lottery industry more broadly, that SA Lotteries is at the forefront of international best practice with secure systems, guaranteeing confidentiality for customers and the highest standards in information management.

SA Lotteries is now one of 49 lottery organisations worldwide, and only the second in Australia, to have achieved the WLA Security Control Standard.



*'SA Lotteries' security certifications demonstrate to stakeholders that they can be confident in the processes applied for the protection of the organisation's assets, including information and property.'*

*Peter McCormack, Compliance and Corporate Security Manager.*

# INTEGRITY

## INTERNATIONAL REPRESENTATION

Membership of international lottery industry associations provides valuable opportunities for exchange of information and networking with operators from around the world. During the year, SA Lotteries continued to benefit from membership of the following two key international associations:

**Asia Pacific Lottery Association (APLA)** is one of five regional lottery industry associations worldwide and represents 25 lottery organisations from 10 countries within the Asia Pacific region. SA Lotteries' Chief Executive, June Roache, has chaired the APLA Executive Committee since September 2008 and was re-elected as Chair in November 2010.

**World Lottery Association (WLA)** is a global professional association of lottery and gambling organisations from more than 80 countries on six continents. As Chair of APLA, June Roache represents APLA on the WLA Executive Committee.

SA Lotteries is represented on the WLA Legal Network Committee by David Hardy, General Manager-Legal and Risk Management/ Company Secretary. SA Lotteries' Customer Relations Manager, Lauren Halliday, is a member of the WLA Working Group for corporate social responsibility and responsible gambling.

On 26 January 2012, the Chief Executive also joined a select and distinguished group of 39 world lottery industry professionals, as an inductee into the **Public Gaming Research Institute Lottery Industry Hall Of Fame**.

The Lottery Industry Hall of Fame was founded in 2005 as a means of honouring those who have promoted excellence and integrity in the lottery industry and contributed to its international reputation.

## OVERSEAS TRAVEL BY SA LOTTERIES EMPLOYEES

| DESTINATION      | REASON FOR TRAVEL   | NO. OF EMPLOYEES | TOTAL COST* |
|------------------|---|------------------|-------------|
| Penang, Malaysia | APLA Executive Committee Meeting, Annual General Meeting and APLA Regional Conference | 1                | \$6 007.38  |
| Hanoi, Vietnam   | APLA Executive Committee Meeting and APLA/WLA Seminar                                 | 1                | \$5 669.70  |

\* Total cost includes airfares and, as applicable, accommodation, meals and registration fees. It does not include any salary or salary-related costs.

# ACCOUNTABILITY

THIS IS  
HOW  
WE  
DO IT 53

SA Lotteries is committed to the highest standards of accountability to players and the South Australian community. SA Lotteries' **Responsible Gambling Framework** is central to meeting this objective.

In 2009, SA Lotteries was awarded the highest accreditation under the WLA Responsible Gambling Framework for a mature and well-established responsible gambling program inherent in its day-to-day operations.

SA Lotteries is one of 29 lottery jurisdictions worldwide – and the only jurisdiction in Australia – to have received global recognition for operating at the highest level of responsible gambling standards.

This level 4 accreditation, verified by the WLA Independent Assessment Panel, was awarded on the basis of SA Lotteries' social responsibility initiatives, which include stakeholder engagement, retailer training, player education, third party assessment, expert consultation, participation in industry initiatives, and public reporting.

These standards were maintained in 2011-12 as the organisation remained steadfast in its commitment to ensuring the responsible promotion and conduct of its games and a safe playing environment for customers.

**The State Lotteries Responsible Gambling Code of Practice and the State Lotteries Advertising Code of Practice** (the Codes) underpin SA Lotteries' problem gambling harm minimisation program. A comprehensive compliance program involving an audit of each SA Lotteries agency against 28 checks of compliance with the Codes is undertaken at least annually.

In 2011-12, 94.2 per cent of the audits conducted during the year found agents to be compliant with the requirements of the Codes. In all instances of non-compliance, SA Lotteries worked with the agencies to ensure issues were adequately addressed to achieve compliance at subsequent re-audits.

SA Lotteries conducts various responsible gambling training modules via an accredited provider, Business SA, to ensure all key stakeholders are educated in identifying problem gambling, including:

- › every SA Lotteries' employee is required to undertake training in responsible gambling upon commencement of employment. In 2011-12, 10 employees completed training (seven new staff and three existing staff);
- › SA Lotteries requires all agents and agency staff members to complete responsible gambling training prior to operating the lottery terminal. In 2011-12, 409 agents and agency employees completed responsible gambling training;
- › SA Lotteries continues to offer a responsible gambling training module tailored to agency employees aged less than 18 years. The training ensures that younger individuals are appropriately prepared for their role in a responsible gambling environment. In 2011-12, 29 agency employees aged less than 18 years completed the dedicated training; and
- › agents and agency employees are required to refresh their training in responsible gambling at least every two years. In 2011-12, 667 agents and agency staff completed this module for responsible gambling training.

## ACCOUNTABILITY

All agents and employees are trained to identify problem gambling behaviours among SA Lotteries' players, and to provide appropriate referral advice. Agents immediately report all instances of customer contact in relation to problem gambling to SA Lotteries Head Office.

SA Lotteries' **Internal Problem Gambling Report Group** continues to assess all problem gambling reports to determine the best course of action. Eight problem gambling reports were received in 2011-12.

Barring arrangements are also available upon direct request from a person at risk or via a gambling help service representative on their behalf. As at 30 June 2012, nine SA Lotteries agencies had arrangements in place to facilitate barring from the service of lottery products for five self-identified problem gamblers.

A range of responsible gambling provisions, that have previously been unavailable to South Australians purchasing lottery games online, were also announced in December 2011 when SA Lotteries appointed a third party operator to sell SA Lotteries' games online in 2012-13. These include:

- › completion of an age and identity verification process prior to playing online;
- › mandatory, self-nominated weekly spend limit;
- › self-exclusion from online play for one, three, six or 12 months;
- › mandatory delivery of monthly activity statements;
- › prohibition of multiple player accounts;
- › problem gambling referral advice and information in six languages;
- › problem gambling warning messages and information on the chances of winning each game; and
- › a self-help test to determine whether gambling is affecting a player's wellbeing.

SA Lotteries' **Corporate Social Responsibility Program** is not simply an add-on to business practice, it is fundamental to the core mission of benefiting the South Australian community.

This program demonstrates respect for the local community and the environment in which we live through contributions to various charities, organised fundraising efforts, employee participation in community events and a range of initiatives that minimise our impact on the environment.

## COMMUNITY INVOLVEMENT

In 2011-12, 74 Community Supporter Kits were provided to South Australian clubs, schools, sporting groups and charities to assist with their fundraising efforts.

SA Lotteries' employees donated their own money throughout the year toward four nominated charities. Employee donations were matched dollar-for-dollar by SA Lotteries to contribute a total of \$3 440 to the following not-for-profit organisations:

- › Cancer Council SA;
- › Multiple Sclerosis Society of SA & NT;
- › Asthma Foundation of SA; and
- › Camp Quality SA.

Charitable organisations also receive regular donations from employees who nominate to participate in SA Lotteries' ongoing **Workplace Giving Program**.

Christmas provides another opportunity to embrace the spirit of giving and help those less fortunate.

SA Lotteries, along with *The Advertiser* and *Sunday Mail*, gave South Australians the opportunity to 'pay it forward' in December.

After completing entry forms available in *The Advertiser* and *Sunday Mail*, 10 winners were drawn and received \$1 000 – keeping \$500 for their own Christmas wish and pledging the remaining \$500 to their nominated local charity or cause.



### *Corporate Social Responsibility Committee.*

*Peter Hayward, Sonia Lockyer, Catherine Andruchowycz, Kylie Andrews and Sarah Radford.*

The charities nominated by the winners were Queen Elizabeth Hospital Foundation, Heart Foundation (SA), the Multiple Sclerosis Society of SA & NT (nominated twice), the Salvation Army in South Australia, Little Heroes Foundation, Anglicare, Cystic Fibrosis SA, Animal Welfare League of SA Inc and Guide Dogs SA & NT.

SA Lotteries' employees continued to extend support to the **Smith Family's Wishing Tree** project by donating 33 presents, including new books and toys, as Christmas gifts for South Australians in need.

SA Lotteries provides incentives to staff to become involved in volunteering and actively participate in community events. Full pay is provided for one day a year for volunteering and fees reimbursed for employees participating in community events.

Throughout the year, SA Lotteries paid entry fees for nine employees participating in community-based fundraising events including fun runs, walks and cycling events.

SA Lotteries continued its association with **The Rotary Club Of Adelaide** through the year to enable executives to attend regular networking functions and participate in community initiatives.

During 2011-12, employees donated blood to Australian Red Cross Blood service as part of SA Lotteries' **Corporate Blood Donor Program**.

**ENVIRONMENTAL RESPONSIBILITY**

SA Lotteries continues to embrace sound environmental practices across its business operations as an essential component of corporate responsibility. Efficient and sustainable energy is used to reduce greenhouse gas emissions, and recycling of supplies is encouraged to reduce waste.

During 2011-12, SA Lotteries continued to replace identified vehicles with smaller, more fuel efficient vehicles, benefiting both the environment and the community. Nearly half the SA Lotteries fleet has been replaced, resulting in a decrease in fuel consumption over the year.

Lighting sensors continue to contribute to energy savings at Head Office and the warehouse site. SA Lotteries' annual participation in **Earth Hour** again demonstrated a commitment to the environment and to assist further in the reduction of greenhouse gases by switching off non-critical systems and lighting.

**A further reduction in gas emissions and energy consumption was achieved in 2011-12 with a 9.4 per cent reduction in consumption and emission levels on the previous year.**

*South Australia's Strategic Plan (SASP)* targets a reduction in energy consumption of 25 per cent in government buildings from 2000-01 levels by 2014. This target was achieved in 2005-06 and despite the increase in 2009-10 and 2010-11, due to running multiple systems and sites as part of the Replacement Online System project, energy consumption is below the SASP target.

**ENERGY & GREENHOUSE GAS EMISSIONS**

| YEAR    | ENERGY CONSUMPTION kWhRS | GREENHOUSE GAS EMISSIONS KgCO <sup>2</sup> |
|---------|--------------------------|--|
| 2006-07 | 811 702                  | 813 082                                    |
| 2007-08 | 787 612                  | 733 494                                    |
| 2008-09 | 734 330                  | 651 849                                    |
| 2009-10 | 914 020                  | 811 358                                    |
| 2010-11 | 912 363                  | 809 886                                    |
| 2011-12 | 826 686                  | 733 833                                    |

SA Lotteries' **Recyclable Waste Program** continued this year with a strong commitment to waste reduction via the use of recyclable products and materials obtained from renewable sources. Where practicable, all point of sale material is printed on recyclable material and features the recycling symbol. SA Lotteries' agent website Network News also allows the diverse retail network of 576 agents to access information electronically, rather than with paper newsletters.

To further encourage recycling and the responsible disposal of SA Lotteries' tickets, a '100% recyclable' logo is incorporated on all terminal-generated tickets. A message promoting the responsible disposal of tickets is also included on the reverse of all SA Lotteries' Instant Scratchies and a similar message has been applied to game coupons.

**Due to this commitment, 99.8 per cent of waste was diverted from landfill by SA Lotteries in 2011-12, which equates to a reduction of 360 tonnes of greenhouse gases and the saving of 351m<sup>3</sup> in landfill.**



*SA Lotteries Business Clean Up Day team.*

SA Lotteries continued to participate in a Government program to support the community through re-use of retired computer equipment, with a donation of 63 computers and six printers toward the scheme in 2011-12.

In February 2012, SA Lotteries' employees once again participated in **Business Clean Up Day** by collecting rubbish from the parklands area opposite SA Lotteries Head Office. Six bags of litter and two bags of recyclable material were collected.

Every little initiative can make a difference, and SA Lotteries' staff enjoy participating and feel empowered by their contribution.

# 50 LOOKING 50 BACK

| Year ended 30 June                         | 2012           | 2011           | 2010           | 2009           | 2008           | 2007           | 2006           | 2005           | 2004           | 2003           |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|  | \$'000         | \$'000         | \$'000         | \$'000         | \$'000         | \$'000         | \$'000         | \$'000         | \$'000         | \$'000         |
| <b>GROSS SALES</b>                         |                |                |                |                |                |                |                |                |                |                |
| Saturday X Lotto                           | 153 216        | 137 897        | 125 764        | 131 280        | 128 336        | 135 042        | 132 388        | 135 176        | 130 825        | 129 603        |
| Monday/Wednesday X Lotto                   | 37 422         | 34 684         | 37 133         | 36 718         | 31 782         | 32 607         | 35 936         | 40 670         | 41 706         | 28 931         |
| Mid-Week Lotto                             |                |                |                |                |                |                |                |                |                |                |
| Oz Lotto                                   | 46 695         | 36 871         | 44 530         | 58 789         | 34 709         | 22 234         | 16 495         | 14 641         | 15 467         | 16 575         |
| Powerball                                  | 44 347         | 42 740         | 48 673         | 35 414         | 49 972         | 42 034         | 46 519         | 42 248         | 44 760         | 51 379         |
| Thursday Lotto                             |                |                |                |                |                |                |                |                |                |                |
| Keno                                       | 99 407         | 95 866         | 92 566         | 90 753         | 79 506         | 78 523         | 76 581         | 73 821         | 70 425         | 67 155         |
| Instant Scratchies                         | 40 737         | 39 113         | 40 189         | 38 886         | 39 929         | 37 139         | 38 383         | 40 343         | 39 812         | 39 864         |
| Super 66                                   | 1 114          | 1 138          | 1 184          | 1 171          | 1 108          | 1 149          | 1 228          | 1 333          | 1 479          | 1 662          |
| The Pools                                  | 694            | 631            | 665            | 694            | 581            | 518            | 558            | 586            | 622            | 742            |
| Lucky SA                                   | -              | -              | -              | -              | 660            | -              | -              | -              | -              | -              |
| <b>TOTAL GROSS SALES</b>                   | <b>423 632</b> | <b>388 940</b> | <b>390 704</b> | <b>393 705</b> | <b>366 583</b> | <b>349 246</b> | <b>348 088</b> | <b>348 818</b> | <b>345 096</b> | <b>335 911</b> |
| <b>COST OF SALES</b>                       |                |                |                |                |                |                |                |                |                |                |
| Agents' commission                         | 31 538         | 29 010         | 29 179         | 29 310         | 26 938         | 25 779         | 25 755         | 25 795         | 25 443         | 24 694         |
| Prizes                                     | 257 379        | 235 412        | 233 407        | 236 931        | 221 283        | 211 236        | 209 439        | 207 172        | 207 886        | 202 336        |
| % of gross sales                           | 60.8%          | 60.5%          | 59.7%          | 60.2%          | 60.4%          | 60.5%          | 60.2%          | 59.4%          | 60.2%          | 60.2%          |
| Gambling tax on NGR                        | 68 164         | 62 946         | 64 492         | 64 277         | 59 573         | 56 584         | 56 846         | 58 074         | 56 256         | 54 766         |
| % of gross sales                           | 16.1%          | 16.2%          | 16.5%          | 16.3%          | 16.3%          | 16.2%          | 16.3%          | 16.6%          | 16.3%          | 16.3%          |
| GST on NGR                                 | 15 114         | 13 957         | 14 300         | 14 252         | 13 209         | 12 546         | 12 604         | 12 877         | 12 474         | 12 143         |
| % of gross sales                           | 3.6%           | 3.6%           | 3.7%           | 3.6%           | 3.6%           | 3.6%           | 3.6%           | 3.7%           | 3.6%           | 3.6%           |
| <b>TOTAL COST OF SALES</b>                 | <b>372 195</b> | <b>341 325</b> | <b>341 378</b> | <b>344 770</b> | <b>321 003</b> | <b>306 145</b> | <b>304 644</b> | <b>303 918</b> | <b>302 059</b> | <b>293 939</b> |
| <b>GROSS MARGIN</b>                        | <b>51 437</b>  | <b>47 615</b>  | <b>49 326</b>  | <b>48 935</b>  | <b>45 580</b>  | <b>43 101</b>  | <b>43 444</b>  | <b>44 900</b>  | <b>43 037</b>  | <b>41 972</b>  |
| Other Revenue                              | 7 565          | 7 141          | 6 821          | 7 610          | 6 603          | 7 487          | 7 039          | 7 294          | 6 944          | 6 878          |
| <b>TOTAL INCOME</b>                        | <b>59 002</b>  | <b>54 756</b>  | <b>56 147</b>  | <b>56 545</b>  | <b>52 183</b>  | <b>50 588</b>  | <b>50 483</b>  | <b>52 194</b>  | <b>49 981</b>  | <b>48 850</b>  |
| <b>OPERATING EXPENSES</b>                  | <b>24 988</b>  | <b>25 294</b>  | <b>26 734</b>  | <b>25 921</b>  | <b>25 313</b>  | <b>23 602</b>  | <b>23 249</b>  | <b>25 978</b>  | <b>24 926</b>  | <b>24 421</b>  |
| % of gross sales                           | 5.9%           | 6.5%           | 6.8%           | 6.6%           | 6.9%           | 6.8%           | 6.7%           | 7.4%           | 7.2%           | 7.3%           |
| <b>PROFIT BEFORE INCOME TAX EQUIVALENT</b> | <b>34 014</b>  | <b>29 462</b>  | <b>29 413</b>  | <b>30 624</b>  | <b>26 870</b>  | <b>26 986</b>  | <b>27 234</b>  | <b>26 216</b>  | <b>25 055</b>  | <b>24 429</b>  |
| % of gross sales                           | 8.0%           | 7.6%           | 7.5%           | 7.8%           | 7.3%           | 7.7%           | 7.8%           | 7.5%           | 7.3%           | 7.3%           |
| <b>RETURN TO GOVERNMENT</b>                |                |                |                |                |                |                |                |                |                |                |
| Gambling tax                               | 68 187         | 63 018         | 64 571         | 64 344         | 59 619         | 56 616         | 56 888         | 58 412         | 56 256         | 54 766         |
| Income tax equivalent                      | 9 489          | 8 839          | 8 824          | 9 187          | 8 061          | 8 096          | 8 170          | 7 799          | 7 516          | 7 542          |
| Dividend                                   | 23 168         | 20 298         | 21 968         | 19 446         | 21 703         | 19 476         | 18 956         | 22 911         | 17 869         | 17 673         |
| Unclaimed prizes                           | 1 829          | 2 041          | 1 610          | 2 152          | 2 271          | 1 905          | 1 291          | 1 839          | 1 639          | 1 551          |
|  | 102 673        | 94 196         | 96 973         | 95 129         | 91 654         | 86 093         | 85 305         | 90 961         | 83 280         | 81 532         |
| % of gross sales                           | 24.2%          | 24.2%          | 24.8%          | 24.2%          | 25.0%          | 24.7%          | 24.5%          | 26.1%          | 24.1%          | 24.3%          |
| GST on NGR                                 | 15 114         | 13 957         | 14 300         | 14 252         | 13 209         | 12 546         | 12 604         | 12 877         | 12 474         | 12 143         |
| <b>TOTAL RETURN TO GOVERNMENT</b>          | <b>117 787</b> | <b>108 153</b> | <b>111 273</b> | <b>109 381</b> | <b>104 863</b> | <b>98 639</b>  | <b>97 909</b>  | <b>103 838</b> | <b>95 754</b>  | <b>93 675</b>  |
| % of gross sales                           | 27.8%          | 27.8%          | 28.5%          | 27.8%          | 28.6%          | 28.2%          | 28.1%          | 29.8%          | 27.7%          | 27.9%          |

## STRATEGIC PLAN AND OUTLOOK FOR 2012-13

### SOUTH AUSTRALIA'S 2012 STRATEGIC PLAN

### SA LOTTERIES' 2012-13 OUTLOOK

**GOAL 1:** To promote, conduct and distribute lotteries games for the benefit of the South Australian community.

**STRATEGY 1:** Grow revenue by enhancing existing games and introducing new games and initiatives.

#### OUR PROSPERITY

- › Continue to exceed targets for gross sales and number of tickets sold.
- › Maximise market share for Australian Bloc games.
- › Optimise the distribution network and value of SA Lotteries.

**STRATEGY 2:** Exceed customer expectations by providing an accessible and reliable service.

#### OUR IDEAS

- › Expand corporate website functionality to ensure growth in number of visits and greater engagement.
- › Maintain system and point of sale terminal reliability.
- › Ensure growth in Easiplay Club customer registration membership.

**GOAL 2:** To be a corporately responsible and respected organisation that has a broad base of community support.

**STRATEGY 3:** Ensure community and stakeholder trust and support.

#### OUR HEALTH

- › Continue to benefit the community of South Australia through returns to the Hospital's Fund and Recreation and Sport Fund.
- › Ensure adherence to Responsible Gambling and Advertising Codes of Practice.

#### OUR COMMUNITY

- › Maintain accreditation with Information Security Control Standard AS/NZS ISO 27001 and World Lottery Association Security Control Standards.
- › Achieve 99 per cent customer satisfaction.
- › Continue to expand the Corporate Social Responsibility Program.

**STRATEGY 4:** Adopt sound environmental practices

#### OUR ENVIRONMENT

- › Target further reduction in gas emissions and energy consumption.
- › Continued promotion of recycling initiatives.
- › Ongoing replacement of existing fleet cars with more efficient four cylinder vehicles.

**GOAL 3:** To optimise profits through the effective allocation of resources.

**STRATEGY 5:** Ensure a high performance and ethical culture.

#### OUR EDUCATION

- › Maintain reviews of employee performance against individual performance plans at 100 per cent.
- › Maintain investment in training and development.
- › Provide support and professional development opportunities to staff during period of organisational change.

**STRATEGY 6:** Ensure sustainable growth opportunities are pursued.

#### OUR PROSPERITY

- › Launch online sale of SA Lotteries' games via third party operator.
- › Pursue opportunities that give consumers greater choice and convenience.
- › Provide support to all agents during the process of Government allocating the right to operate SA Lotteries' brands and products to a private sector operator.



# THESE ARE OUR WINNING NUMBERS

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ANNUAL FINANCIAL STATEMENTS 62    REPORT OF THE AUDITOR-GENERAL 96  
GLOSSARY 98



62 THESE ARE OUR WINNING NUMBERS

# ANNUAL FINANCIAL STATEMENTS

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

|  | NOTE | 2012<br>\$'000 | 2011<br>\$'000 |
|--|------|----------------|----------------|
| <b>INCOME</b>                                |      |                |                |
| Sales revenue                                | 5    | 423 632        | 388 940        |
| Cost of sales                                | 6    | 372 195        | 341 325        |
| <b>GROSS MARGIN</b>                          |      | 51 437         | 47 615         |
| Interest revenue                             |      | 2 460          | 2 465          |
| Other revenues                               | 7    | 5 110          | 4 676          |
| <b>TOTAL INCOME</b>                          |      | 59 007         | 54 756         |
| <b>EXPENSES</b>                              |      |                |                |
| Employee benefits expenses                   | 8    | 9 552          | 7 315          |
| Supplies and services                        | 9    | 15 427         | 15 646         |
| Depreciation and amortisation expense        | 10   | 2 386          | 2 315          |
| Net loss from disposal of non-current assets | 11   | 4              | 18             |
| <b>TOTAL EXPENSES</b>                        |      | 27 369         | 25 294         |
| <b>PROFIT BEFORE INCOME TAX EQUIVALENT</b>   |      | 31 638         | 29 462         |
| Income tax equivalent expense                |      | 9 491          | 8 839          |
| <b>PROFIT AFTER INCOME TAX EQUIVALENT</b>    |      | 22 147         | 20 623         |
| <b>TOTAL COMPREHENSIVE RESULT</b>            |      | 22 147         | 20 623         |

The profit after income tax equivalent and comprehensive result are attributable to the SA Government as owner.

The above statement should be read in conjunction with the accompanying notes.

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

|                                      | NOTE | 2012<br>\$'000 | 2011<br>\$'000 |
|--------------------------------------|------|----------------|----------------|
| <b>CURRENT ASSETS</b>                |      |                |                |
| Cash and cash equivalents            | 13   | 53 480         | 52 546         |
| Receivables                          | 14   | 21 849         | 2 783          |
| Inventories                          |      | 571            | 635            |
| <b>TOTAL CURRENT ASSETS</b>          |      | 75 900         | 55 964         |
| <b>NON-CURRENT ASSETS</b>            |      |                |                |
| Receivables                          | 14   | 136            | 133            |
| Property, plant and equipment        | 15   | 11 841         | 13 888         |
| Intangible assets                    | 16   | -              | -              |
| <b>TOTAL NON-CURRENT ASSETS</b>      |      | 11 977         | 14 021         |
| <b>TOTAL ASSETS</b>                  |      | 87 877         | 69 985         |
| <b>CURRENT LIABILITIES</b>           |      |                |                |
| Payables                             | 17   | 41 592         | 24 948         |
| Employee benefits                    | 18   | 716            | 666            |
| Other current liabilities            | 19   | 11 135         | 10 397         |
| <b>TOTAL CURRENT LIABILITIES</b>     |      | 53 443         | 36 011         |
| <b>NON-CURRENT LIABILITIES</b>       |      |                |                |
| Payables                             | 17   | 1 711          | 1 448          |
| Employee benefits                    | 18   | 2 902          | 1 341          |
| Other non-current liabilities        | 19   | 6 603          | 6 939          |
| <b>TOTAL NON-CURRENT LIABILITIES</b> |      | 11 216         | 9 728          |
| <b>TOTAL LIABILITIES</b>             |      | 64 659         | 45 739         |
| <b>NET ASSETS</b>                    |      | 23 218         | 24 246         |
| <b>EQUITY</b>                        |      |                |                |
| Funds retained for capital purposes  |      | 636            | 636            |
| Asset revaluation surplus            |      | 1 151          | 1 151          |
| Reserves                             |      | 21 431         | 22 459         |
| <b>TOTAL EQUITY</b>                  |      | 23 218         | 24 246         |

**The Total Equity is attributable to the SA Government as owner.**

|                                      |    |
|--------------------------------------|----|
| Unrecognised contractual commitments | 21 |
| Contingent assets and liabilities    | 22 |

The above statement should be read in conjunction with the accompanying notes.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

|   | FUNDS<br>RETAINED<br>FOR<br>CAPITAL<br>PURPOSES | ASSET<br>REVAL-<br>UATION<br>SURPLUS | BUILDING<br>MAINT-<br>ENANCE<br>RESERVE | CAPITAL<br>ASSET<br>RESERVE<br>(NOTE 20) | KENO<br>PRIZE<br>RESERVE | RETAINED<br>EARNINGS | TOTAL    |
|---|---|--------------------------------------|---|--|--------------------------|----------------------|----------|
|   | \$'000  | \$'000                               | \$'000                                  | \$'000                                   | \$'000                   | \$'000               | \$'000   |
| <b>BALANCE AT 30 JUNE 2010</b>                          | 636   | 849                                  | 65                                      | 17 834                                   | 4 235                    | -                    | 23 619   |
| Profit after income tax equivalent<br>for 2010-11       | -   | -                                    | -                                       | -  | -                        | 20 623               | 20 623   |
| Total comprehensive result<br>for 2010-11               | -   | -                                    | -                                       | -  | -                        | 20 623               | 20 623   |
| Transfers:  |   |                                      |   |  |                          |                      |          |
| › from Retained earnings                                | -   | -                                    | -                                       | 2 000                                    | 2 771                    | (4 771)              | -        |
| › to Retained earnings                                  | -   | -                                    | (24)                                    | (2 277)                                  | (2 145)                  | 4 446                | -        |
| Gain on revaluation of property<br>in 2010-11 (Note 15) | -   | 302                                  | -                                       | -  | -                        | -                    | 302      |
| Dividend contribution to<br>SA Government               | -   | -                                    | -                                       | -  | -                        | (20 298)             | (20 298) |
| <b>BALANCE AT 30 JUNE 2011</b>                          | 636   | 1 151                                | 41                                      | 17 557                                   | 4 861                    | -                    | 24 246   |
| Profit after income tax equivalent<br>for 2011-12       | -   | -                                    | -                                       | -  | -                        | 22 147               | 22 147   |
| Total comprehensive result<br>for 2011-12               | -   | -                                    | -                                       | -  | -                        | 22 147               | 22 147   |
| Transfers:  |   |                                      |   |  |                          |                      |          |
| › from Retained earnings                                | -   | -                                    | -                                       | 2 000                                    | 2 565                    | (4 565)              | -        |
| › to Retained earnings                                  | -   | -                                    | -                                       | (2 340)                                  | (3 253)                  | 5 593                | -        |
| Dividend contribution to<br>SA Government               | -   | -                                    | -                                       | -  | -                        | (23 175)             | (23 175) |
| <b>BALANCE AT 30 JUNE 2012</b>                          | 636   | 1 151                                | 41                                      | 17 217                                   | 4 173                    | -                    | 23 218   |

**All changes in equity are attributable to the SA Government as owner.**

The above statement should be read in conjunction with the accompanying notes.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

|   | NOTE      | 2012<br>\$'000   | 2011<br>\$'000   |
|---|-----------|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                       |           |                  |                  |
| <b>CASH INFLOWS</b>   |           |                  |                  |
| Receipts from customers   |           | 388 275          | 360 906          |
| Interest received   |           | 2 454            | 1 743            |
| GST received from the Australian Taxation Office                  |           | 4 862            | 5 022            |
| <b>CASH GENERATED FROM OPERATIONS</b>                             |           | <b>395 591</b>   | <b>367 671</b>   |
| <b>CASH OUTFLOWS</b>  |           |                  |                  |
| Prizes paid   |           | (249 711)        | (230 559)        |
| Payments to suppliers and employees                               |           | (25 445)         | (24 217)         |
| GST paid to the Australian Taxation Office                        |           | (15 611)         | (14 476)         |
| Distribution to the Hospitals Fund and Recreation and Sport Fund  |           |                  |                  |
| › Gambling tax  | 23        | (68 141)         | (63 228)         |
| › Dividends   | 23        | (24 019)         | (20 160)         |
| › Unclaimed prizes  | 23        | (1 599)          | (2 072)          |
| Distribution to the Hospitals Fund for income tax equivalent      | 23        | (9 788)          | (8 899)          |
| <b>CASH USED IN OPERATIONS</b>                                    |           | <b>(394 314)</b> | <b>(363 611)</b> |
| <b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>        | <b>24</b> | <b>1 277</b>     | <b>4 060</b>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                       |           |                  |                  |
| <b>CASH INFLOWS</b>   |           |                  |                  |
| Proceeds from sale of property, plant and equipment               |           | -                | 1                |
| <b>CASH OUTFLOWS</b>  |           |                  |                  |
| Purchase of property, plant and equipment                         |           | (343)            | (1 604)          |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>                      |           | <b>(343)</b>     | <b>(1 603)</b>   |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>       |           | <b>934</b>       | <b>2 457</b>     |
| Cash and Cash Equivalents at the beginning of the financial year  |           | 52 546           | 50 089           |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b> | <b>24</b> | <b>53 480</b>    | <b>52 546</b>    |



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## INDEX TO NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

|  |         |
|--|---------|
| <b>ESTABLISHMENT AND FUNCTION OF SA LOTTERIES</b>        | Note 1  |
| <b>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</b>        | Note 2  |
| <b>NEW AND REVISED ACCOUNTING STANDARDS AND POLICIES</b> | Note 3  |
| <b>RELATED PARTY</b>                                     | Note 4  |
| <b>INCOME NOTES</b>                                      |         |
| Sales revenue  | Note 5  |
| Cost of sales  | Note 6  |
| Other revenues   | Note 7  |
| <b>EXPENSE NOTES</b>                                     |         |
| Employee benefits expenses                               | Note 8  |
| Supplies and services                                    | Note 9  |
| Depreciation and amortisation expense                    | Note 10 |
| Net loss from disposal of non-current assets             | Note 11 |
| Auditor's remuneration                                   | Note 12 |
| <b>ASSET NOTES</b>                                       |         |
| Cash and cash equivalents                                | Note 13 |
| Receivables  | Note 14 |
| Property, plant and equipment                            | Note 15 |
| Intangible assets  | Note 16 |
| <b>LIABILITIES NOTES</b>                                 |         |
| Payables   | Note 17 |
| Employee benefits  | Note 18 |
| Other liabilities  | Note 19 |
| <b>OTHER NOTES</b>                                       |         |
| Capital asset reserve                                    | Note 20 |
| Unrecognised contractual commitments                     | Note 21 |
| Contingent assets and liabilities                        | Note 22 |
| Distribution of funds to SA Government                   | Note 23 |
| Cash flow reconciliation                                 | Note 24 |
| Financial risk management                                | Note 25 |
| Superannuation   | Note 26 |
| Transactions with SA Government                          | Note 27 |
| Events after the reporting period                        | Note 28 |

## 1. ESTABLISHMENT AND FUNCTION OF SA LOTTERIES

The Lotteries Commission of South Australia (SA Lotteries), established under the *State Lotteries Act 1966*, commenced operations on 15 May 1967 with the primary function of promoting and conducting lotteries in South Australia.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of Compliance

SA Lotteries has prepared these financial statements in compliance with section 23 of the *Public Finance and Audit Act 1987*. The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*. SA Lotteries has applied Australian Accounting Standards that are applicable to for-profit entities, as SA Lotteries is a for-profit entity. Australian accounting standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted for the reporting period ended 30 June 2012. These are outlined in Note 3.

### (b) Basis of Preparation

The preparation of the financial statements requires:

- › the use of certain accounting estimates and management to exercise its judgement in the process of applying SA Lotteries' accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes;
- › accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and
- › compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the Accounting Policy Statements require the following note disclosures that have been included in this financial report:
  - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature;
  - (b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income and Note 9). (The term *Consultant* is defined in Accounting Policy Framework APF II *General Purpose Financial Reporting Framework*, APS 4.6.);
  - (c) employee targeted voluntary separation package information;
  - (d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees; and
  - (e) Commission members and remuneration information, where a Commission member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

SA Lotteries' Statement of Comprehensive Income, Statement of Financial Position, and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a twelve month period and are presented in Australian currency.

The accounting policies set out below have been applied consistently in preparing the financial statements for the year ended 30 June 2012 and the comparative information presented.

### (c) Reporting Entity

The reporting entity comprises the Lotteries Commission of South Australia only.

### (d) Comparative Information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or policy statements have required a change.

The restated comparative amounts do not replace the original financial statements for the preceding period.



### **(e) Rounding**

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000).

### **(f) Taxation**

#### *Tax Equivalent Regime*

In accordance with Treasurer's Instruction 22 *Tax Equivalent Payments*, SA Lotteries is required to pay to the State Government an income tax equivalent. The income tax liability is based on the State Taxation Equivalent Regime which applies the accounting profits method. This requires that the corporate income tax rate be applied to net profit. The current income tax equivalent liability (included in undistributed funds liability) relates to the income tax equivalent expense outstanding for the current period.

SA Lotteries is liable for payroll tax, fringe benefits tax, goods and services tax, emergency services levy, land tax equivalent and local government rate equivalents.

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

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

Income, expenses and assets are recognised net of the amount of GST except:

- › when the GST incurred on a purchase of goods or services is not recoverable from the ATO, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- › receivables and payables which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO. If GST is not payable to, or recoverable from, the ATO, the commitments and contingencies are disclosed on a gross basis.

### **(g) Income**

Income is recognised to the extent that it is probable that the flow of economic benefits to SA Lotteries will occur and can be reliably measured.

Income has been aggregated according to its nature and has not been offset unless required or permitted by a specific Accounting Standard, or where offsetting reflects the substance of the transaction or other event.

Note 27 discloses income where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

The following are specific recognition criteria:

- › Sales revenue for Saturday X Lotto, Monday & Wednesday X Lotto, Oz Lotto, Powerball, Keno, Super 66 and The Pools is recognised as at the date of the draw. For these games, sales revenue as at 30 June for draws or competitions subsequent to that date is treated as sales in advance. Sales revenue for Instant Scratchies is recognised as tickets are sold.
- › Interest revenue is recognised on a time proportionate basis as it accrues, taking into account the effective yield on the financial asset.
- › Revenues from services, fees and charges are derived from the provision of goods and services predominantly to agents. This revenue is recognised upon delivery of the goods or services to the recipients.

### **(h) Expenses**

Expenses are recognised to the extent that it is probable that the flow of economic benefits from SA Lotteries will occur and can be reliably measured.

Expenses have been aggregated according to their nature and have not been offset unless required or permitted by a specific Accounting Standard, or where offsetting reflects the substance of the transaction or other event.

Note 27 discloses expenses where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

The following are specific recognition criteria:

*Employee Benefits Expenses*

Employee benefits expenses include all costs related to employment, including salaries and leave entitlements. These are recognised when incurred.

Superannuation expenses charged in the Statement of Comprehensive Income represent:

- › Defined contributions made by SA Lotteries to the superannuation plans in respect of current employees; and
- › Defined benefits accrued during the reporting period.

Note 2(n) provides further details.

*Supplies and Services*

Supplies and services generally represent the day-to-day running costs, including maintenance and occupancy costs, incurred in the normal operations of SA Lotteries. These items are recognised as an expense in the reporting period in which they are incurred.

*Depreciation and Amortisation of Non-Current Assets*

All non-current assets having a limited useful life are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. Depreciation is applied to tangible assets such as property, plant and equipment, while amortisation is used in relation to leasehold improvements and intangible assets (software).

Assets' residual values, useful lives and depreciation/amortisation methods are reviewed and adjusted if appropriate, on an annual basis.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, which is a change in accounting estimate.

The value of leasehold improvements is amortised over the estimated useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter. Land is not depreciated.

Depreciation/amortisation is calculated on a straight line basis over the estimated useful life of the following classes of assets as follows:

| CLASS OF ASSETS         | ESTIMATED USEFUL LIFE |
|-------------------------|-----------------------|
| Buildings               | 22 years              |
| Plant and Equipment     | 3 - 10 years          |
| Online Lotteries System | up to 7 years         |
| Leasehold Improvements  | up to 10 years        |

**(i) Current and Non-Current Classification**

Assets and liabilities are characterised as either current or non-current in nature. SA Lotteries has a clearly identifiable operating cycle of twelve months. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle, even when they are not expected to be realised within twelve months after the reporting date, have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

**(j) Assets**

Assets have been classified according to their nature and have not been offset unless required or permitted by a specific Accounting Standard, or where offsetting reflects the substance of the transaction or other event.

Note 27 discloses financial assets where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

*Cash and Cash Equivalents*

Cash and cash equivalents in the Statement of Financial Position and the Statement of Cash Flows includes cash on hand, deposits held at call and other short-term, highly liquid investments that are readily converted to cash, are subject to insignificant risk of changes in value and are used in the cash management function on a day-to-day basis.

Short term deposits are held with the South Australian Government Financing Authority (SAFA) in At Call Deposit and Cash Management Fund accounts. Bank balances are held with Westpac Banking Corporation in At Call Deposit accounts.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash equivalents as defined above. Cash is measured at nominal value.

#### *Receivables*

Receivables include amounts receivable from agents and other parties, prize settlements receivable from lottery operators in other States participating in inter-jurisdictional prize pooling arrangements, and prepayments. Receivables (other than prepayments) arise in the normal course of selling goods and services to agents and other parties and through prize settlement arrangements with other Bloc members.

#### *Agent Debtors and Sundry Receivables*

Agent debtors and sundry receivables are generally receivable within 7 days and 14 days respectively and are carried at amounts due.

Collectability of agent debtors and sundry receivables are reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that SA Lotteries will not be able to collect the debt.

#### *Prize Settlements Receivable from Blocs*

Saturday X Lotto, Monday & Wednesday X Lotto, Oz Lotto, Powerball, Super 66 and The Pools are games supported by inter-jurisdictional prize pooling arrangements. 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 14 days after the date of the draw.

#### *Inventories*

Inventories are held for distribution and include Instant Scratchies tickets, game entry coupons and ticket rolls.

Inventories are measured at the lower of actual cost or their net realisable value.

Instant Scratchies ticket costs are allocated when the tickets are sold by the Agent. Costs of game entry coupons and ticket rolls are allocated upon distribution to the Agent.

#### *Non-Current Asset Acquisition and Recognition*

Non-current assets are initially recorded at cost, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation/amortisation.

All non-current assets with a value of \$2 000 or more are capitalised.

Componentisation of the online lotteries system (a complex asset) has been performed as the asset's fair value at the time of acquisition was greater than \$1 million.

#### *Revaluation of Non-Current Assets*

All non-current tangible assets are valued at written down current cost (a proxy for fair value). Revaluation of non-current assets or groups of assets is only performed when their fair value is greater than \$1 million and estimated useful life is greater than three years.

SA Lotteries obtains an independent valuation of such assets at least every five years. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

SA Lotteries has taken the exemption available under Accounting Policy Framework III *Asset Accounting Framework* paragraph APS 3.8 to take asset revaluation adjustments to the asset revaluation surplus on a class basis rather than an individual asset basis.

Any revaluation increase is credited to the asset revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as income.

Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the asset revaluation surplus to the extent of the credit balance existing in the revaluation surplus for that asset class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Upon disposal or derecognition, any revaluation surplus is transferred to retained earnings.

### *Impairment*

All non-current tangible and intangible assets are tested for indications of impairment at each reporting date. If there was an indication of impairment, the recoverable amount would be estimated. An amount by which the asset's carrying amount exceeds the recoverable amount would be recorded as an impairment loss. For revalued assets, an impairment loss would be offset against the asset revaluation surplus.

### *Intangible Assets*

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. SA Lotteries only has intangible assets with finite lives.

### **(k) Liabilities**

Liabilities have been classified according to their nature and have not been offset unless required or permitted by a specific Accounting Standard, or where offsetting reflects the substance of the transaction or other event.

Note 27 discloses financial liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

### *Payables*

Payables include creditors, accrued expenses, prizes payable, undistributed funds (owing to SA Government), and employment on-costs.

### *Creditors and Accrued Expenses*

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of SA Lotteries.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received.

All payables are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or date the invoice is first received.

### *Prizes Payable*

Prizes payable represent amounts due to be paid to customers for prizes won in South Australia and settlements due to lottery operators in other States participating in inter-jurisdictional prize pooling arrangements.

Amounts payable for prizes won in South Australia are generally available for payment 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 matrix type games are normally paid 14 days after the date of draw in accordance with the Lotteries 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 14 days after the date of the draw.

Non-current prizes payable relate to outstanding annuity-style Instant Scratchies prizes where the total prize is payable in instalments over a number of years in accordance with the terms and conditions of each game. The liability is measured at the undiscounted amount expected to be paid.

### *Employment On-Costs*

Employment on-costs include superannuation contributions, payroll tax and workers compensation with respect to outstanding liabilities for salaries, long service leave and annual leave. Employment on-costs are settled when the respective employee benefit that they relate to is discharged.

### *Employee Benefits*

These benefits accrue for employees as a result of services provided up to the reporting date and remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

#### *Salaries, Annual Leave and Sick Leave*

The liability for salaries is measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date.

The annual leave liability is expected to be payable within twelve months and is measured at the undiscounted amount expected to be paid. No salaries or annual leave are expected to be payable later than twelve months.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement of sick leave.

#### *Long Service Leave*

An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments. Based on this actuarial assessment, the short hand method was used to measure the long service leave liability for 2012. Refer to Note 18. This calculation is consistent with SA Lotteries' experience of employee retention and leave taken.

The portion of the long service leave liability classified as current represents the amount that may be expected to be paid as leave taken or paid on termination of employment during SA Lotteries' normal operating cycle.

#### *Unclaimed Prizes Reserve*

Other than a prize in a Special Appeal Lottery (note 2(l)), any prize in a lottery that has not been collected or taken delivery of within 12 months of the date of the draw or relevant day is forfeited to SA Lotteries and transferred into the Unclaimed Prizes Reserve. Subsection 16C(4) of the *State Lotteries Act 1966* requires SA Lotteries to pay:

- › 50 per cent of the amount derived from unclaimed prizes in The Pools (and other sports lotteries or special lotteries) to the Recreation and Sport Fund; and
- › 50 per cent of the amount derived from unclaimed prizes in other lotteries to the Hospitals Fund.

The balance in the Reserve is applied by SA Lotteries from time to time for the purposes of providing additional or increased prizes in a subsequent lottery or lotteries, providing prizes in promotional lotteries or making ex gratia payments.

The *State Lotteries Act 1966* provides for an ex gratia payment to a person who satisfies SA Lotteries that they are a winner of a prize in a lottery conducted by SA Lotteries, despite the fact that a prize has been forfeited to SA Lotteries, the winning ticket has been lost or destroyed or the period of notice of a claim for the prize has not been complied with.

Ex gratia payments are charged to the Unclaimed Prizes Reserve. The next payment to either the Hospitals Fund or Recreation and Sport Fund is then reduced by an amount equivalent to 50 per cent of the ex gratia payment, depending on the game played.

#### *Distribution of Funds to Government*

In accordance with Subsection 16(3) of the *State Lotteries Act 1966*, SA Lotteries 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;
- › in respect of Special Appeal Lotteries (note 2(l)), applying the net proceeds and unclaimed prizes less the GST on NGR to the beneficiary(s) of those lotteries; and
- › retaining funds for certain designated purposes.

As detailed in note 2(f), SA Lotteries 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 Treasurer's Instruction 22 *Tax Equivalent Payments*, the transfer of funds to the Hospitals Fund is reflected in the financial statements in the form of:

- (i) a gambling tax of 41 per cent on NGR in respect of all lotteries conducted by SA Lotteries except sports lotteries, special lotteries and special appeal lotteries;
- (ii) an income tax equivalent payment (calculated on the accounting profits method), recorded as an expense item in the Statement of Comprehensive Income;

(iii) a dividend, represented by net profit after income tax equivalent payment and increased/decreased by funds retained for certain designated purposes; and

(iv) unclaimed prizes.

The composition of all amounts due and payable to Government on account of the Hospitals Fund and Recreation and Sport Fund is detailed in note 23.

#### **(l) Special Appeal Lotteries**

Section 13AB of the *State Lotteries Act 1966* enables SA Lotteries to conduct Special Appeal Lotteries.

No Special Appeal Lotteries were conducted during the financial year.

#### **(m) Operating Leases**

SA Lotteries has an accommodation lease agreement for its Head Office premises at 24-25 Greenhill Road, Wayville and an operating lease for the remote computer site at Glenside (Kidman Park remote site lease expired 28 October 2010). In respect of these operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased assets.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight line basis over the lease term. The straight line basis is representative of the pattern of benefits derived from the leased assets.

#### **(n) Superannuation**

SA Lotteries has an established superannuation plan for its employees, the Lotteries Commission of South Australia Superannuation Plan (the Plan), a sub-plan of the Mercer Super Trust. The Plan provides lump sum benefits on retirement, death, disablement and withdrawal. Some categories of members receive only defined contribution, accumulation style benefits. The defined benefit section of the Plan is closed to new members. All new members receive accumulation only benefits. The defined contribution (accumulation style) section receives fixed contributions from SA Lotteries and SA Lotteries' obligation is limited to these contributions. The withdrawal benefit for defined benefit members may be taken immediately or deferred until preservation age.

The liability for the defined benefit section of the Plan has been determined via an actuarial valuation by Stuart Mules, FIAA (Mercer Investment Nominees Limited) using the projected unit credit method. The report was dated 9 July 2012.

Actuarial gains and losses are recognised in full, directly in profit and loss in the period in which they occur, and are presented in the Statement of Comprehensive Income.

The superannuation expense of the defined benefit section of the Plan is recognised as and when the contributions become payable and consist of current service cost, interest cost, actuarial gains and losses, and past service cost.

The defined benefit superannuation plan asset/liability recognised in the Statement of Financial Position represents the surplus/deficit of the fair value of the defined benefit superannuation plan assets over the present value of the defined benefit obligation to members. The expected payment to settle the obligation has been determined using national government bond market yields with terms and conditions that match, as closely as possible, to estimated cash outflows.

SA Lotteries also contributes to other externally managed superannuation plans. These contributions are expensed when they fall due and SA Lotteries' obligation is limited to these contributions.

#### **(o) Funds Retained for Capital Purposes**

SA Lotteries has retained funds which represent the historical cost of the investment in land and buildings at 24-26 Payneham Road, Stepney.

#### **(p) Asset Revaluation Surplus**

This surplus is used to record increments and decrements in relation to the fair value of land and buildings and the online lotteries system. Relevant amounts are transferred to retained earnings when an asset is disposed of or derecognised.

#### **(q) Reserves**

##### *Building Maintenance Reserve*

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

##### *Capital Asset Reserve*

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



*Keno Prize Reserve*

This reserve was established to meet Keno Spot 10 prizes. The reserve has been funded from retained earnings as a proportion of all Keno Spot 10 gross sales through SA Lotteries' agents and ACTTAB Limited. To the extent possible, the value of the Keno Spot 10 prize won is transferred from the reserve to retained earnings and paid to the Hospitals Fund.

**(r) Unrecognised Contractual Commitments**

Commitments include those from capital and operating commitments arising from contractual sources and are disclosed at their nominal value.

**(s) Insurance**

SA Lotteries has arranged, through the SAICORP Division of the South Australian Government Financing Authority, to insure all major risks of the organisation. The excess payable under this arrangement varies depending on each class of insurance held.

**(t) Events after the reporting period**

Where an event occurs after 30 June and before the date the financial statements are authorised for issue, and those events provide information about conditions that existed at 30 June, adjustments are made to amounts recognised in the financial statements. Note disclosure is made where there is a material impact on the results of subsequent years.

**(u) Private Operator of SA Lotteries' brands and products**

On 9 June 2011 the South Australian Government announced that it proposed to allocate the right to operate SA Lotteries' brands and products to a private sector operator. The details, including the term and when the arrangement will take effect are still being determined. As of the reporting date, SA Lotteries is unable to make an assessment of the impact on the reported values of assets and liabilities contained within this financial report. All assets and obligations are reported in accordance with the information disclosed in notes 2 (j) and (k), note 21 and note 22.

**3. NEW AND REVISED ACCOUNTING STANDARDS AND POLICIES**

SA Lotteries did not voluntarily change any of its accounting policies in 2011-12.

Australian Accounting Standards and interpretations that have recently been issued or amended, but are not yet effective, have not been adopted for the reporting period ended 30 June 2012. SA Lotteries has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of SA Lotteries.

**4. RELATED PARTY**

SA Lotteries is controlled by the SA Government. Transactions and balances between SA Lotteries and related parties (ie other SA Government controlled entities) are disclosed in Note 27.

**5. SALES REVENUE**

|                              | <b>2012</b>    | 2011           |
|------------------------------|----------------|----------------|
|                              | <b>\$'000</b>  | <b>\$'000</b>  |
| Saturday X Lotto             | 153 216        | 137 897        |
| Monday and Wednesday X Lotto | 37 422         | 34 684         |
| Oz Lotto                     | 46 695         | 36 871         |
| Powerball                    | 44 347         | 42 740         |
| Keno                         | 99 407         | 95 866         |
| Instant Scratchies           | 40 737         | 39 113         |
| Super 66                     | 1 114          | 1 138          |
| The Pools                    | 694            | 631            |
| <b>TOTAL SALES REVENUE</b>   | <b>423 632</b> | <b>388 940</b> |

Sales revenue includes agents' commission.

## 6. COST OF SALES

|   | <b>2012</b>    | 2011           |
|---|----------------|----------------|
|   | <b>\$'000</b>  | <b>\$'000</b>  |
| Prizes                                      | 257 379        | 235 412        |
| Gambling tax on net gambling revenue        | 68 164         | 62 946         |
| Agents' commission                          | 31 538         | 29 010         |
| GST on net gambling revenue paid to the ATO | 15 114         | 13 957         |
| <b>TOTAL COST OF SALES</b>                  | <b>372 195</b> | <b>341 325</b> |

## 7. OTHER REVENUES

|                             | <b>2012</b>   | 2011          |
|-----------------------------|---------------|---------------|
|                             | <b>\$'000</b> | <b>\$'000</b> |
| Agents' fees and charges    | 3 922         | 3 649         |
| Easiplay Club service fees  | 590           | 442           |
| Sundry                      | 598           | 585           |
| <b>TOTAL OTHER REVENUES</b> | <b>5 110</b>  | <b>4 676</b>  |

## 8. EMPLOYEE BENEFITS EXPENSES

|   | <b>2012</b>   | 2011          |
|---|---------------|---------------|
|   | <b>\$'000</b> | <b>\$'000</b> |
| Salaries (including annual leave)   | 6 375         | 5 997         |
| Long service leave  | 468           | 137           |
| Employment on-costs - superannuation contributions (note 26(j))                                     | 916           | 641           |
| Increase / Decrease in carrying value of defined benefit superannuation plan liability (note 26(e)) | 1 181         | (7)           |
| Employment on-costs - other   | 486           | 426           |
| Commission Members' fees  | 126           | 121           |
| <b>TOTAL EMPLOYEE BENEFITS EXPENSES</b>   | <b>9 552</b>  | <b>7 315</b>  |

### Remuneration of employees

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits, fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received or receivable by these employees for the year was \$1.093 million (\$0.822 million).

|   | 2012     | 2011     |
|---|----------|----------|
|   | No.      | No.      |
| The number of employees whose remuneration received or receivable falls within the following bands: |          |          |
| \$144 000 to \$153 999  | -        | 1        |
| \$154 000 to \$163 999  | 1        | -        |
| \$164 000 to \$173 999  | 1        | 1        |
| \$174 000 to \$183 999  | -        | 1        |
| \$184 000 to \$193 999  | 1        | -        |
| \$234 000 to \$243 999  | 1        | -        |
| \$314 000 to \$323 999  | -        | 1        |
| \$334 000 to \$343 999  | 1        | -        |
| <b>TOTAL NUMBER OF EMPLOYEES</b>  | <b>5</b> | <b>4</b> |

### Key Management Personnel Compensation

The key management personnel are the Commission Members and the Senior Management Team (including the Chief Executive) who have responsibility for the strategic direction and management of SA Lotteries.

#### Commission Members

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

- › H J Ohff, PhD, BA (Hons), FIEAust, CPEng (Presiding Member)
- › S J Mackenzie, B Comm (Accounting), LLB (Hons)
- › W R Jackson, BEc, FASA
- › A E Lindsay, BA (Hons), LLB (Hons)
- › A E Heyworth, BA (Acc), MBA (AGSM), SF Fin, FAICD \*\*

### Commission Members' remuneration

The total remuneration received and receivable by Commission Members includes fees, superannuation contributions, fringe benefits tax and professional indemnity insurance paid on behalf of Commission Members.

|  | <b>2012</b> | 2011     |
|--|-------------|----------|
|  | No.         | No.      |
| The number of Commission Members whose remuneration received or receivable falls within the following bands: |             |          |
| \$0 to \$9 999   | 1           | 1        |
| \$20 000 to \$29 999   | 1           | -        |
| \$30 000 to \$39 999   | 2           | 3        |
| \$40 000 to \$49 999   | 1           | 1        |
| <b>Total number of Commission Members</b>  | <b>5</b>    | <b>5</b> |
|  | <b>2012</b> | 2011     |
|  | \$'000      | \$'000   |
| The total remuneration received or receivable by Commission Members  | 152         | 148      |

\*\* In accordance with DPC Circular 16, government employees did not receive any remuneration for Commission duties during the financial year.

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

### Senior Management Team

The Senior Management Team comprised the following persons for the full financial year:

- › J R Roache BAcc, GradCertMgt (Monash) FAICD, FCPA, FAIM, CPMgr - Chief Executive
- › C I McSporran BEc - Chief Financial Officer
- › C M Mulvihill BComm, CPA, MBA - General Manager - Marketing and Sales
- › J F Favretto BA - General Manager - Information and Communication Technology
- › D G Hardy LLB, BA GDLP - General Manager - Legal and Risk Management/Company Secretary

|  | <b>2012</b>  | 2011         |
|--|--------------|--------------|
|  | \$'000       | \$'000       |
| The compensation of key management personnel included in Employee Benefits Expenses is as follows: |              |              |
| Short-term employee benefits   | 1 046        | 865          |
| Post-employment benefits *   | 202          | 181          |
| Long-term employee benefits  | 19           | 18           |
| <b>TOTAL KEY MANAGEMENT PERSONNEL COMPENSATION</b>   | <b>1 267</b> | <b>1 064</b> |

\* Post-employment benefits include an allocation of the change in the defined benefit superannuation plan liability to key management personnel based on the share of the defined benefit obligation.

### Targeted Voluntary Separation Packages (TVSPs)

No employees were paid TVSPs during the reporting period.

## 9. SUPPLIES AND SERVICES

|  | 2012          | 2011          |
|--|---------------|---------------|
|  | No.           | No.           |
| Marketing and promotions                     | 6 837         | 6 471         |
| Computer operations                          | 3 043         | 2 998         |
| Tickets, coupons, terminal rolls and ribbons | 1 883         | 1 787         |
| Operating leases                             | 662           | 933           |
| Other occupancy costs                        | 584           | 635           |
| Distribution and freight to Agents           | 261           | 242           |
| Motor vehicle fleet costs                    | 216           | 224           |
| Internal audit fees                          | 166           | 171           |
| External audit fees                          | 150           | 151           |
| Training costs                               | 109           | 141           |
| Insurance                                    | 57            | 72            |
| Temporary staff and contractors              | 67            | 212           |
| Gambling tax - other                         | 23            | 72            |
| Consultancies                                | 5             | 19            |
| Other  | 1 364         | 1 518         |
| <b>TOTAL SUPPLIES AND SERVICES</b>           | <b>15 427</b> | <b>15 646</b> |

|  | 2012     | 2011     | 2012     | 2011      |
|--|----------|----------|----------|-----------|
|  | No.      | No.      | \$'000   | \$'000    |
| <b>CONSULTANCIES</b>   |          |          |          |           |
| The number and dollar amount of consultancies paid/payable (included in Supplies and Services) that fell within the following bands: |          |          |          |           |
| Below \$10 000   | 2        | 2        | 5        | 5         |
| \$10 000 to \$50 000   | -        | 1        | -        | 14        |
| Above \$50 000   | -        | -        | -        | -         |
| <b>TOTAL PAID/PAYABLE TO CONSULTANTS ENGAGED</b>   | <b>2</b> | <b>3</b> | <b>5</b> | <b>19</b> |

## 10. DEPRECIATION AND AMORTISATION EXPENSE

|  | 2012         | 2011         |
|--|--------------|--------------|
|  | \$'000       | \$'000       |
| <b>DEPRECIATION</b>                        |              |              |
| Buildings                                  | 45           | 38           |
| Plant and equipment                        | 215          | 174          |
| Online lotteries system                    | 1 869        | 1 855        |
| <b>TOTAL DEPRECIATION</b>                  | <b>2 129</b> | <b>2 067</b> |
| <b>AMORTISATION</b>                        |              |              |
| Leasehold improvements                     | 257          | 245          |
| Intangible assets - Software               | -            | 3            |
| <b>TOTAL AMORTISATION</b>                  | <b>257</b>   | <b>248</b>   |
| <b>TOTAL DEPRECIATION AND AMORTISATION</b> | <b>2 386</b> | <b>2 315</b> |

## 11. NET GAIN (LOSS) FROM DISPOSAL OF NON-CURRENT ASSETS

|  | 2012       | 2011        |
|--|------------|-------------|
|  | \$'000     | \$'000      |
| Proceeds from disposal                                     | 21         | 1           |
| Less: Net book value of assets disposed                    | 25         | 19          |
| <b>NET GAIN (LOSS) FROM DISPOSAL OF NON-CURRENT ASSETS</b> | <b>(4)</b> | <b>(18)</b> |

Assets are derecognised on disposal or when no future economic benefits are expected from the asset's use or disposal.

## 12. AUDITOR'S REMUNERATION

|   | 2012       | 2011       |
|---|------------|------------|
|   | \$'000     | \$'000     |
| <b>AUDIT SERVICES</b>   |            |            |
| Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements | 150        | 151        |
| <b>TOTAL AUDIT FEES</b>   | <b>150</b> | <b>151</b> |

The Auditor-General is the auditor of SA Lotteries.

### OTHER SERVICES

No other services were provided by the Auditor-General.

## 13. CASH AND CASH EQUIVALENTS

|  | 2012          | 2011          |
|--|---------------|---------------|
|  | \$'000        | \$'000        |
| Bank balances and cash on hand         | 8 980         | 10 546        |
| Short-term deposits                    | 44 500        | 42 000        |
| <b>TOTAL CASH AND CASH EQUIVALENTS</b> | <b>53 480</b> | <b>52 546</b> |

Bank balances comprise unpresented cheques net of outstanding deposits and cash on hand.

Short-term deposits are with the South Australian Government Financing Authority.

### Interest Rate Risk

Cash on hand is non-interest bearing. Bank balances and short-term deposits earn a floating interest rate based on daily bank deposit rates. The weighted average interest rate earned was 4.61 per cent (2011: 4.93 per cent).

### Net Fair Values

The carrying amount of cash and cash equivalents represents fair value.



## 14. RECEIVABLES

|   | <b>2012</b>   | 2011         |
|---|---------------|--------------|
|   | \$'000        | \$'000       |
| <b>CURRENT</b>                          |               |              |
| Agent debtors                           | 3 756         | 1 489        |
| Prize settlements receivable from Blocs | 17 433        | 611          |
| Sundry receivables                      | 446           | 339          |
| Prepayments                             | 214           | 344          |
| <b>TOTAL CURRENT RECEIVABLES</b>        | <b>21 849</b> | <b>2 783</b> |
| <b>NON-CURRENT</b>                      |               |              |
| Prepayments                             | 136           | 133          |
| <b>TOTAL NON-CURRENT RECEIVABLES</b>    | <b>136</b>    | <b>133</b>   |
| <b>TOTAL RECEIVABLES</b>                | <b>21 985</b> | <b>2 916</b> |

### *Ageing Analysis of Receivables*

|                    | <b>OVERDUE FOR</b>  |                     |                     | <b>TOTAL</b> |
|--------------------|---------------------|---------------------|---------------------|--------------|
|                    | <b>&lt; 30 DAYS</b> | <b>30 - 60 DAYS</b> | <b>&gt; 60 DAYS</b> |              |
| Sundry receivables | 433                 | 10                  | 3                   | 446          |

### *Interest Rate Risk*

All receivables are non-interest bearing.

### *Credit Risk*

Credit risk represents the loss that would be recognised if parties owing monies to SA Lotteries at the reporting date fail to honour their obligations. SA Lotteries minimises its credit risk in relation to agents by undertaking its sales transactions with a large number of agents and, in accordance with policy, requiring those agents to remit outstandings on a twice weekly basis. It is not anticipated that counterparties will fail to discharge their obligations. In addition, there is no concentration of credit risk.

### *Net Fair Values*

The carrying amount of receivables approximates net fair value due to being receivable on demand.

## 15. PROPERTY, PLANT AND EQUIPMENT

|   | 2012          | 2011          |
|---|---------------|---------------|
|   | \$'000        | \$'000        |
| <b>LAND AND BUILDINGS</b>                           |               |               |
| Land at fair value                                  | 920           | 920           |
| Buildings at fair value                             | 580           | 580           |
| Accumulated depreciation                            | (45)          | -             |
| <b>TOTAL LAND AND BUILDINGS</b>                     | <b>1 455</b>  | <b>1 500</b>  |
| <b>PLANT AND EQUIPMENT</b>                          |               |               |
| Plant and equipment at cost (deemed fair value)     | 2 160         | 2 101         |
| Accumulated depreciation                            | (1 786)       | (1 596)       |
| <b>TOTAL PLANT AND EQUIPMENT</b>                    | <b>374</b>    | <b>505</b>    |
| <b>ONLINE LOTTERIES SYSTEM</b>                      |               |               |
| Online lotteries system at cost (deemed fair value) | 13 214        | 13 000        |
| Accumulated depreciation                            | (4 032)       | (2 164)       |
| <b>TOTAL ONLINE LOTTERIES SYSTEM</b>                | <b>9 182</b>  | <b>10 836</b> |
| <b>WORK-IN-PROGRESS</b>                             |               |               |
| Leasehold improvements at cost (deemed fair value)  | -             | 1             |
| Online lotteries system at cost (deemed fair value) | 93            | 38            |
| <b>TOTAL WORK-IN-PROGRESS</b>                       | <b>93</b>     | <b>39</b>     |
| Leasehold improvements at cost (deemed fair value)  | 2 475         | 2 531         |
| Accumulated amortisation                            | (1 738)       | (1 523)       |
| <b>TOTAL LEASEHOLD IMPROVEMENTS</b>                 | <b>737</b>    | <b>1 008</b>  |
| <b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>          | <b>11 841</b> | <b>13 888</b> |

### Reconciliation of Property, Plant and Equipment

The following table shows the movement of Property, Plant and Equipment during 2011-12 and 2010-11.

|   | LAND   | BUILDINGS | PLANT & EQUIPMENT | ONLINE LOTTERIES SYSTEM | WORK-IN-PROGRESS | LEASEHOLD IMPROVEMENTS | TOTAL   |
|---|--------|-----------|-------------------|-------------------------|------------------|------------------------|---------|
|   | \$'000 | \$'000    | \$'000            | \$'000                  | \$'000           | \$'000                 | \$'000  |
| <b>CARRYING AMOUNT AT 1 JULY 2011</b>     | 920    | 580       | 505               | 10 836                  | 39               | 1 008                  | 13 888  |
| Additions                                 | -      | -         | 89                | 179                     | 93               | 3                      | 364     |
| Assets derecognised (including disposals) | -      | -         | (5)               | (2)                     | -                | (18)                   | (25)    |
| Transfers                                 | -      | -         | -                 | 38                      | (39)             | 1                      | -       |
| Revaluation increment                     | -      | -         | -                 | -                       | -                | -                      | -       |
| Depreciation and amortisation             | -      | (45)      | (215)             | (1 869)                 | -                | (257)                  | (2 386) |
| <b>CARRYING AMOUNT AT 30 JUNE 2012</b>    | 920    | 535       | 374               | 9 182                   | 93               | 737                    | 11 841  |
| <b>CARRYING AMOUNT AT 1 JULY 2010</b>     | 700    | 536       | 450               | 12 671                  | -                | 1 195                  | 15 552  |
| Additions                                 | -      | -         | 246               | 20                      | 39               | 60                     | 365     |
| Assets derecognised (including disposals) | -      | -         | (17)              | -                       | -                | (2)                    | (19)    |
| Revaluation increment                     | 220    | 82        | -                 | -                       | -                | -                      | 302     |
| Depreciation and amortisation             | -      | (38)      | (174)             | (1 855)                 | -                | (245)                  | (2 312) |
| <b>CARRYING AMOUNT AT 30 JUNE 2011</b>    | 920    | 580       | 505               | 10 836                  | 39               | 1 008                  | 13 888  |

Land and Buildings assets comprise entirely of the Stepney warehouse.

### Valuation of property, plant and equipment

The valuation of the warehouse property at 24-26 Payneham Road, Stepney was performed by Simon Hickin AAPI, Certified Practising Valuer, an independent valuer from Jones Lang LaSalle, as at 30 June 2011. The valuer arrived at fair value based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use and was determined on an in-use value, assuming a fully tenanted (subject to a notional five plus five year lease back) basis. The property was sold on 2 July 2012 (refer Note 28).

|   | 2012   | 2011   |
|---|--------|--------|
|   | \$'000 | \$'000 |
| The carrying amount of property, plant and equipment that would have been recognised if these assets were stated at cost is:      |        |        |
| Land and buildings  | 324    | 335    |
| Plant and equipment   | 374    | 505    |
| Online lotteries system   | 9 182  | 10 780 |
| Work-in-Progress  | 93     | 39     |
| Leasehold improvements  | 737    | 1 008  |
| <b>TOTAL CARRYING AMOUNT OF PROPERTY, PLANT AND EQUIPMENT THAT WOULD HAVE BEEN RECOGNISED IF THESE ASSETS WERE STATED AT COST</b> | 10 710 | 12 667 |

### Impairment

There were no indications of impairment of property, plant and equipment assets at 30 June 2012.

## 16. INTANGIBLE ASSETS

|                                | 2012   | 2011   |
|--------------------------------|--------|--------|
|                                | \$'000 | \$'000 |
| <b>SOFTWARE</b>                |        |        |
| Software at cost               | 182    | 182    |
| Accumulated amortisation       | (182)  | (182)  |
| <b>TOTAL INTANGIBLE ASSETS</b> | -      | -      |

### Reconciliation of Intangible Assets

The following table shows the movement of Intangible Assets during 2011-12 and 2010-11.

|                                   |   |     |
|-----------------------------------|---|-----|
| <b>CARRYING AMOUNT AT 1 JULY</b>  | - | 3   |
| Additions                         | - | -   |
| Amortisation                      | - | (3) |
| <b>CARRYING AMOUNT AT 30 JUNE</b> | - | -   |

### Impairment

There were no indications of impairment of intangible assets at 30 June 2012.

## 17. PAYABLES

|                                   | 2012   | 2011   |
|-----------------------------------|--------|--------|
|                                   | \$'000 | \$'000 |
| <b>CURRENT</b>                    |        |        |
| Creditors and accrued expenses    | 1 738  | 2 539  |
| Prizes payable                    | 31 537 | 13 427 |
| GST payable                       | 986    | 790    |
| Undistributed funds (note 23)     | 7 225  | 8 090  |
| Employment on-costs               | 106    | 102    |
| <b>TOTAL CURRENT PAYABLES</b>     | 41 592 | 24 948 |
| <b>NON-CURRENT</b>                |        |        |
| Prizes payable                    | 1 575  | 1 356  |
| Employment on-costs               | 136    | 92     |
| <b>TOTAL NON-CURRENT PAYABLES</b> | 1 711  | 1 448  |
| <b>TOTAL PAYABLES</b>             | 43 303 | 26 396 |

Based on an actuarial assessment performed by the Department of Treasury and Finance, the percentage of long service leave expected to be taken as leave is 40 per cent (35 per cent in 2011). This rate is used in the calculation of employment on-costs. The net financial effect of the change on employment on-costs in the current financial year is an increase of \$19 000.

#### Interest Rate Risk

All payables are non-interest bearing.

#### Net Fair Values

The carrying amount of payables represents fair value due to the amounts being payable on demand.



## 18. EMPLOYEE BENEFITS

|   | <b>2012</b>  | 2011         |
|---|--------------|--------------|
|   | \$'000       | \$'000       |
| <b>CURRENT</b>  |              |              |
| Annual Leave  | 541          | 542          |
| Long Service Leave  | 175          | 124          |
| <b>TOTAL CURRENT EMPLOYEE BENEFITS</b>  | <b>716</b>   | <b>666</b>   |
| <b>NON-CURRENT</b>  |              |              |
| Long Service Leave  | 1 300        | 920          |
| Defined benefit superannuation plan liability (note 26(d))  | 1 602        | 421          |
| <b>TOTAL NON-CURRENT EMPLOYEE BENEFITS</b>  | <b>2 902</b> | <b>1 341</b> |
| <b>TOTAL EMPLOYEE BENEFITS</b>  | <b>3 618</b> | <b>2 007</b> |
| The total current and non-current employee liability (ie aggregate employee benefit (note 18) plus related employment on-costs (note 17)) is: | 3 860        | 2 201        |

Based on an actuarial assessment by the Department of Treasury and Finance the benchmark for measurement of the long service leave liability has changed from the 2011 benchmark of 5 years to zero years plus a premium of 10 per cent in 2012, resulting in an increase in long service leave liability. The actuarial assessment takes into account such factors as changes in discount rates (decreased from 5.25 per cent in 2011 to 3.0 per cent in 2012) and salary inflation. The net financial effect of the change in the current financial year is an increase in employee benefits plus related employment on-costs liability and employee benefits expenses of \$271 000.

## 19. OTHER LIABILITIES

|   | <b>2012</b>   | 2011          |
|---|---------------|---------------|
|   | \$'000        | \$'000        |
| <b>CURRENT</b>  |               |               |
| Prize reserve fund (a)                                | 8 659         | 8 349         |
| Monday/Wednesday X Lotto Division 1 Prize Reserve (b) | 1 194         | -             |
| Unearned revenue - sales in advance                   | 1 282         | 2 048         |
| <b>TOTAL CURRENT OTHER LIABILITIES</b>                | <b>11 135</b> | <b>10 397</b> |
| <b>NON-CURRENT</b>                                    |               |               |
| Unclaimed prizes reserve (c)                          | 6 603         | 6 939         |
| <b>TOTAL NON-CURRENT OTHER LIABILITIES</b>            | <b>6 603</b>  | <b>6 939</b>  |
| <b>TOTAL OTHER LIABILITIES</b>                        | <b>17 738</b> | <b>17 336</b> |
| <b>(a) PRIZE RESERVE FUND</b>                         |               |               |
| Balance at 1 July                                     | 8 349         | 7 434         |
| Allocated to prize reserve fund                       | 14 681        | 10 675        |
| Applied to additional or increased prizes             | (14 371)      | (9 760)       |
| <b>BALANCE AT 30 JUNE</b>                             | <b>8 659</b>  | <b>8 349</b>  |

SA Lotteries sets aside a proportion of the total amount of net sales (gross sales revenue less agents' commission) for Saturday X Lotto, Monday and Wednesday X Lotto, Oz Lotto, Powerball, Super 66 and The Pools in the prize reserve fund in accordance with the Rules of each game. These funds are available for distribution at any time as additional or increased prizes in subsequent lottery draws in the respective games or as prizes in respect of missed prize entries for previous lottery draws.

|  | <b>2012</b>   | 2011          |
|--|---------------|---------------|
|  | <b>\$'000</b> | <b>\$'000</b> |
| <b>(b) MONDAY AND WEDNESDAY X LOTTO DIVISION 1 PRIZE RESERVE</b> |               |               |
| Balance at 1 July  | -             | -             |
| Allocated to prize reserve                                       | 3 874         | -             |
| Applied to prizes  | (2 680)       | -             |
| Balance at 30 June   | 1 194         | -             |

SA Lotteries sets aside a proportion of the total amount of net sales (gross sales revenue less agents' commission) in the Monday and Wednesday X Lotto Division 1 Prize Reserve in accordance with the game's rules, to fund Division 1 prizes.

|  |         |         |
|--|---------|---------|
| <b>(c) UNCLAIMED PRIZES RESERVE</b>  |         |         |
| Balance at 1 July  | 6 939   | 8 586   |
| Unclaimed monies forfeited   | 3 870   | 4 102   |
| Balance before distributions   | 10 809  | 12 688  |
| Monies provided for distribution to the Hospitals Fund   | (1 828) | (2 040) |
| Monies provided for distribution to the Recreation and Sport Fund  | (1)     | (1)     |
| Applied to additional or increased prizes in subsequent lottery draws, prizes in promotional lotteries or ex gratia payments | (2 377) | (3 708) |
| Balance at 30 June   | 6 603   | 6 939   |

## 20. CAPITAL ASSET RESERVE

|   | <b>2012</b>   | 2011          |
|---|---------------|---------------|
|   | <b>\$'000</b> | <b>\$'000</b> |
| Capital asset reserve comprises:              |               |               |
| › Capital fund account                        | 6 032         | 4 396         |
| › Capital fund assets (at written down value) | 11 185        | 13 161        |
|   | 17 217        | 17 557        |
| <b>CAPITAL FUND ACCOUNT</b>                   |               |               |
| Balance at 1 July                             | 4 396         | 2 761         |
| Transfer from retained earnings               | 2 000         | 2 000         |
| Assets financed                               | (364)         | (365)         |
| Balance at 30 June                            | 6 032         | 4 396         |
| <b>CAPITAL FUND ASSETS</b>                    |               |               |
| Written down value at 1 July                  | 13 161        | 15 073        |
| Assets financed                               | 364           | 365           |
| Depreciation                                  | (2 315)       | (2 258)       |
| Written down value of assets disposed of      | (25)          | (19)          |
| Written down value at 30 June                 | 11 185        | 13 161        |

## 21. UNRECOGNISED CONTRACTUAL COMMITMENTS

|  | 2012         | 2011         |
|--|--------------|--------------|
|  | \$'000       | \$'000       |
| <b>CAPITAL COMMITMENTS</b>   |              |              |
| Capital expenditure contracted for at the reporting date but not recognised as liabilities are payable as follows:                         |              |              |
| Within one year  | 167          | -            |
| Later than one year but not longer than five years   | -            | -            |
| <b>TOTAL CAPITAL COMMITMENTS</b>   | <b>167</b>   | <b>-</b>     |
| <b>OPERATING LEASE COMMITMENTS</b>   |              |              |
| Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows: |              |              |
| Within one year  | 879          | 793          |
| Later than one year but not longer than five years   | 776          | 1 528        |
| Later than five years  | -            | -            |
| <b>TOTAL OPERATING LEASE COMMITMENTS</b>   | <b>1 655</b> | <b>2 321</b> |
| <i>Representing:</i>   |              |              |
| Non-cancellable operating leases   | 1 655        | 2 321        |

The 10-year accommodation operating lease at 24-25 Greenhill Road (head office) is non-cancellable with rent payable monthly in advance. Rental provisions within the lease agreement require future lease payments to be increased by 3 per cent per annum. The lease term expires 3 May 2014.

A memorandum of administrative arrangement with the Department of Planning, Transport and Infrastructure for the remote computer site at Glenside is non-cancellable with rent payable monthly in advance. Rent payable is fixed for the term of the lease agreement. The 5 year term expires 30 June 2014.

SA Lotteries entered into a 12 month lease with no extension options, commencing 2 July 2012 for the warehouse at 24-26 Payneham Road Stepney. Rent is payable monthly in advance (refer Note 28).

|  | 2012         | 2011         |
|--|--------------|--------------|
|  | \$'000       | \$'000       |
| <b>OTHER COMMITMENTS</b>   |              |              |
| Other expenditure contracted for at the reporting date but not recognised as liabilities are payable as follows: |              |              |
| Within one year  | 2 900        | 2 323        |
| Later than one year but not longer than five years   | 3 294        | 4 980        |
| Later than five years  | -            | 517          |
| <b>TOTAL OTHER COMMITMENTS</b>   | <b>6 194</b> | <b>7 820</b> |

SA Lotteries' other commitments are for existing agreements relating to online lotteries system software, hardware, communications and associated services and other fixed services.

## 22. CONTINGENT ASSETS AND LIABILITIES

SA Lotteries is not aware of any contingent assets.

Certain employees have entered into retention arrangements to remain with SA Lotteries through to the commencement of operations by a private operator. Any retention payment is contingent on the employee remaining with SA Lotteries until that date.

The previously disclosed claim for damages received by SA Lotteries on 15 July 2008 has been discontinued by the claimant. SA Lotteries has made no guarantees.

## 23. DISTRIBUTION OF FUNDS TO SA GOVERNMENT

|                              | BALANCE      | DISTRIBUTION   |                  | BALANCE      |
|------------------------------|--------------|----------------|------------------|--------------|
|                              | 1 JULY       | PROVIDED       | (PAID)           | 30 JUNE      |
|                              | \$'000       | \$'000         | \$'000           | \$'000       |
| Gambling tax (notes 6 and 9) | 5 700        | 68 187         | (68 141)         | 5 746        |
| Income tax equivalent        | 713          | 9 491          | (9 788)          | 416          |
| Dividend                     | 1 563        | 23 175         | (24 019)         | 719          |
| Unclaimed prizes             | 114          | 1 829          | (1 599)          | 344          |
| <b>TOTALS 2011-12</b>        | <b>8 090</b> | <b>102 682</b> | <b>(103 547)</b> | <b>7 225</b> |
| <b>TOTALS 2010-11</b>        | <b>8 253</b> | <b>94 196</b>  | <b>(94 359)</b>  | <b>8 090</b> |

*Comprising:*

### DISTRIBUTION TO HOSPITALS FUND

|                       |              |                |                  |              |
|-----------------------|--------------|----------------|------------------|--------------|
| Gambling tax          | 5 677        | 68 035         | (68 007)         | 5 705        |
| Income tax equivalent | 713          | 9 491          | (9 788)          | 416          |
| Dividend              | 1 464        | 23 071         | (23 928)         | 607          |
| Unclaimed prizes      | 114          | 1 828          | (1 598)          | 344          |
| <b>TOTALS</b>         | <b>7 968</b> | <b>102 425</b> | <b>(103 321)</b> | <b>7 072</b> |

### DISTRIBUTION TO RECREATION AND SPORT FUND

|                  |            |            |              |            |
|------------------|------------|------------|--------------|------------|
| Gambling tax     | 23         | 152        | (134)        | 41         |
| Dividend         | 99         | 104        | (91)         | 112        |
| Unclaimed prizes | -          | 1          | (1)          | -          |
| <b>TOTALS</b>    | <b>122</b> | <b>257</b> | <b>(226)</b> | <b>153</b> |



## 24. CASH FLOW RECONCILIATION

|   | 2012     | 2011     |
|---|----------|----------|
|   | \$'000   | \$'000   |
| <b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>  |          |          |
| Statement of Financial Position   | 53 480   | 52 546   |
| Statement of Cash Flows   | 53 480   | 52 546   |
| <b>RECONCILIATION OF NET PROFIT AFTER INCOME TAX EQUIVALENT TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b> |          |          |
| <b>PROFIT AFTER INCOME TAX EQUIVALENT</b>   | 22 147   | 20 623   |
| Less: Dividend contribution provided  | (23 175) | (20 298) |
| Less: Unclaimed prizes distribution provided  | (1 829)  | (2 041)  |
| <b>ADD (LESS): NON-CASH ITEMS</b>   |          |          |
| Depreciation and amortisation expense   | 2 386    | 2 315    |
| Net (gain) loss on disposal of non-current assets   | 4        | 18       |
| Increase (Decrease) in carrying value of defined benefit superannuation plan net liability                              | 1 181    | (7)      |
| <b>CHANGES IN ASSETS / LIABILITIES</b>  |          |          |
| (Increase)Decrease in Receivables   | (18 899) | 16 837   |
| Decrease in Inventories   | 64       | 63       |
| Increase(Decrease) in Payables (including Undistributed funds)  | 16 737   | (15 125) |
| Increase(Decrease) in Employee benefits   | 430      | (218)    |
| Increase in Other liabilities   | 2 231    | 1 893    |
| <b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>  | 1 277    | 4 060    |
| <b>FINANCING FACILITY</b>   |          |          |
| SA Lotteries has the following arrangement with SAFA:   |          |          |
| Working capital facility  | 8 000    | 8 000    |
| Amount used   | -        | -        |
| Unused working capital facility   | 8 000    | 8 000    |

The working capital facility was established on 22 June 2010 as a general operations contingency measure only.

## 25. FINANCIAL RISK MANAGEMENT

SA Lotteries is exposed to a variety of financial risks, including market risk, credit risk and liquidity risk.

Risk management is carried out by all areas of the organisation and risk management policies and practices are in accordance with the Australian Risk Management Standards and a corporate policy approved by the Commission.

SA Lotteries has non-interest bearing assets (cash on hand, receivables and inventories) and liabilities (payables and other liabilities) and interest bearing assets (bank balances and short-term deposits). The maturity of financial assets and liabilities is disclosed separately in the relevant notes: current items mature in less than 12 months; non-current items mature between one and ten years.

SA Lotteries' exposure to cash flow interest risk is minimal. SA Lotteries is exposed to price risk for changes in interest rates that relate to investments at fair value.

SA Lotteries' exposure to credit risk is minimal. SA Lotteries has policies and procedures in place to ensure that transactions occur with agents with appropriate credit history. SA Lotteries has no significant concentration of credit risk.

Liquidity risk arises where an organisation is unable to meet its financial obligations as and when they fall due. SA Lotteries has consistent and stable cash flows from operations, which means its exposure to liquidity risk is minimal. SA Lotteries' exposure to liquidity risk is insignificant based on past experience and current expectations regarding risk.

## 26. SUPERANNUATION

|  | <b>2012</b>  | 2011         |
|--|--------------|--------------|
|  | \$'000       | \$'000       |
| <b>(a) EXPENSE (INCOME) RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME</b>                              |              |              |
| Amounts recognised as expense (income) in respect of the defined benefit superannuation plan are as follows: |              |              |
| Current service cost   | 292          | 300          |
| Interest cost  | 299          | 286          |
| Expected return on plan assets   | (400)        | (390)        |
| Actuarial loss (gain)  | 1 499        | 95           |
| <b>SUPERANNUATION EXPENSE (INCOME)</b>   | <b>1 690</b> | <b>291</b>   |
| The expense (income) is recognised in the following item in the Statement of Comprehensive Income:           |              |              |
| › Employee benefits expenses (note 26(e))  | 1 690        | 291          |
| <b>(b) RECONCILIATION OF THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION</b>                             |              |              |
| Present value of defined benefit obligation at beginning of financial year                                   | 6 641        | 6 588        |
| Current service cost   | 292          | 300          |
| Interest cost  | 299          | 286          |
| Contributions by plan participants   | 184          | 200          |
| Actuarial losses (gains)   | 1 087        | 153          |
| Benefits paid  | (388)        | (777)        |
| Taxes, premiums and expenses paid  | (134)        | (109)        |
| Transfers in   | -            | -            |
| <b>PRESENT VALUE OF DEFINED BENEFIT OBLIGATION AT END OF FINANCIAL YEAR</b>                                  | <b>7 981</b> | <b>6 641</b> |
| <b>(c) RECONCILIATION OF THE FAIR VALUE OF DEFINED BENEFIT PLAN ASSETS</b>                                   |              |              |
| Fair value of plan assets at beginning of financial year   | 6 220        | 6 160        |
| Expected return on plan assets   | 400          | 390          |
| Actuarial gains (losses)   | (412)        | 58           |
| Employer contributions   | 509          | 298          |
| Contributions by plan participants   | 184          | 200          |
| Benefits paid  | (388)        | (777)        |
| Taxes, premiums and expenses paid  | (134)        | (109)        |
| Transfers in   | -            | -            |
| <b>FAIR VALUE OF PLAN ASSETS AT END OF FINANCIAL YEAR</b>  | <b>6 379</b> | <b>6 220</b> |

The fair value of Plan assets includes no investments over which SA Lotteries retains ownership control relating to:

- › any of SA Lotteries' own financial instruments; or
- › any property occupied by, or other assets used by, SA Lotteries.

|  | 2012           | 2011         |
|--|----------------|--------------|
|  | \$'000         | \$'000       |
| <b>(d) RECONCILIATION OF THE ASSET (LIABILITY) RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION</b>   |                |              |
| Defined benefit obligation   | 7 981          | 6 641        |
| Fair value of plan assets  | 6 379          | 6 220        |
| Surplus (Deficit)  | (1 602)        | (421)        |
| <b>NET SUPERANNUATION ASSET (LIABILITY)</b>  | <b>(1 602)</b> | <b>(421)</b> |
| The amount included in the Statement of Financial Position arising from SA Lotteries' net superannuation asset/liability in respect of its defined benefit plan is shown in Note 18: Employee Benefits |                |              |
| (Non-current) - Defined benefit superannuation plan liability  | 1 602          | 421          |

|  |                |              |
|--|----------------|--------------|
| <b>(e) MOVEMENT IN ASSET (LIABILITY) RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION</b> |                |              |
| Net superannuation asset (liability) at beginning of financial year                        | (421)          | (428)        |
| Income (expense) recognised in Statement of Comprehensive Income                           | (1 690)        | (291)        |
| Employer contributions   | 509            | 298          |
| Net movement   | (1 181)        | 7            |
| <b>NET SUPERANNUATION ASSET (LIABILITY) AT END OF FINANCIAL YEAR</b>                       | <b>(1 602)</b> | <b>(421)</b> |

**(f) PLAN ASSETS**

The percentage invested in each asset class at the reporting date:

|                          | PERCENTAGE INVESTED * |             | PLAN ASSETS  |              |
|--------------------------|-----------------------|-------------|--------------|--------------|
|                          | 2012                  | 2011        | 2012         | 2011         |
|                          |                       |             | \$'000       | \$'000       |
| Australian equity        | 26%                   | 27%         | 1 659        | 1 679        |
| International equity     | 29%                   | 27%         | 1 818        | 1 679        |
| Fixed interest and bonds | 17%                   | 14%         | 1 084        | 871          |
| Property                 | 7%                    | 10%         | 447          | 622          |
| Alternative assets **    | 14%                   | 11%         | 893          | 684          |
| Cash                     | 7%                    | 11%         | 478          | 685          |
| <b>TOTAL PLAN ASSETS</b> | <b>100%</b>           | <b>100%</b> | <b>6 379</b> | <b>6 220</b> |

\* The asset allocation at 30 April 2012 has been used as an approximation of the allocation as at the reporting date.

\*\* Alternative assets generally comprise those investments which do not fit within the traditional broad asset classes (such as shares, property, fixed interest and cash).

**(g) EXPECTED RATE OF RETURN ON PLAN ASSETS**

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets in each class and allowing for the correlations of the investment returns between asset classes. The returns used for each asset class are net of investment tax, investment fees, and asset-based administration fees.

|  | EXPECTED RATE OF RETURN |              |
|--|-------------------------|--------------|
|  | 2012                    | 2011         |
| The expected rate of return for each asset class at the end of the financial year is as follows: |                         |              |
| Australian equity  | 7.4%                    | 7.5%         |
| International equity   | 6.9%                    | 6.7%         |
| Fixed interest and bonds   | 4.3%                    | 4.7%         |
| Property   | 6.7%                    | 6.1%         |
| Alternative assets   | 5.7%                    | 5.7%         |
| Cash   | 4.0%                    | 3.8%         |
| <b>WEIGHTED AVERAGE EXPECTED RETURN</b>  | <b>6.30%</b>            | <b>6.75%</b> |

**(h) ACTUAL RETURN ON PLAN ASSETS**

|                              | 2012   | 2011   |
|------------------------------|--------|--------|
|                              | \$'000 | \$'000 |
| Actual return on plan assets | (12)   | 448    |

**(i) PRINCIPAL ACTUARIAL ASSUMPTIONS**

The principal actuarial assumptions at the reporting date (expressed as weighted averages):

|   | 2012     | 2011                                     |
|---|----------|--|
| Discount rate (active members)                          | 2.60% pa | 4.60% pa                                 |
| Expected rate of return on plan assets (active members) | 6.30% pa | 6.75% pa                                 |
| Expected salary increase rate                           | 3.50%    | 2.50% for 1 year,<br>3.50% pa thereafter |

**(j) CONTRIBUTIONS**

|   | 2012   | 2011   |
|---|--------|--------|
|   | \$'000 | \$'000 |
| Contributions paid/payable by SA Lotteries to superannuation plans: |        |        |
| Defined benefit members   | 485    | 262    |
| Defined contribution (accumulation) members                         | 427    | 376    |
| Private funds   | 4      | 3      |
| Total contributions   | 916    | 641    |

**(k) EXPECTED EMPLOYER CONTRIBUTIONS**

|  | 2012 | 2011 |
|--|------|------|
| The estimated employer contributions expected to be paid to the plan during the year beginning after the reporting date: | 266  | 272  |

The estimated employer contributions are based on a contribution rate of 14.4 per cent of defined benefit members' salaries (see note 26(m)(ii)).

**(i) HISTORICAL INFORMATION**

|   | 2012           | 2011         | 2010         | 2009         | 2008       |
|---|----------------|--------------|--------------|--------------|------------|
|   | \$'000         | \$'000       | \$'000       | \$'000       | \$'000     |
| Present value of defined benefit obligation | 7 981          | 6 641        | 6 588        | 5 717        | 5 385      |
| Fair value of plan assets                   | 6 379          | 6 220        | 6 160        | 5 391        | 5 927      |
| <b>SURPLUS (DEFICIT) IN PLAN</b>            | <b>(1 602)</b> | <b>(421)</b> | <b>(428)</b> | <b>(326)</b> | <b>542</b> |
| Experience adjustments - gain/(loss):       |                |              |              |              |            |
| › plan assets                               | (412)          | 58           | 75           | (1 220)      | (1 110)    |
| › plan liabilities                          | (33)           | (188)        | (86)         | 379          | 540        |

**(m) FUNDING ARRANGEMENTS FOR EMPLOYER CONTRIBUTIONS**

*(i) Surplus/Deficit*

The following is a summary of the most recent financial position of the Lotteries Commission of South Australia Superannuation Plan calculated in accordance with AAS25 *Financial Reporting by Superannuation Plans*.

|   | <b>AS AT 30 JUNE 2009</b> |
|---|---------------------------|
|   | \$'000                    |
| <i>Defined benefit members:</i>   |                           |
| Accrued benefits  | 4 807                     |
| Net market value of plan assets   | 4 653                     |
| Net surplus (deficit)   | (154)                     |
| <i>Accumulation members and additional accumulation accounts for defined benefit members:</i> |                           |
| Assets and benefits   | 2 402                     |

(The Plan is subject to a triennial review and is externally managed. The last full actuarial investigation was conducted as at 30 June 2009 by Stuart Mules, FIAA, of Mercer (Australia) Pty Limited. The report was dated 31 May 2010.)

*(ii) Current Contribution Rates*

As at 30 June 2012, the current contribution rates, in accordance with actuarial advice and Commission endorsement, are:

- › 14.4 per cent of defined benefit members' salaries effective from 6 July 2009;
- › at the Superannuation Guarantee rate of 9 per cent of accumulation members' salaries.

*(iii) Funding Method*

The method used to determine the employer contribution recommendations at the last actuarial review was the "target" funding method. The method adopted affects the timing of the cost to SA Lotteries.

Under the "target" funding method, the employer contribution rate is determined with the aim of maintaining the assets at or close to the value of Accrued Benefits and above the total of the Vested Benefits (leaving service benefits) by a margin sufficient to give security against adverse circumstances.

*(iv) Economic Assumptions*

The long-term economic assumptions adopted for the last triennial actuarial review of the Plan as at 30 June 2009 were:

|   | <i>Weighted-Average Assumptions</i>                    |
|---|--|
| › Expected rate of return on assets (discount rate) | 6.75% pa   |
| › Expected salary increase rate                     | 2.50% pa for 3 years to 2011-12<br>3.50% pa thereafter |

**(n) NATURE OF ASSET/LIABILITY**

SA Lotteries has recognised a liability in the Statement of Financial Position in respect of its defined benefit superannuation arrangements. If a surplus exists in the Plan, SA Lotteries is able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Plan's actuary.

**27. TRANSACTIONS WITH SA GOVERNMENT**

As required by APS 4.1 of Accounting Policy Framework II *General Purpose Statements Framework*, the following table discloses revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

| NOTE   | SA GOVERNMENT   |                 | NON-SA GOVERNMENT |                  | TOTAL            |                  |
|--|-----------------|-----------------|-------------------|------------------|------------------|------------------|
|  | 2012<br>\$'000  | 2011<br>\$'000  | 2012<br>\$'000    | 2011<br>\$'000   | 2012<br>\$'000   | 2011<br>\$'000   |
| <b>INCOME</b>  |                 |                 |                   |                  |                  |                  |
| <b>5. SALES REVENUE</b>  | -               | -               | 423 632           | 388 940          | 423 632          | 388 940          |
| <b>6. COST OF SALES</b>  |                 |                 |                   |                  |                  |                  |
| Prizes   | -               | -               | (257 379)         | (235 412)        | (257 379)        | (235 412)        |
| Gambling tax on NGR  | (68 164)        | (62 946)        | -                 | -                | (68 164)         | (62 946)         |
| Agents' commission   | -               | -               | (31 538)          | (29 010)         | (31 538)         | (29 010)         |
| GST on NGR paid to the ATO   | -               | -               | (15 114)          | (13 957)         | (15 114)         | (13 957)         |
| <b>TOTAL COST OF SALES</b>   | <b>(68 164)</b> | <b>(62 946)</b> | <b>(304 031)</b>  | <b>(278 379)</b> | <b>(372 195)</b> | <b>(341 325)</b> |
| <b>INTEREST REVENUE</b>  | <b>2 022</b>    | <b>2 100</b>    | <b>438</b>        | <b>365</b>       | <b>2 460</b>     | <b>2 465</b>     |
| <b>7. OTHER REVENUES</b>   | <b>20</b>       | <b>18</b>       | <b>5 090</b>      | <b>4 658</b>     | <b>5 110</b>     | <b>4 676</b>     |
| <b>TOTAL INCOME</b>  | <b>(66 122)</b> | <b>(60 828)</b> | <b>125 129</b>    | <b>115 584</b>   | <b>59 007</b>    | <b>54 756</b>    |
| <b>EXPENSES</b>  |                 |                 |                   |                  |                  |                  |
| <b>8. EMPLOYEE BENEFITS EXPENSES</b>   | <b>428</b>      | <b>365</b>      | <b>9 124</b>      | <b>6 950</b>     | <b>9 552</b>     | <b>7 315</b>     |
| <b>9. SUPPLIES AND SERVICES</b>  |                 |                 |                   |                  |                  |                  |
| Marketing and promotions   | -               | -               | 6 837             | 6 471            | 6 837            | 6 471            |
| Computer operations  | 48              | 52              | 2 995             | 2 946            | 3 043            | 2 998            |
| Tickets, coupons, terminal rolls and ribbons   | -               | -               | 1 883             | 1 787            | 1 883            | 1 787            |
| Operating leases   | 28              | 131             | 634               | 802              | 662              | 933              |
| Other occupancy costs  | 22              | 22              | 562               | 613              | 584              | 635              |
| Distribution and freight to Agents   | -               | -               | 261               | 242              | 261              | 242              |
| Motor vehicle fleet costs  | 214             | 223             | 2                 | 1                | 216              | 224              |
| Internal audit fees  | -               | -               | 166               | 171              | 166              | 171              |
| External audit fees  | 150             | 151             | -                 | -                | 150              | 151              |
| Training costs   | -               | -               | 109               | 141              | 109              | 141              |
| Insurance  | 57              | 72              | -                 | -                | 57               | 72               |
| Temporary staff and contractors  | -               | -               | 67                | 212              | 67               | 212              |
| Gambling tax - other   | 51              | 72              | (28)              | -                | 23               | 72               |
| Consultancies  | -               | -               | 5                 | 19               | 5                | 19               |
| Other  | 14              | 22              | 1 350             | 1 496            | 1 364            | 1 518            |
| <b>TOTAL SUPPLIES AND SERVICES</b>   | <b>584</b>      | <b>745</b>      | <b>14 843</b>     | <b>14 901</b>    | <b>15 427</b>    | <b>15 646</b>    |
| <b>TOTAL EXPENSES (EXCLUDING DEPRECIATION AND AMORTISATION AND NET LOSS FROM DISPOSAL OF NON-CURRENT ASSETS)</b> | <b>1 012</b>    | <b>1 110</b>    | <b>23 967</b>     | <b>21 851</b>    | <b>24 979</b>    | <b>22 961</b>    |

| NOTE                                    | SA GOVERNMENT  |                | NON-SA GOVERNMENT |                | TOTAL          |                |
|---|----------------|----------------|-------------------|----------------|----------------|----------------|
|   | 2012<br>\$'000 | 2011<br>\$'000 | 2012<br>\$'000    | 2011<br>\$'000 | 2012<br>\$'000 | 2011<br>\$'000 |
| <b>FINANCIAL ASSETS</b>                 |                |                |                   |                |                |                |
| <b>14. RECEIVABLES</b>                  |                |                |                   |                |                |                |
| <b>CURRENT</b>                          |                |                |                   |                |                |                |
| Agent debtors                           | -              | -              | 3 756             | 1 489          | 3 756          | 1 489          |
| Prize settlements receivable from Blocs | -              | -              | 17 433            | 611            | 17 433         | 611            |
| Sundry receivables                      | 168            | 175            | 278               | 164            | 446            | 339            |
| Prepayments                             | -              | -              | 214               | 344            | 214            | 344            |
| <b>TOTAL CURRENT RECEIVABLES</b>        | <b>168</b>     | <b>175</b>     | <b>21 681</b>     | <b>2 608</b>   | <b>21 849</b>  | <b>2 783</b>   |
| <b>NON-CURRENT</b>                      |                |                |                   |                |                |                |
| Prepayments                             | -              | -              | 136               | 133            | 136            | 133            |
| <b>TOTAL NON-CURRENT RECEIVABLES</b>    | <b>-</b>       | <b>-</b>       | <b>136</b>        | <b>133</b>     | <b>136</b>     | <b>133</b>     |
| <b>TOTAL RECEIVABLES</b>                | <b>168</b>     | <b>175</b>     | <b>21 817</b>     | <b>2 741</b>   | <b>21 985</b>  | <b>2 916</b>   |
| <b>FINANCIAL LIABILITIES</b>            |                |                |                   |                |                |                |
| <b>17. PAYABLES</b>                     |                |                |                   |                |                |                |
| <b>CURRENT</b>                          |                |                |                   |                |                |                |
| Creditors and accrued expenses          | 263            | 242            | 1 475             | 2 297          | 1 738          | 2 539          |
| Prizes payable                          | -              | -              | 31 537            | 13 427         | 31 537         | 13 427         |
| GST payable                             | -              | -              | 986               | 790            | 986            | 790            |
| Undistributed funds                     | 7 225          | 8 090          | -                 | -              | 7 225          | 8 090          |
| Employment on-costs                     | 45             | 42             | 61                | 60             | 106            | 102            |
| <b>TOTAL CURRENT PAYABLES</b>           | <b>7 533</b>   | <b>8 374</b>   | <b>34 059</b>     | <b>16 574</b>  | <b>41 592</b>  | <b>24 948</b>  |
| <b>NON-CURRENT</b>                      |                |                |                   |                |                |                |
| Prizes payable                          | -              | -              | 1 575             | 1 356          | 1 575          | 1 356          |
| Employment on-costs                     | 73             | 51             | 63                | 41             | 136            | 92             |
| <b>TOTAL NON-CURRENT PAYABLES</b>       | <b>73</b>      | <b>51</b>      | <b>1 638</b>      | <b>1 397</b>   | <b>1 711</b>   | <b>1 448</b>   |
| <b>TOTAL PAYABLES</b>                   | <b>7 606</b>   | <b>8 425</b>   | <b>35 697</b>     | <b>17 971</b>  | <b>43 303</b>  | <b>26 396</b>  |

## 28. EVENTS AFTER THE REPORTING PERIOD

The carrying amount of the warehouse property located at 24-26 Payneham Road Stepney was \$1 455 000 as at 30 June 2012. The property was sold on 2 July 2012 for \$1 660 000 (GST exclusive) and is being leased back from the purchaser for a 12 month term. The operating lease commitment is reflected in the within one year estimate of Unrecognised Contractual Commitments (refer Note 21).

## CERTIFICATION OF THE FINANCIAL STATEMENTS

We certify that the attached general purpose financial statements for the Lotteries Commission of South Australia:

- › comply with relevant Treasurer's Instructions issued under section 41 of the Public Finance and Audit Act 1987 and relevant Australian Accounting Standards;
- › are in accordance with the accounts and records of the Lotteries Commission of South Australia; and
- › present a true and fair view of the financial position of the Lotteries Commission of South Australia as at 30 June 2012 and the results of its operations and cash flows for the financial year.

In our opinion the internal controls employed by the Lotteries Commission of South Australia for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period and there are reasonable grounds to believe the Lotteries Commission of South Australia will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Commission.

**Hans J Ohff**  
Presiding Member

**June Roache**  
Chief Executive

**Chris McSparran**  
Chief Financial Officer

96 THESE  
ARE OUR  
WINNING  
NUMBERS

# REPORT OF THE AUDITOR-GENERAL

## INDEPENDENT AUDITOR'S REPORT



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Auditor-General's Department

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### **To the Presiding Member Lotteries Commission of South Australia**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 18A of the *State Lotteries Act 1966*, I have audited the accompanying financial report of the Lotteries Commission of South Australia for the financial year ended 30 June 2012. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2012
- a Statement of Financial Position as at 30 June 2012
- a Statement of Changes in Equity for the year ended 30 June 2012
- a Statement of Cash Flows for the year ended 30 June 2012
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Presiding Member, the Chief Executive and the Chief Financial Officer.

### **The responsibility of the Members of the Lotteries Commission of South Australia for the Financial Report**

The Members of the Lotteries Commission of South Australia are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the Members of the Lotteries Commission of South Australia determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

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

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

**Opinion**

In my opinion, the financial report gives a true and fair view of the financial position of the Lotteries Commission of South Australia as at 30 June 2012, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

**S O'Neill**  
**AUDITOR-GENERAL**  
20 September 2012

# 90 GLOSSARY

**AGENT** Entity appointed under an Agent Agreement to operate an SA Lotteries agency.

**AGENCY** Distribution outlet selling SA Lotteries' games.

**APLA** The Asia Pacific Lottery Association currently representing 25 lotteries, and 14 associate members from the supplier industry, in the Asia Pacific region.

**BLOC** Multi-jurisdictional arrangement with other Australian lottery operators to allow pooling for larger jackpots for select games.

**PERFORMANCE MEASURES TABLE** A report linking targets with the corporate strategic intent.

**CSR** Corporate Social Responsibility.

**DIVISION ONE** The top prize in Saturday X Lotto, Monday and Wednesday X Lotto, Oz Lotto, Powerball, Super 66 and The Pools. Keno Spot 8, 9 and 10 prizes and Instant Scratchies Top Prizes are also classed as Division One wins.

**EASIPLAY CLUB** SA Lotteries' free player registration service for ticket purchases which provides players with the ability to safeguard their winnings and store favourite numbers.

**EBITDA** Earnings Before Interest, Tax, Depreciation and Amortisation.

**EX GRATIA PAYMENTS** Made to persons who are prize winners even though the prize may have been forfeited, tickets lost or damaged or a claim not made within the statutory period of 12 months from the date of the game draw.

**INSTANT SCRATCHIES** Instant lottery tickets whereby players can win a prize by scratching or removing the latex on the ticket to reveal symbols or prize amounts.

**JACKPOT** Occurs when there are no Division One winning entries recorded for a draw, resulting in the Division One prize pool being added to the Division One prize for the next draw.

**KENO** A numbers game of chance whereby 20 numbers are randomly generated from a possible 80 every 3.5 minutes. Players can choose to select one number (Spot 1) up to ten numbers (Spot 10).

**SATURDAY X LOTTO** A game of chance in which six numbered balls and two supplementary balls are randomly drawn from a barrel of 45 every Saturday.

**MONDAY AND WEDNESDAY X LOTTO** A game of chance in which six numbered balls and two supplementary balls are randomly drawn from a barrel of 45 every Monday and Wednesday.

**LUCKY SA LOTTERY** A traditional raffle-style lottery with tickets generated via SA Lotteries' online terminal, conducted in 2008.

**MEGADRAW** Saturday X Lotto draw that offers an augmented Division One prize pool, often exceeding \$20 million.

**MTBF** The average number of transactions processed by terminals before there is a terminal failure. A measure of the reliability of agent terminals.

**ONLINE LOTTERIES SYSTEM** The central computer system operating SA Lotteries' games, which is connected to a state-wide network of approximately 700 Point of Sale terminals.

**OZ LOTTO** A game of chance in which seven numbered balls and two supplementary balls are randomly drawn from a barrel of 45 balls every Tuesday.

**POS** Point of Sale at SA Lotteries agencies.

**POWERBALL** A game of chance in which five numbered balls are randomly drawn from one barrel of 45 balls, and one numbered ball (the Powerball) is drawn from a second barrel of 45 balls.

## RESPONSIBLE GAMBLING

Individuals making informed decisions about participation in lotteries games without harm to themselves, others and their communities.

## RETURN TO GOVERNMENT

Total payments to Government from SA Lotteries' activities comprising Gambling Tax, Income Tax Equivalent, Dividend and Unclaimed Prizes Distribution.

**SA TAB** South Australian Totalisator Agency Board.

**SHAREHOLDER** The Government of South Australia, on behalf of the community of South Australia.

**SPOT 10 JACKPOT** The top prize in a game of Keno that is won when a player correctly matches 10 of the 20 numbers drawn.

**STATE LOTTERIES CODES OF PRACTICE** Mandatory codes for responsible gambling and advertising approved by the Independent Gambling Authority.

**SUPER 66** A game of chance in which the player selects a six-digit number combination in the range of 000000 to 999999. To win Division One, players match their selected numbers in the order of those drawn every Saturday.

**THE POOLS** A game of chance in which the winning numbers are based on the results of soccer matches played in either the Northern Hemisphere or Southern Hemisphere.

**TOP PRIZE** The highest prize available on the Instant Scratchies ticket, and the largest prize available in Keno Spots 8, 9 and 10.

**WLA** World Lottery Association is a global professional association of State lottery and gaming organisations from more than 80 countries and six continents.



