Annual Report
2007-08

SA Lotteries

prizes to players | profits to hospitals

SA Lotteries Annual Report 2007-08
September 2008
ISSN 1836-2885

Additional copies of this annual report can be obtained by:

Visiting
www.salotteries.com.au
or

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

Telephoning
+61 8 8208 4100

Emailing
info@salotteries.com.au

Writing to
SA Lotteries at GPO Box 2277,
Adelaide, South Australia, 5001.

This report is printed to ISO 14001 International Environmental Standards.

Our vision

To benefit the community of South Australia.

Our mission

To create prosperity 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

To promote, conduct and distribute lotteries games in a responsible manner to generate wealth for the South Australian community.

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

To improve productivity by optimising the use of assets and pursuing the most effective work practices.

Creating prosperity: At a glance

From record game sales of $366.6 million in 2007-08, SA Lotteries returned approximately 95 cents in every $1 to the South Australian community.

Prize money
Our players shared $209 million, taking total prize money won in South Australia since 1967 to $4 billion. During 2007-08, 71 South Australians experienced the thrill of winning a Division One prize, sharing $47.6 million in prize money.

Hospitals
South Australia's Hospitals Fund received $91 million towards the provision, maintenance, development and improvement of State public hospitals, taking the total contributed since 1967 to $1.9 billion.

Agent commission
Our network of agents earned $26.9 million in commission from the sale of SA Lotteries' games.

Suppliers
Local suppliers received $8.4 million in exchange for goods and services.

Recreation and sport
The State Recreation and Sport Fund received $218 000 towards the support and development of South Australian recreational and sporting facilities and services, taking the total returned since 1987 to $8.2 million.

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From the Presiding Member and Chief Executive

The Honourable Gail Gago, MP
Minister for Government Enterprises. 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 2008 in accordance with section 18B of the *State Lotteries Act 1966*, as amended.

Since SA Lotteries' inception in 1967, the South Australian community has benefited from an economic contribution in excess of $6.3 billion. Our players have won $4 billion in prize money, State hospitals have received $1.9 billion and, since 1987, South Australian recreation and sport has profited by $8.2 million.

In 2007-08, South Australian players collected $209 million in prize money; the State's Hospitals Fund received $91 million for the provision, maintenance and development of our public hospitals; and the Recreation and Sport Fund received $218 000 for the support and development of local recreational and sporting facilities and services.

Our business partners, who are integral to our success, also benefited from our operations during the year. Agents, mainly comprising small business operators, earned $26.9 million in commission, and local businesses supplying SA Lotteries with goods and services received $8.4 million in payments.

SA Lotteries' 2007-08 community returns were made possible by record game sales of $366.6 million. This result was due to historically high jackpot sequences reaching $40 million for Oz Lotto and $50 million for Powerball.

Sixty-seven per cent of total sales were generated from games pooled with other Australian lottery operators. We value the co-operative arrangements and the day-to-day working relationships that exist with those operators.

The replacement online lotteries system and statewide data digital service communications network will be a key focus of the organisation during the next year. Our people have been working hard to ensure that our replacement system will provide functionality to meet player requirements for the next decade.

As agents and their staff are the interface with our players, player satisfaction with customer service at each of our agencies is very important. Recent research results demonstrate that the majority of our players had an extremely high level of satisfaction with the courteousness, friendliness and responsiveness of agency staff.

We value the enthusiasm and dedication that our staff demonstrate on a daily basis and also their commitment to our corporate values of integrity, accountability and respect to ensure that we maintain a high performance culture.

Hans J Ohff
Presiding Member

18 September 2008

June Roache
Chief Executive

18 September 2008

10-year financial summary

Year ended 30 June	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
GROSS SALES										
Lotto - Saturday	128 336	135 042	132 388	135 176	130 825	129 603	123 632	123 023	120 304	115 074
Lotto - Monday and Wednesday *	31 782	32 607	35 936	40 670	41 706	28 931	23 380	21 468	21 292	18 756
Oz Lotto	34 709	22 234	16 495	14 641	15 467	16 575	17 127	17 133	16 662	16 977
Powerball	49 972	42 034	46 519	42 248	44 760	51 379	44 526	46 438	34 288	35 200
Keno	79 506	78 523	76 581	73 821	70 425	67 155	64 838	61 689	68 620	69 308
Instant Scratchies	39 929	37 139	38 383	40 343	39 812	39 864	37 920	37 099	30 866	28 860
Super 66	1 108	1 149	1 228	1 333	1 479	1 662	1 828	2 027	2 379	2 677
The Pools	581	518	558	586	622	742	605	716	607	609
LuckySA Lottery	660	-	-	-	-	-	-	-	-	-
TOTAL GROSS SALES	**366 583**	**349 246**	**348 088**	**348 818**	**345 096**	**335 911**	**313 856**	**309 593**	**295 018**	**287 461**
COST OF SALES										
Agents' commission	26 938	25 779	25 755	25 795	25 443	24 694	23 100	22 707	21 853	20 692
Prizes	221 283	211 236	209 439	207 172	207 886	202 336	187 217	180 604	174 519	173 982
% of gross sales	60.4%	60.5%	60.2%	59.4%	60.2%	60.2%	59.7%	58.3%	59.2%	60.5%
Gambling tax on NGR #	59 573	56 584	56 846	58 074	56 256	54 766	51 922	51 480	-	-
% of gross sales	16.3%	16.2%	16.3%	16.6%	16.3%	16.3%	16.5%	16.6%	N.A.	N.A.
GST on NGR #	13 209	12 546	12 604	12 877	12 474	12 143	11 513	11 415	-	-
% of gross sales	3.6%	3.6%	3.6%	3.7%	3.6%	3.6%	3.7%	3.7%	N.A.	N.A.
TOTAL COST OF SALES	**321 003**	**306 145**	**304 644**	**303 918**	**302 059**	**293 939**	**273 752**	**266 206**	**196 372**	**194 674**
GROSS MARGIN	45 580	43 101	43 444	44 900	43 037	41 972	40 104	43 387	98 646	92 787
Other Revenue	8 145	7 487	7 039	7 294	6 944	6 878	6 204	7 171	6 520	5 117
TOTAL INCOME	**53 725**	**50 588**	**50 483**	**52 194**	**49 981**	**48 850**	**46 308**	**50 558**	**105 166**	**97 904**
Operating expenses	26 855	23 602	23 249	25 978	24 926	24 415	22 756	20 856	20 297	17 151
% of gross sales	7.3%	6.8%	6.7%	7.4%	7.2%	7.3%	7.3%	6.7%	6.9%	6.0%
PROFIT BEFORE INCOME TAX EQUIVALENT	26 870	26 986	27 234	26 216	25 055	24 435	23 552	29 702	84 869	80 753
% of gross sales	7.3%	7.7%	7.8%	7.5%	7.3%	7.3%	7.5%	9.6%	28.8%	28.1%
RETURN TO GOVERNMENT										
Gambling tax (total)	59 619	56 616	56 888	58 412	56 256	54 766	51 922	51 480	-	-
Income tax equivalent ^	8 061	8 096	8 170	7 799	7 516	7 542	7 066	10 099	31 336	31 375
Dividend ##	21 703	19 476	18 956	22 911	17 869	17 673	15 369	15 689	53 128	50 028
Unclaimed prizes	2 271	1 905	1 291	1 839	1 639	1 551	1 656	1 515	1 535	1 279
	91 654	**86 093**	**85 305**	**90 961**	**83 280**	**81 532**	**76 013**	**78 783**	**85 999**	**82 682**
% of gross sales	25.0%	24.7%	24.5%	26.1%	24.1%	24.3%	24.2%	25.4%	29.2%	28.8%
GST on NGR **	13 209	12 546	12 604	12 877	12 474	12 143	11 513	11 415	-	-
TOTAL RETURN TO GOVERNMENT	**104 863**	**98 639**	**97 909**	**103 838**	**95 754**	**93 675**	**87 526**	**90 198**	**85 999**	**82 682**

* Lotto - Monday and Wednesday replaced SA Lotto from 27 April 2006. SA Lotto twice weekly draws on Monday and Wednesday commenced November 2003.
\# State Gambling Tax and GST introduced on 1 July 2000 and are levied on Net Gambling Revenue (NGR = Gross sales less monetary prizes).
State Gambling Tax at the rate of 41% of NGR paid to the Hospitals Fund/Recreation and Sport Fund.
GST at the rate of 9.09% of NGR paid to the Australian Taxation Office, which is subsequently returned to the State Government.
^ Includes Sales Tax Equivalent amounts for the period to 2000.
Includes Special Dividend of $6 527 000 in 2005 resulting from proceeds on sale of SA Lotteries' former Head Office in Rundle Mall.
** GST on NGR is paid to the Commonwealth Government, which is subsequently returned to the State Government.

Corporate scorecard

South Australia's Strategic Plan Objective: Growing Prosperity

OUR STRATEGY: GROW LOTTERIES REVENUE BY ENHANCING EXISTING GAMES AND INTRODUCING NEW GAMES AND INITIATIVES TO MEET PLAYERS' EXPECTATIONS.		
PERFORMANCE MEASURE	TARGET 2007-08	ACTUAL 2007-08
Gross sales	$354.0 million	$366.6 million
Sales per capita	$292.61	$297.64
Tickets sold	56.7 million	55.3 million
EBITDA per FTE	$348 000	$401 000

OUR STRATEGY: ENSURE A SOUND, RESPONSIVE AND ADAPTIVE TECHNOLOGY INFRASTRUCTURE.		
PERFORMANCE MEASURE	TARGET 2007-08	ACTUAL 2007-08
Online lotteries system down time: central system	0.05%	0.02%
Online lotteries system down time: communications network	0.03%	0.01%
Point of sale terminal reliability (MTBF)	170 000	169 559

OUR STRATEGY: MINIMISE OPERATING COSTS AS A PERCENTAGE OF SALES.		
PERFORMANCE MEASURE	TARGET 2007-08	ACTUAL 2007-08
Total operating expenses as % of gross sales	7.3%	6.9%
Operating expenses per FTE	$312 000	$336 000
Average Full-Time Equivalents (FTEs) employed during the year	83.10	75.29

OUR STRATEGY: STRIVE FOR A HIGHER PERFORMANCE CULTURE THROUGH A BROADER BASE OF STRONG LEADERSHIP, SYSTEM AND PROCESS INNOVATION AND EMPLOYEE DEVELOPMENT.		
PERFORMANCE MEASURE	TARGET 2007-08	ACTUAL 2007-08
Percentage of employees with vocational or higher education qualifications	55%	61%
Training and development costs as a percentage of base salary costs	2.84%	2.36%

South Australia's Strategic Plan Objective: Improving Wellbeing

OUR STRATEGY: MAXIMISE THE COMMUNITY BENEFITS AND PROMOTE THE BENEFICIARIES OF SA LOTTERIES' OPERATIONS.		
PERFORMANCE MEASURE	TARGET 2007-08	ACTUAL 2007-08
Return to Government (Hospitals Fund and Recreation and Sport Fund)	$83.2 million	$91.7 million
Sponsorship $ per capita	$0.22	$0.22

OUR STRATEGY: BUILD COMMUNITY AND STAKEHOLDER TRUST AND SUPPORT.		
PERFORMANCE MEASURE	TARGET 2007-08	ACTUAL 2007-08
Non-compliance with the codes of practice	5.0%	4.2%
Problem gambling reports	12	3
Percentage of SA suppliers	73%	73%
$ value of SA suppliers as a % of total suppliers	56%	53%
Customer satisfaction	90%	96%
Awareness of SA Lotteries' beneficiaries	50%	28%

South Australia's Strategic Plan Objective: Attaining Sustainability

OUR STRATEGY: ADOPT SOUND ENVIRONMENTAL PRACTICES IN ALL OPERATIONS.		
PERFORMANCE MEASURE	TARGET 2007-08	ACTUAL 2007-08
Energy consumption	787 352 KWhrs	787 612 KWhrs
Greenhouse gas emissions	761 819 Kg $C0_2$	703 836 Kg $C0_2$

South Australia's Strategic Plan Objective: Fostering Creativity

OUR STRATEGY: ENSURE GROWTH AND SUSTAINABLE REVENUE OPPORTUNITIES ARE PURSUED.		
PERFORMANCE MEASURE	TARGET 2007-08	ACTUAL 2007-08
Number of visits to corporate website	1 555 000	1 947 180

Sales per capita – based on South Australian adult (18+) population (ABS Cat 3101.0 and ABS Cat 3201.0).
EBITDA – Earnings Before Interest, Tax, Depreciation and Amortisation.
FTE – Average Full-Time Equivalent employee numbers during the year.
MTBF – Mean number of Transactions Between Failures – a measure of reliability of agent terminals.
Return to Government – Actual 2007-08 includes distribution of unclaimed prizes ($2.3 million). The target does not include unclaimed prizes.
Total Operating Expenses include interest and depreciation expenses and exclude loss on disposal of non-current assets.

Corporate governance is the process by which SA Lotteries is directed and managed by the Commission. The following practices, established by the Commission, were applied in 2007-08 to guide management towards achieving SA Lotteries' corporate goals.

Corporate governance

Role of the shareholder

For the period 1 July 2007 to 30 June 2008, the Honourable Michael Wright MP was the appointed Minister responsible for SA Lotteries, under the portfolio of Government Enterprises. During this period, the Minister's other portfolios were Industrial Relations, Finance, and Recreation, Sport and Racing.

SA Lotteries aims to ensure that the shareholder, the Government of South Australia, is informed of all major developments affecting SA Lotteries' state of affairs via:

- Written reports and meetings with the Minister.
- Submission of SA Lotteries' annual operating and capital budgets to the Government for approval.
- Government observer invited to attend Commission, Audit Committee and Information Technology Committee meetings.
- Distribution of the annual report to the shareholder.
- The Auditor-General's annual report to Parliament, which includes SA Lotteries.

SA Lotteries ensures compliance with all formal directions issued by the responsible Minister. There were no such directions issued during 2007-08.

The Commission

The Commission is established under the *State Lotteries Act 1966* (as amended).

Responsible for the governance of SA Lotteries, the Commission's established processes provide strategic guidance for management towards achievement of corporate goals. In conjunction with the management team, the Commission strives to achieve best practice in meeting these goals.

Composition of the Commission

In accordance with the State Lotteries Act, the Commission is to consist of not less than three, or more than five, members appointed by the Governor of South Australia, one of whom shall be nominated by the Governor as the Presiding Member of the Commission. The Commission comprises non-executive members.

A member is appointed for a term of office not exceeding five years determined by the Governor. On the expiration of the term of office as a member, a member shall be eligible for reappointment.

The Commission membership as at 30 June 2008 comprised:

Name:	Mr H J Ohff, FIEAust, CPEng, BA (Hons).
Position:	Presiding Member.
Expertise:	Engineering.
Name:	Ms S J Mackenzie, B Comm (Accounting), LLB (Hons).
Position:	Member.
Expertise:	Law.
Name:	Mr S K Shirley, BEc, FCA, CPA.
Position:	Member.
Expertise:	Accounting.
Name:	Mr W R Jackson, BEc, FASA.
Position:	Member.
Expertise:	Business Management Consultant.
Name:	Ms A E Lindsay, BA (Hons), LLB (Hons).
Position:	Member.
Expertise:	Law.

Effective from 1 April 2008, Mr Hans Ohff was reappointed as Presiding Member of the Commission for a term of two years.

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

Generally, the Commission meets monthly. Remuneration for a member is $18 700 per annum, plus an attraction and retention allowance of $2200 per annum. The Presiding Member receives $27 200 per annum, plus an attraction and retention allowance of $2200 per annum.

Further details of members' remuneration payments are set out in Note 9 to the Annual Financial Report.

Hans J Ohff
Presiding Member

Suzanne Mackenzie
Commission Member

Stephen Shirley
Commission Member

Wayne Jackson
Commission Member

Anne Lindsay
Commission Member

June Roache
Chief Executive

"THE ROLE OF THE AUDIT COMMITTEE IS TO ASSIST THE COMMISSION TO FULFIL ITS RESPONSIBILITIES IN RELATION TO THE IDENTIFICATION OF AREAS OF SIGNIFICANT BUSINESS RISKS."

Audit Committee

The role of the Audit Committee is to assist the Commission to fulfil its responsibilities in relation to the identification of areas of significant business risks by:

- Advising on the establishment and maintenance of a framework for internal control for the management of SA Lotteries.
- Monitoring the quality and reliability of financial information prepared for use by the Commission in determining policies or for inclusion in financial statements.

The Audit Committee has a formal charter incorporating its broad functions as follows:

- Reviewing the General Purpose Financial Report prior to its approval by the Commission to ensure that:
  - ~ the Report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*; applicable Accounting Standards and other mandatory professional reporting requirements applicable in Australia; the financial position of the Lotteries Commission of South Australia as at 30 June; its financial performance and its operational cash flows for the year then ended; and
  - ~ internal controls over financial reporting have been effective throughout the reporting period.
- Liaising with SA Lotteries' external auditors, the Auditor-General's Department, on all matters concerning the outcome of annual audits of the Lotteries Commission of South Australia.
- Regular reviewing of the adequacy of the accounting, internal auditing, reporting and other financial management systems and practices of the Lotteries Commission of South Australia or any other matter the Commission and/or Audit Committee request.
- Performing the role of an executive remuneration committee of the Commission.

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

KPMG were the appointed internal auditors for the 2007-08 financial year.

In accordance with its charter, the Audit Committee comprises three Commission members. During the year, membership comprised:
Mr Stephen Shirley – Chair,
Mr Wayne Jackson – Member,
Ms Anne Lindsay – Member.
Members of the Audit Committee receive a fee of $2805 per annum. The Chair of the Committee receives a fee of $4080 per annum.

Information Technology Committee

An Information Technology (IT) Committee assists the Commission to oversee the use of information technology within SA Lotteries. The IT Committee has a formal charter incorporating its terms of reference, as follows:

- Monitor the development and implementation of major technology projects.
- Evaluate risk management strategies designed to minimise interruption to online selling activities.
- Provide advice to the Commission on all matters associated with major technology projects.

The Committee's main focus is the replacement of the Online Lotteries System, relevant software and communications infrastructure.

In accordance with its charter, the IT Committee comprises one Commission member appointed by the Commission, together with executive management of SA Lotteries.

A representative from the Auditor-General's Department is invited to attend IT Committee Meetings.

The IT Committee reports to the Commission.

ATTENDANCE AT MEETINGS

COMMISSION MEMBERS	COMMISSION MEETINGS (11 HELD)	AUDIT COMMITTEE MEETINGS (7 HELD)	IT COMMITTEE MEETINGS (11 HELD)
Mr Hans Ohff	11	#	11
Ms Suzanne Mackenzie	11	#	#
Mr Stephen Shirley	11	7	#
Mr Wayne Jackson	10	7	#
Ms Anne Lindsay	11	7	#

Not a member

Commission relationship with management

The Chief Executive is accountable to the Commission for the achievement of SA Lotteries' corporate goals. In accordance with the State Lotteries Act, the Commission may delegate to any officer of the Commission any of the powers, duties, functions and authorities of the Commission. To this end, the Commission clearly defines management accountabilities through approved management operating authorities.

Commission members are invited to observe the evaluation process for all tenders valued in excess of $1.1 million.

Internal control framework

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

- **Financial reporting**
  There is a comprehensive budgeting system with an annual budget approved by the Commission prior to submission to the Government. Monthly actual results are reported against budget.
- **Quality and integrity of personnel**
  SA Lotteries' employees are bound by the Code of Conduct for South Australian Public Sector employees and an organisation-specific Code of Ethics.
- **Operating division controls**
  Financial controls and procedures, including information systems controls, are in place. A Commission questionnaire details compliance with these procedures to ensure sound principles of corporate governance and accountability.
- **Functional specialty reporting**
  SA Lotteries' strategies are aligned with South Australia's Strategic Plan objectives. Performance measures linked to these strategies are 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 analysis and post-implementation reviews for large expenditure items.

> *"TO ENCOURAGE AND REINFORCE ETHICAL STANDARDS OF BEHAVIOUR, SA LOTTERIES CONDUCTED AN ETHICS EDUCATION SESSION FOR EMPLOYEES AND DEVELOPED AN ORGANISATION-SPECIFIC CODE OF ETHICS."*

Corporate policy framework

SA Lotteries maintains a corporate policy framework comprising more than 30 policies that are annually reviewed by the Audit Committee and approved by the Commission. Congruent with the corporate policies are divisional policies, procedures and guidelines that are reviewed by management on an ongoing basis to reflect changes in business operations.

Ethics and culture

To ensure that SA Lotteries' values of integrity, accountability and respect are upheld, an Ethics and Culture Committee was established in 2007-08. The purpose of the Committee is to ensure that policy objectives are met, and issues of an ethical and cultural nature are raised and addressed at its regular meetings. To encourage and reinforce ethical standards of behaviour, SA Lotteries conducted an ethics education session for employees and developed an organisation-specific Code of Ethics.

Freedom of Information (FOI)

SA Lotteries has obligations under the *Freedom of Information Act 1991* to ensure appropriate and timely action is taken when access to information is requested. A Freedom of Information Statement is published on SA Lotteries' website. There was one request for information during the financial year.

Risk management

SA Lotteries undertakes risk assessment on an ongoing basis and includes any new identified operating risks in its Risk Management Program. During 2007-08, management completed an annual review of SA Lotteries' Risk Register, and reviewed strategic and operational 'high' rated risks with a view to identifying future mitigation strategies.

Crisis planning

SA Lotteries conducted a simulation exercise in December 2007 to ensure that business activities and employees were prepared to manage a crisis. The exercise complemented SA Lotteries' review of its Crisis Plan throughout 2007-08.

Fraud

SA Lotteries has a Fraud Control Policy to minimise its exposure to fraudulent conduct by establishing processes that identify potential risk areas and implement controls to reduce the risk of fraudulent action. Suspected incidents of fraud are investigated immediately. There were no instances of alleged fraud identified in 2007-08.

Quality management

SA Lotteries is committed to the implementation of quality practices and systems in all aspects of its operations. A Quality Management System documents the processes and controls in place to achieve the objectives described in the organisation's Quality Policy Statement, and to maintain continuing certification to the Quality Standard AS/NZS ISO 9001:2000. Regular internal reviews maintain the focus on continual improvement to practices and systems, and the Quality Management System is audited biannually by external sources.

Information security

SA Lotteries complies with the requirements of the Information Security Standard AS/NZS 7799.2:2003, verified via independent biannual audits. During 2007-08, an external review was conducted to identify the areas of SA Lotteries' existing information security framework that would require enhancement to ensure compliance with information security management systems standard AS/NZS 27001:2006. Planning for, and resourcing of, the work required to meet the new standard will be progressed in 2008-09.

Intellectual assets management

SA Lotteries regards the protection of its intellectual property as important to its ongoing success. A register of all protected trademarks and names is maintained and monitored on an ongoing basis, and is supported by internal policies and procedures. SA Lotteries is also progressing the finalisation of trade mark management agreements and trade mark licence agreements with its interstate Bloc counterparts.

Corporate security management

SA Lotteries has developed an overarching and comprehensive Corporate Security Policy that seeks to identify all aspects of corporate security that impact on day-to-day business operations. The policy forms the basis for the implementation of strategies to protect assets, operations, information and personnel against all possible security breaches.

In 2007-08, SA Lotteries' games collectively generated $366.6 million in gross sales, representing a 5.0% increase on 2006-07.

Our games

In 2007-08 SA Lotteries operated and promoted nine lottery games of chance for South Australian players: Lotto – Saturday, Lotto – Monday and Wednesday, Oz Lotto, Powerball, Keno, Instant Scratchies, Super 66, The Pools and LuckySA Lottery.

SA Lotteries will continue its focus to grow lotteries revenue in a sustainable and responsible manner in 2008-09 by enhancing existing games and introducing new games and initiatives to meet the expectations of our players.

A second chance at Lotto offered online.

Lotto – Saturday

Played every Saturday, Lotto – Saturday is a national game that offers players the chance to share a guaranteed Division One prize pool of $4 million and seven Megadraw prize pools each year.

Game structure:
Six numbered balls and two supplementary balls are drawn randomly from a barrel of 45.

Sales performance:
$128.3 million ($6.7 million or 5.0% decrease on 2006-07).

% of sales: 35.0%.

Highlights:
Innovative Second Chance Lotto promotion, whereby a second promotional draw was conducted and able to be viewed at www.adelaidenow.com.au. Three South Australian players shared the $105 000 Second Chance Lotto prize pool.

Trend:
High jackpot activity in Oz Lotto and Powerball negatively impacted on Megadraw sales.

Prize money won:
$67.1 million.

Division One winners:
22 local players shared $19.4 million in prize money.

Lotto – Monday and Wednesday

Lotto – Monday and Wednesday offers players in South Australia, Western Australia and New South Wales the chance to share a guaranteed Division One prize pool of $1 million every Monday and $750 000 every Wednesday.

Game structure:
Six numbered balls and two supplementary balls are randomly drawn from a barrel of 45.

Sales performance:
$31.8 million ($0.8 million or 2.5% decrease on 2006-07).

% of sales: 8.7%.

Trend:
Declining weekly sales.

Prize money won:
$20.6 million.

Division One winners:
16 local players shared $12.2 million in prize money.

Oz Lotto

Played every Tuesday, Oz Lotto is a national game that offers players the chance to win bigger prizes more often.

Game structure:
Seven numbered balls and two supplementary balls are randomly drawn from a barrel of 45.

Sales performance:
$34.7 million ($12.5 million or 56.1% increase on 2006-07).

% of sales: 9.5%.

Highlights:
Strong jackpot and promotional results, including two $30 million jackpots and a record $40 million jackpot.

Trend:
High-level jackpot activity and increased draw sales.

Prize money won:
$20.8 million.

Division One winner:
1 local player won $10 million in prize money.

Powerball

Played every Thursday, Powerball is a national game that offers players the chance to win multimillion-dollar prizes.

Game structure:
Five numbered balls are randomly drawn from a barrel of 45, and one numbered ball (the Powerball) is drawn from a second barrel of 45.

Sales performance:
$50.0 million ($7.9 million or 18.9% increase on 2006-07).

% of sales: 13.6%.

Highlights:
Record jackpots of $40 million and $50 million.

Trend:
Sales growth.

Prize money won:
$17.1 million.

Keno

Played every 3.5 minutes, Keno offers players the chance to win a jackpotting prize of a guaranteed minimum $1 million.

Game structure:
20 numbers are randomly generated from a pool of 80. Players can choose to match from one number (Spot 1) to up to 10 numbers (Spot 10).

Sales performance:
$79.5 million ($1 million or 1.3% increase on 2006-07).

% of sales: 21.7%.

Highlights:
Two Spot 10 winners. Expanded distribution to 82 SA TAB outlets from March 2008.

Trend:
Sales growth.

Prize money won:
$58.8 million.

Spot 8, 9 and 10 top prize winners: 12 local players shared $3.3 million in prize money.

Instant Scratchies

Instant Scratchies tickets provide South Australians with the opportunity to scratch an instant prize.

Game structure:
Instant lottery tickets. Each ticket series has a unique prize matrix with top prizes ranging from $100 to $300 000.

Sales performance:
$39.9 million ($2.8 million or 7.5% increase on 2006-07).

% of sales: 10.9%.

Highlights:
Launch of 17 new tickets, including an innovative ticket that offered the choice of a Ford or Holden performance vehicle as the top prize. As the launch of the *Instant Autos* ticket coincided with the Clipsal 500, SA Lotteries set up a mobile selling facility at the event.

Trend:
Sales growth.

Prize money won:
$23.2 million.

Top prize winners:
19 local players shared $2.1 million in prize money.

Three of the 17 Instant Scratchies tickets launched during the year.

Simply Super

Turn $5 into $500,000

Super 66

Played every Saturday, Super 66 is a game of chance that is drawn immediately before Lotto.

Game structure:
A six-digit number combination is drawn in the range of 000000 to 999999. To win, players must match the numbers in the order drawn.

Sales performance:
$1.1 million ($0.04 million or 3.6% decrease on 2006-07).

% of sales: 0.3%.

Trend:
Sales maintenance.

Prize money won:
$0.57 million.

Division One winner:
1 local player won $46 000 in prize money.

The Pools

Played every weekend, The Pools is a national game that is based on the results of soccer matches played in either the Northern Hemisphere or Southern Hemisphere.

Game structure:
Six numbers and one supplementary number are determined from a field of 38, based on the results of selected soccer matches.

Sales performance:
$0.58 million ($0.06 million or 12.2% increase on 2006-07).

% of sales: 0.2%.

Highlights:
Regular jackpot activity and an annual promotion.

Trend:
Sales maintenance.

Prize money won:
$0.09 million.

LuckySA Lottery

LuckySA Lottery is based on a traditional raffle-style lottery with tickets generated via SA Lotteries' online lottery terminals. The inaugural draw was conducted on 2 January 2008.

Game structure:
Comprises a limited series of tickets and a fixed prize structure.

Prize money won:
$0.56 million.

Top prize winner:
1 local player won $500 000 in prize money.

96 PER CENT OF OUR CUSTOMERS WERE EITHER SATISFIED OR EXTREMELY SATISFIED WITH THE SERVICE THEY RECEIVED FROM SA LOTTERIES AGENCIES DURING THE YEAR.

Service and security for our players

The rights of our customers and the secure payment of prizes are of paramount importance to SA Lotteries. Each member of SA Lotteries' agency network has passed a stringent application process to ensure that, each year, 55 million tickets are sold and 9.7 million prizes are paid with dedication and integrity.
A recent survey revealed that 96 per cent of our customers were either satisfied or extremely satisfied with the service they received from SA Lotteries agencies in 2007-08.

"EASIPLAY CLUB IS A FREE SERVICE THAT PROVIDES A MEANS FOR PLAYERS TO SAFEGUARD ANY PRIZES WON ON LOST, DAMAGED OR STOLEN TICKETS, AND TO BE NOTIFIED IF THEY WIN A DIVISION ONE PRIZE."

Services

Easiplay Club card.

System availability

Our customers benefited from a reliable service delivery, with 99.98 per cent availability of our central online lotteries system to agencies across the State.

Easiplay Club membership

More than 180 000 South Australians enjoy complimentary membership of SA Lotteries' Easiplay Club, representing approximately 15 per cent of the State's adult population.

Easiplay Club is a free service that provides a means for players to safeguard any prizes won on lost, damaged or stolen tickets, and to be notified if they win a Division One prize.

During the year, more than two million prizes worth $69.7 million were paid out to Easiplay Club members.

Website

www.salotteries.com.au features a results-focused home page for the 90 per cent of visitors who access our site for game results. Visitors to SA Lotteries' website can also:

- generate the most frequently drawn numbers;
- submit their winning story to the online Winners Gallery; and
- view a map of the location of their nearest SA Lotteries agency.

In 2007-08, SA Lotteries' website experienced 1.9 million visits, representing an increase of 40 per cent on 2006-07. The site was announced as the #1 website in the 'Government – South Australia' industry in the 2007 Hitwise Online Performance Awards program. The program, which recognises excellence in online performance through public popularity, bases its results on the internet usage of approximately three million Australian internet users.

Mobile lottery results and prize dividend information

SA Lotteries provided further choice and convenience for players via the launch of its SMS *Dividends on Demand* service in June 2008. Complementing SA Lotteries' existing SMS results service, *Dividends on Demand* delivers prize dividend information directly to any mobile phone anywhere, anytime.

Access to dividend information is obtained by sending an SMS with the game name, plus the letters 'div', to 19 RESULT after 7am on the morning after the draw and after 5pm on Monday for The Pools.

Security

Security and integrity

SA Lotteries is committed to protecting the security of our players and ensuring the integrity of our games.

In 2007-08, SA Lotteries established a dedicated player security page on its website to increase awareness of the rights of players and to encourage reports of the infringement of these rights. SA Lotteries will continue to review and incorporate player security enhancements during 2008-09.

SECURITY AND INTEGRITY
PRIZE CLAIM PROCESS
✓ All non-winning tickets are branded 'not a winning ticket'.
✓ Terminal displays prize win information to customers.
✓ Division One and Two prizes must be claimed directly from SA Lotteries Head Office.
✓ Prize receipt, including information on the prize claim, is produced and provided to the customer.
✓ Player name is printed on ticket for Easiplay Club members.
✓ Ex gratia payment considered for lost unregistered tickets after investigation.
✓ SA Lotteries Head Office offers prize payment by cheque or electronic funds transfer (EFT).
PLAYER AWARENESS
✓ Player registration service offered free of charge.
✓ Active campaign to promote player registration.
✓ Dedicated information for claiming prizes detailed on SA Lotteries' website.
✓ Dedicated player security page on SA Lotteries' website.
✓ Dedicated lottery scam alert area on SA Lotteries' website.
✓ List of unclaimed prizes published on SA Lotteries' website.
RESULTS AVAILABILITY
✓ Registered Division One prize winners are contacted by telephone.
✓ Results available on free-to-air television.
✓ Results available on SA Lotteries' website.
✓ Results available via an Interactive Voice Response telephone system.
✓ Results disseminated to media.
✓ Results sent directly via email.
✓ Results sent directly via SMS to mobiles.
AGENT INTEGRITY AND SECURITY
✓ Agents required to obtain prescribed range of business insurance.
✓ Agents regularly reminded that they must return all non-winning tickets and receipts.
✓ National police checks undertaken for all agent applications.
✓ Agents are provided with South Australian Police fraud and scam alerts.
✓ Agents are encouraged to notify SA Lotteries of any suggested improvements to security procedures.
✓ Incidences of suspected fraud are investigated and, if necessary, referred to SA Police.
✓ Disciplinary process applies to agents or agency employees found to have breached security measures.
✓ 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 escalation of security-based issues.
✓ Senior management level position responsible for security-based issues.
✓ Monthly reviews are undertaken to ensure responses to, and investigations of, customer complaints are conducted in a timely manner.

Responsible gambling

Responsible gambling

SA Lotteries and its agency network adhere to the State Lotteries Responsible Gambling Code of Practice and State Lotteries Advertising Code of Practice. Although lottery games are rarely associated with problem gambling, SA Lotteries remains resolutely committed to the responsible promotion and conduct of its games to ensure a safe playing environment for our customers.

Compliance program

SA Lotteries' internal compliance program incorporates the requirements of the codes of practice. All SA Lotteries agents are audited at least once a year against 28 measures to ensure compliance with the codes.

Approximately 96 per cent of the 755 audits completed during 2007-08 found agents compliant with the requirements of the codes. In all instances of non-compliance, agents were re-audited within two months to ensure remedial action had been taken. In most cases, the second audit found that the non-compliance issues had been addressed and, in all cases, the third audit confirmed that there were no outstanding non-compliance issues.

Responsible gambling training

SA Lotteries provides responsible gambling training for all agents and relevant employees through Wesley 4 Training (Uniting*Care* Wesley). A total of 109 agents and agency staff received responsible gambling training accreditation during 2007-08.

SA Lotteries also continued a training program specifically for agency staff aged less than 18 years, ensuring that employment opportunities for South Australia's youth are maximised and that individuals are appropriately prepared for their role in a responsible gambling environment. A total of 33 agency staff under the age of 18 received responsible gambling training.

At least every two years, SA Lotteries provides responsible gambling refresher training to agents and relevant staff. Refresher training comprised an abridged and updated version of the original responsible gambling training module. During 2007-08, responsible gambling refresher training was undertaken by 1292 agents and agency staff.

> *IN 2007-08, SA LOTTERIES ESTABLISHED AN INTERNAL PROBLEM GAMBLING REPORT GROUP TO ALLOW FOR THE ESCALATION OF PROBLEM GAMBLING REPORTS TO THE GROUP FOR DETERMINATION OF THE BEST COURSE OF ACTION.*

Orientation for Break Even counsellors

In November 2007, SA Lotteries participated in Relationships Australia's orientation program for Gambling Help Line and concerned sector workers by presenting an overview of our games, operations and efforts in promoting responsible gambling.

Problem Gambling Report Group

In 2007-08, SA Lotteries established an internal Problem Gambling Report Group to allow for the escalation of problem gambling reports to the group for determination of the best course of action. Two issues were addressed by the Problem Gambling Report Group during the year.

Gambling Awareness Week

Held 12 to 16 May 2008, Gambling Awareness Week is an initiative of the Office for Problem Gambling and involves community education activities across metropolitan and country areas of South Australia. As a means of reinforcing our commitment to reducing the harm caused by gambling, SA Lotteries promoted Gambling Awareness Week via its customer and agent newsletter, website news area and on terminal-generated lottery tickets.

Online early intervention test

SA Lotteries continues to proactively publish an early intervention gambling health test in the dedicated responsible play area of its website.

Called the Eight Gambling Screen, the test was developed by Dr Sean Sullivan for the Problem Gambling Foundation of New Zealand and the Department of General Practice and Primary Health Care in the Auckland School of Medicine.

The objective of the test is to determine whether gambling is affecting the respondent's health via a series of eight questions. The test attracted 1103 visitors in 2007-08.

Codes of practice review

Following the Independent Gambling Authority's *2006 Review – Regulatory Functions Report*, SA Lotteries has been notified that amendments to the State Lotteries Advertising Code of Practice and State Lotteries Responsible Gambling Code of Practice will be implemented effective from 1 December 2008.

OUR WINNERS SHARED $209 MILLION IN PRIZE MONEY.

Prizes for our winners

South Australian players won $209 million during 2007-08 in the form of approximately 296 000 prizes each week.

SA Lotteries personally congratulated 71 Division One winners, who shared $47.6 million in prize money, including five overnight multi-millionaires and nine millionaires.

Winning a Division One prize delivered some memorable moments in 2007-08.

$10 million man floored by win

After discovering his $10 million Oz Lotto win while watching the draw, an Adelaide Hills man kept his ticket safe overnight in the most secure place he could think of – underneath his loungeroom carpet! Not surprisingly, the farm manager was relieved to be able to present the ticket at SA Lotteries Head Office the following morning.

'It was a great feeling to wake up, find the ticket, and realise it wasn't a dream,' the man said.

With his prize money, the overnight multi-millionaire planned to buy a house in the Adelaide Hills and enjoy his first overseas holiday, to Europe and New Zealand.

Defying the 1 in 45 million chances of winning a Division One prize in Oz Lotto, the man is forever grateful that a change in routine saw him visit Stirling's Oak Plaza Newsagency to purchase his winning ticket.

Dedicating $2 million to others

With his $2 million Lotto prize, a retired hotelier from Davoren Park vowed to help friends and family members.

'Life will no longer be a struggle for those close to me,' the man said.

A keen animal lover, the man also planned to donate a portion of his windfall to the Animal Welfare League.

While helping others topped his spending list, the man did plan to use at least some of the prize money on himself.

'I can finally return home to England to visit my family, so I'm pretty pleased about that!' he said.

A Division One prize win is cause for celebration.

Cooking up a $1.27 million birthday gift

A chef from Adelaide's northern suburbs received the biggest birthday present he could imagine during a stop at his local video store in June 2008.

'We were planning to hire a DVD and have a quiet night in, until I thought I would try my luck on Keno,' the man said.

Just 3.5 minutes later, the man discovered he had won the entire Spot 10 jackpot prize of $1.27 million.

'We dropped the DVD idea and headed straight to the city to celebrate and, even though it was my birthday, it was my shout!' he said.

The spur of the moment birthday purchase certainly paid off for the winner, who planned to buy himself a new car and open his own restaurant.

Historic $500,000 lottery prize

A woman from Adelaide's southern suburbs collected a piece of history in January 2008, when her six-digit ticket number was drawn as the winner in the inaugural LuckySA Lottery draw.

South Australia's exclusive LuckySA Lottery was launched in mid-2007 to celebrate SA Lotteries' 40th Anniversary and coupled the charm of a traditional lottery of the 1960s with the efficiency of today's technology.

The woman's ticket number 154 620 won her the $500,000 top prize, with another 16 South Australian players sharing the remaining $58,000 LuckySA Lottery prize pool.

Self confessed 'rev-head' wins HSV Clubsport

A crop farmer and self-confessed 'rev head' from Cleve won the Bonus Draw prize on Instant Scratchies' $3 *Instant Autos* ticket in June 2008.

As the winner of the Instant Autos Bonus Draw, Neville's prize was the choice between a Holden Special Vehicle (HSV) Clubsport R8 and a Ford Performance Vehicle (FPV) F6 Typhoon.

For the Holden fanatic and car racing enthusiast, the decision wasn't too difficult!

'I've been a Holden man all of my life, and I can't believe my first ever prize win is my dream car!'

Crop farmer Neville wins his dream car.

OUR AGENCY NETWORK INCREASED BY 18 PER CENT AND EARNED $26.9 MILLION IN COMMISSION.

Business for our partners

SA Lotteries' business partners play a crucial role in our success. SA Lotteries' ability to create prosperity through the responsible promotion and conduct of lotteries is only achieved with the support of dedicated partners who share our commitment to excellence.

SA Lotteries' agency network comprises more than 550 diverse businesses, including newsagencies, delicatessens, chemists, supermarkets, kiosks, service stations, hotels and clubs.

Our agency network

Network expansion

SA Lotteries increased its full-service agency network by 14 outlets in 2007-08. Further, in March, SA Lotteries expanded the distribution of its Keno game to include 82 SA TAB outlets as at 30 June. SKYCITY Adelaide recommenced selling SA Lotteries games in January, after a cessation in March 2006 pending a review of SKYCITY Adelaide's Licensing Agreement.

In 2007-08, our agents earned $26.9 million in commission while providing our broad customer base with convenient access to our games.

Agent news

In July 2007, SA Lotteries implemented Stage 1 of its agent extranet, *Network News*, a dedicated website for agents to access primary information, including training manuals, agent newsletters, sales rankings, corporate news and upcoming events.

Stage 2 of Network News was launched in December 2007, enhancing the existing site with a secure area to allow agents to view documentation unique to their business, such as their agent agreement, monthly sales analysis chart and financial statements.

Agent training

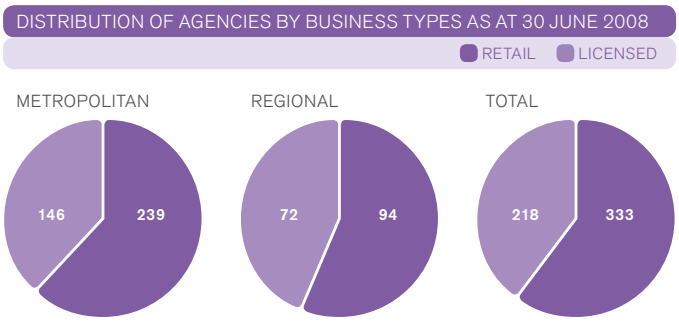
SA Lotteries conducts regular tailored training programs for agents and agency employees.

An expanded two-day program provides training on SA Lotteries' games, terminal operation, compliance, security, equipment maintenance, merchandising and business management skills. During the year, 97 new agents and operators completed the requirements of the expanded training program.

A one-day agent training program, which focuses on SA Lotteries' games and terminal operation, was undertaken by 168 agency employees during 2007-08.

Listening to our agents

SA Lotteries established the Agent Reference Group (ARG) in January 1996 to strengthen its relationship with its agency network and to provide a forum for the presentation of new ideas or concepts that may affect agents prior to implementation.



During the year, the Agent Reference Group continued to provide valuable input into SA Lotteries' marketing and promotional strategies. Five new members were welcomed to the group, replacing five members who had completed their term of appointment.

SA Lotteries acknowledges and appreciates the contribution made by the retiring members:

- Leah Mills (Nuriootpa Newsagency)
- Jo-Anne Neindorf (Neindorf's IGA Friendly Grocer, Tumby Bay)
- Michael Mason (Federal Hotel, Peterborough)
- Helen Tink (Bordertown Newsagency)
- June Carter (Glenside Newsagency and Stationers).

SA Lotteries looks forward to working with the following Agent Reference Group members:

- Alf Spronk (Giftland, Noarlunga Centre)
- Cameron Taylor (Para Hills Community Club)
- Wally Woehlert (Bridgeway Hotel, Pooraka)
- Dianne Dissel (Dissel's Findon Road Newsagency)
- Paul Wright (Oak Plaza Newsagency, Stirling)
- Bill Wareham (Tea Tree Plaza News Plus, Modbury)
- Sandra Mahney (Campbell's Newsagency, Oaklands Park)
- Rose Pogas (Virginia Lotteries Kiosk)
- Andrew Williamson (IGA Everyday Morphett Vale)
- Nicole Cavallo (Renmark Hotel Motel).

Agency excellence

Agency Excellence Awards are designed to recognise and reward excellence within SA Lotteries' retail and licensed agency network, with award winners determined based on set performance criteria.

In celebration of its 40th anniversary, during October and November SA Lotteries hosted a series of six regional Agency Excellence Awards presentation dinners to acknowledge and reward the efforts of its statewide network of agents.

Awards were presented in each region for Best Overall Agency, Best Retail Agency, Best Licensed Agency, Easiplay Club sales, Community Service and Support, Best In-Store Promotion and Luckiest Agency.

Agent golf day

In March 2008, SA Lotteries hosted its second annual agent golf day at Royal Adelaide Golf Club. In total, 98 guests attended the event.

Industry support

In 2007-08, SA Lotteries continued to extend sponsorship support to the key industry bodies that represent members of its agency network, including the Australian Newsagents' Federation (SA Branch), Australian Hotels Association (SA) and Clubs SA.

From top:
City Cross Lotteries Kiosk, Adelaide.
Agency Excellence Awards presentation dinner at the Hyatt Regency Adelaide.
Driving performance at our Agent golf day.

In 2007-08, 393 suppliers received a total of $15.8 million in exchange for products or services to SA Lotteries. Seventy-three per cent of suppliers were South Australian, with these 287 local businesses receiving more than $8.4 million.

Our suppliers

SA Lotteries' commitment to best-practice procurement includes initiatives such as:

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

ACCOUNT PAYMENT PERFORMANCE

PARTICULARS	NUMBER OF ACCOUNTS PAID	% OF ACCOUNTS PAID	VALUE IN A$ OF ACCOUNTS PAID	% OF ACCOUNT PAID (BY VALUE)
Paid by due date	3 710	95.01%	$16 189 092	92.64%
Paid late but within 30 days of the due date	193	4.94%	$1 282 492	7.34%
Paid more than 30 days from due date	2	0.05%	$3 325	0.02%

CONSULTANTS ENGAGED

EXPENDITURE RANGE	CONSULTANT	SERVICES PROVIDED
$10 000 to $50 000	PricewaterhouseCoopers	Probity audit
Over $50 000	ABN AMRO	Independent strategic assessment
	Ernst & Young	Probity advisory

"MORE THAN $8.4 MILLION WAS PAID TO 287 SOUTH AUSTRALIAN SUPPLIERS."

Business relations

The Bloc

SA Lotteries participates in multi-jurisdictional (Bloc) arrangements with the following other Australian lottery operators: New South Wales Lotteries Corporation (New South Wales & Australian Capital Territory); Tattersall's (Victoria, Queensland, Australian Capital Territory, Northern Territory and Tasmania); and Lotterywest (Western Australia).

The Bloc pools money to allow players access to larger jackpots while the licensing structure and operations of each lottery operator remain independent and autonomous.

During the year the Executive Committees of the various blocs met regularly. In 2007-08, SA Lotteries continued its role as Bloc Secretariat Administrator, and Game Administrator for the Australian Soccer Pools Bloc.

International associations

SA Lotteries values the information sharing and networking opportunities available as a result of its international lotteries industry membership associations.

SA Lotteries hosted one international delegation from the Asia Pacific region during the year. In November 2007, representatives from China Sports Lottery Administration Center visited SA Lotteries to learn about its online game products, marketing, finance and customer service operations.

SA Lotteries' two key international association memberships are:

- **Asia Pacific Lottery Association (APLA)**
  The Asia Pacific Lottery Association is one of five regional associations in the lotteries industry worldwide and represents lottery organisations from countries within the Asia Pacific region.

  SA Lotteries' Chief Executive is the elected Vice Chairperson of APLA's Executive Committee. SA Lotteries also hosts the Secretariat Administrator role on behalf of APLA. APLA's Executive Committee met on two occasions during the year. In November 2007, SA Lotteries was represented at APLA's Regional Conference and Annual General Meeting, which was hosted by the Japan Lottery Association in Tokyo, Japan.
- **World Lottery Association (WLA)**
  The World Lottery Association is an international member organisation. SA Lotteries is an APLA representative on the WLA's Global Legal Network Group.

The Executive Committee of the various lottery blocs.

OUR EMPLOYEES ENJOYED A HEALTHIER WORKPLACE WITH THE LAUNCH OF THE SA LOTTERIES LIFESTYLE PROGRAM.

Opportunity for our employees

Our team of 85 dedicated and committed employees share SA Lotteries' core values of integrity, accountability and respect. They are determined to ensure our organisation meets market expectations and remains strategically relevant to the community of South Australia.

SA Lotteries promotes a high performance culture through a broad base of strong leadership, system and process innovation, and employee development.

“SA LOTTERIES’ WORKFORCE INCLUDES A HIGH LEVEL OF QUALIFIED PERSONNEL, WITH 61 PER CENT OF EMPLOYEES HOLDING A VOCATIONAL OR HIGHER EDUCATION QUALIFICATION.”

Opportunities

Leadership Development Program

The objective of SA Lotteries’ Leadership Development Program is to build a leadership-based performance culture and to ensure adequate succession planning. In 2007-08, four employees participated in the Leadership Development Program, which will continue in 2008-09.

Mentoring Program

In 2007-08, one employee participated in SA Lotteries’ Mentoring Program.

Qualified workforce

SA Lotteries’ workforce includes a high level of qualified personnel, with 61 per cent of employees holding a vocational or higher education qualification.

Employee Graduate Program

SA Lotteries’ partnership with the University of South Australia offered a graduate marketing internship in 2007-08.

In February 2008, a graduate commenced a 12-month placement within the marketing department.

Performance development

SA Lotteries’ formal performance management process ensures that all staff members understand their roles and receive regular feedback and recognition with regard to their performance.

A three-phase performance management system was used to complete an individual performance development review or plan for 77 per cent of employees in 2007-08.

Training and development

To meet planned training and development requirements, 2.36 per cent of base salary costs were committed to training during 2007-08, with 55 employees (65 per cent of staff) participating in training courses.

Study assistance and study leave is also available to SA Lotteries’ full-time and permanent part-time employees, subject to the relevance of the proposed study and operational requirements. In 2007-08, SA Lotteries supported two employees with study assistance.

LEADERSHIP AND MANAGEMENT TRAINING AND DEVELOPMENT EXPENDITURE		
TRAINING AND DEVELOPMENT	TOTAL COST	% OF TOTAL REMUNERATION EXPENDITURE
Total training and development expenditure	$172 661	2.84%
Total leadership and management development expenditure	$102 890	1.69%

Total remuneration costs are based on gross salary costs plus employer superannuation.
Total training and development expenditure is based on course fees plus associated costs.

Staff retention

SA Lotteries' staff retention rate during 2007-08 was 86.64 per cent.

A healthy workplace

In April 2008, SA Lotteries Lifestyle Program was launched to improve employee health and wellbeing through awareness and participation.

The program has been well-received by employees, and includes the following initiatives:

- Fully-subsidised flu vaccinations.
- Quarterly onsite health education and awareness sessions.
- Fully-subsidised first aid training.
- Access to corporate health plans, providing employees with discounted health cover premiums and special offers.

Innovation Program

During the year, SA Lotteries launched its Innovation Program to engage employees in the delivery of business improvements throughout all areas of the organisation. The program generated more than 80 business improvement ideas, with four initially selected for development and implementation by a group of 17 volunteering staff.

Employee Assistance Program

The Employee Assistance Program is a service offered to employees to provide confidential guidance and advice for personal and work-related matters.

Equal employment opportunity

SA Lotteries is an equal opportunity employer, ensuring that all persons seeking employment are treated fairly and equitably and are not subjected to unlawful discrimination or harassment.

Voluntary flexible working arrangements

SA Lotteries provides a flexible working environment to assist employees in balancing work and family responsibilities. During the year, 27 per cent of employees participated in a voluntary flexible working arrangement, compared to 23 per cent in 2006-07.

Disability Discrimination Action Plan

SA Lotteries developed a Disability Discrimination Action Plan in July 1998, following consultation with disabled persons and associations assisting the disabled in South Australia.

The plan identifies barriers and recommends strategies for eliminating those barriers. Ongoing monitoring of these strategies continued throughout 2007-08.

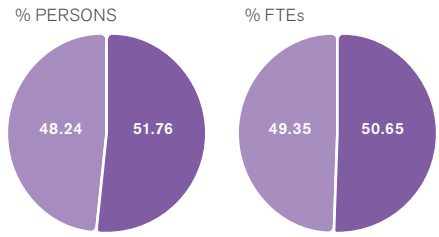
Above: Our staff enjoy a healthy start with the launch of the SA Lotteries Lifestyle Program.
Right: Our partnership with the University of South Australia attracts the brightest graduates. Image courtesy of the University of South Australia.

“SA LOTTERIES IS AN EQUAL OPPORTUNITY EMPLOYER, ENSURING THAT ALL PERSONS SEEKING EMPLOYMENT ARE TREATED FAIRLY AND EQUITABLY AND ARE NOT SUBJECTED TO UNLAWFUL DISCRIMINATION OR HARASSMENT.”

Our people

EMPLOYEES	
Persons (as at 30 June 2008)	85
Full-time equivalent employee numbers as at 30 June 2008	80.45
Number of persons separated from SA Lotteries during the 2007-08 financial year	12
Number of persons recruited to SA Lotteries during the 2007-08 financial year	13
Number of persons on leave without pay at 30 June 2008	–

EMPLOYEES BY GENDER



EMPLOYEES WITH ONGOING DISABILITIES REQUIRING WORKPLACE ADAPTATION					
	MALE	FEMALE	TOTAL	TYPE OF DISABILITY	% OF AGENCY
TOTAL	–	1	1	PHYSICAL	1.2

LEAVE MANAGEMENT – AVERAGE DAYS LEAVE TAKEN PER FULL-TIME EQUIVALENT EMPLOYEE

LEAVE TYPE	2007-08	2006-07	2005-06	2004–05
Sick leave taken*	7.0	6.8	6.0	8.6
Family carer's leave taken	0.8	0.7	0.9	0.7
Miscellaneous special leave	0.8	0.5	0.3	0.5

* Figures incorporate paid and unpaid sick leave.
All staff are encouraged to take their full annual leave allocation in the year of accrual.

STATUS OF EMPLOYEES IN CURRENT POSITION (AS AT 30 JUNE 2008)

FULL-TIME EQUIVALENTS	ONGOING	SHORT-TERM CONTRACT	LONG-TERM CONTRACT	OTHER (CASUAL)	TOTAL
Female	36.75	3	1	–	40.75
Male	35.40	–	4	0.3	39.70
TOTAL	72.15	3	5	0.3	80.45

EMPLOYEES	ONGOING	SHORT-TERM CONTRACT	LONG-TERM CONTRACT	OTHER (CASUAL)	TOTAL
Female	40	3	1	–	44
Male	36	–	4	1	41
TOTAL	76	3	5	1	85

Short-term applies to contracted periods up to and including one year.
Long-term applies to contracted periods beyond one year and up to five years.

EXECUTIVES BY GENDER, CLASSIFICATION AND STATUS

CLASSIFICATION	CONTRACT TENURED		CONTRACT UNTENURED		TOTAL		
	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	TOTAL
Level D	–	–	–	1	–	1	1
Level B	–	–	2	–	2	–	2
Level A	–	–	2	–	2	–	2
TOTAL	–	–	4	1	4	1	5

EMPLOYEES BY AGE BRACKET BY GENDER

AGE BRACKET	MALE	FEMALE	TOTAL	% TOTAL	WORKFORCE BENCHMARK*
15–19	–	–	–	–	6.7
20–24	–	5	5	5.9	10.5
25–29	7	4	11	12.9	10.2
30–34	8	7	15	17.6	9.9
35–39	6	5	11	12.9	11.2
40–44	4	7	11	12.9	11.9
45–49	5	5	10	11.8	12.3
50–54	6	2	8	9.4	11.3
55–59	2	4	6	7.1	8.6
60–64	3	3	6	7.1	5.0
65+	–	2	2	2.4	2.4
TOTAL	41	44	85	100.0	100.0

* Source: Australian Bureau of Statistics *Australian Demographic Statistics, Labour Force Status* (ST LM8) by age, sex, state, marital status – employed – total from Feb 78 Supertable, South Australia at March 2007.

EMPLOYEES BY SALARY BRACKET

SALARY BRACKET	MALE	FEMALE	TOTAL
$0 -$46 399	5	13	18
$46 400 - $58 999	14	12	26
$59 000 - $75 499	11	12	23
$75 500 - $94 999	6	6	12
$95 000 +	5	1	6
TOTAL	41	44	85

ABORIGINAL AND/OR TORRES STRAIT ISLANDER EMPLOYEES

	MALE	FEMALE	TOTAL	% OF AGENCY	TARGET*
Aboriginal/Torres Strait Islander	–	–	–	–	2.0%

* Target from *South Australia's Strategic Plan*

CULTURAL AND LINGUISTIC DIVERSITY

	MALE	FEMALE	TOTAL	% OF AGENCY	SA COMMUNITY*
Number of employees born overseas	8	6	14	16.5	20.3%
Number of employees who speak language(s) other than English at home	3	2	5	5.9	15.5%
TOTAL	11	8	19	22.4	

* Benchmarks from ABS Publication *Basic Community Profile* (SA) Cat No. 2001.0.

Occupational health and safety

SA Lotteries is committed to ensuring, so far as is reasonably practicable, that employees are safe from injury and risk to health while at work. This is achieved by striving to continually improve health and safety systems and practices, and by comparing those against industry standards. During 2007-08, the following health and safety activities were implemented:

- Review of all occupational health and safety policies guidelines and procedures.
- An annual occupational health and safety inspection of premises.
- First aid training for relevant employees.
- Driver training and education for field staff, such as Territory Managers, Audit Officers and Service Technicians.
- Quarterly occupational health and safety committee meetings.
- Ergonomic assessments of employee workstations.

Workers compensation

Through the effective management of safe work practices, SA Lotteries had nil workers compensation claims during 2007-08. This result has assisted SA Lotteries in achieving a reduced WorkCover levy rate for 2008-09.

OCCUPATIONAL HEALTH, SAFETY AND INJURY MANAGEMENT			
1 OH&S LEGISLATIVE REQUIREMENTS	2007-08	2006-07	2005-06
Number of notifiable occurrences pursuant to OHS&W Regulations Division 6.6	–	–	–
Number of notifiable injuries pursuant to OHS&W Regulations Division 6.6	–	–	–
Number of notices served pursuant to OHS&W Act s35, s39 and s40	–	–	–
2 INJURY MANAGEMENT LEGISLATIVE REQUIREMENTS			
Total number of employees who participated in the rehabilitation program	–	–	–
Total number of employees rehabilitated and reassigned to alternative duties	–	–	–
Total number of employees rehabilitated back to their original work	–	–	–
Number of open claims as at 30 June 2008	1	1	1
Percentage of workers' compensation expenditure over gross annual remuneration	0.29	0.32	0.27
3 NUMBER OF CLAIMS			
Number of new workers' compensation claims in this financial year	–	2	4
Number of fatalities (F)	–	–	–
Number of lost time injuries (LTI)	–	2	2
Number of medical treatment only (MTO)	–	–	2
Total number of whole working days lost	–	11	2
4 COST OF WORKERS COMPENSATION			
Cost of new claims for financial year	–	$1 897	$306
Cost of all claims excluding lump sum payments	–	$4 066	$14 958
Amount paid for lump sum payments on the settlement of a claim (s42,s43,s44)	–	–	–
Total amount recovered from external sources (s54) including from a negligent third party	–	–	–
Budget allocation for workers compensation	$81 879	$85 096	$122 520
5 TRENDS			
Injury frequency rate for new lost-time injury/disease for each million hours worked	–	15.37	15.29
Most frequent cause (mechanism) of injury	–	Slips, trips and falls/ Manual handling	Manual handling
Most expensive cause (mechanism) of injury	–	Slips, trips and falls	Slips, trips and falls

OVERSEAS TRAVEL BY SA LOTTERIES EMPLOYEES			
DESTINATION	REASON FOR TRAVEL	NO. OF EMPLOYEES	TOTAL COST*
New Zealand, United States of America, Greece, United Kingdom, Germany	Replacement Online Lotteries System site visits	2	$34 347
Japan	Asia Pacific Lottery Association: 2007 Regional Conference, Executive Committee Meeting and Annual General Meeting	2	$15 810
Malaysia	Asia Pacific Lottery Association: Executive Committee Meeting	2	$8 744

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

SOUTH AUSTRALIAN FOOTBALL FANS ENJOYED FREE TRANSPORT TO AND FROM AAMI STADIUM ABOARD THE SA LOTTERIES FOOTY EXPRESS.

Benefiting our society

SA Lotteries has recognised that, like any organisation, future success will rely on its ability to exceed its legislative requirements and adopt better business practices to further benefit the South Australian community.

SA Lotteries' determination to make a greater positive impact on business and the community is reflected in its Corporate Social Responsibility (CSR) Program, which has been progressively implemented since 2006.

Aligned with *South Australia's Strategic Plan*, the program is segmented into four impact areas—environment, social, economic and corporate governance—and details the organisation's best-practice strategies to make a difference in the community by minimising its impact on the environment and maximising the social and economic benefits it brings to the State.

Benefiting our society

SA Lotteries Footy Express

A partnership with the South Australian National Football League, SA Lotteries Footy Express was launched in March to coincide with the 2008 Australian Football League season. SA Lotteries Footy Express is a bus service that provides South Australian football fans with free transport to and from AAMI Stadium. On average in 2007-08, 97 SA Lotteries Footy Express buses transported more than 6000 South Australians to AAMI Stadium each week.

SA Lotteries Symphony Sessions

A sponsorship program aimed at promoting the positive effects of music on health and wellbeing in the hospital community, SA Lotteries Symphony Sessions re-launched in May 2008. The Adelaide Symphony Orchestra (ASO) ensembles perform for patients at various wards of the Royal Adelaide Hospital.

SA Lotteries State Opera Arts in Health

Expanding the benefits of the SA Lotteries Symphony Sessions program, *SA Lotteries State Opera Arts in Health* launched in May 2008 and comprises a series of 10 special performances by leading singers for patients at various metropolitan public hospitals and medical centres.

SA Lotteries brings the Adelaide Fringe to hospitals

SA Lotteries continued its partnership with the Adelaide Fringe to bring the world's second largest arts event to those not well enough to attend public performances. In March 2008, Adelaide Fringe comedian Justin Hamilton brought smiles to the faces of patients at the Women's & Children's Hospital, Queen Elizabeth Hospital, Flinders Medical Centre and Lyell McEwen Hospital.

Tour Down Under

SA Lotteries has sponsored the Tour Down Under Sprint Jersey since 2002, helping to bring Australia's premier cycling race to South Australia.

The 2008 Tour Down Under was the first cycling race outside of Europe to receive ProTour status. In conjunction with its sponsorship, SA Lotteries distributed 10 000 fortune cookies, 7000 backpacks, 1600 outdoor medical kits and 800 eco-friendly shopping bags to Tour Down Under race spectators in January 2008.

Matching funds

Every dollar raised by employees as part of quarterly departmental charity days was matched by SA Lotteries. In total, $5 585.20 was donated to four not-for-profit organisations:

- Variety – The Children's Charity.
- Flinders Medical Centre Foundation.
- Starlight Children's Foundation Australia.
- Leukaemia Foundation.

Corporate volunteering

Employees are granted one day a year at full pay to volunteer their time and skills to assist a not-for-profit organisation. Employees can coordinate the volunteering themselves directly or participate in a coordinated project with their colleagues. Six employees volunteered to cook breakfast for Adelaide's homeless at the Magdalene Centre in June 2008.

Workplace giving

Various charities receive regular donations from employees via SA Lotteries' ongoing Workplace Giving program.

Community Fundraising Kits

More than 109 local clubs, schools, sporting groups and charities were provided with SA Lotteries' Community Fundraising Kits during 2007-08.

Minor sponsorship

During the year, minor sponsorship support was extended to Uniting*Care* Wesley, Queen Elizabeth Hospital Research Foundation, Juvenile Diabetes Research Foundation, Animal Welfare League and Novita Children's Services to assist with fundraising for these worthy causes.

Blood Donor Program

In 2007-08, employees donated in excess of 12 litres of blood to Red Cross as part of SA Lotteries' Corporate Blood Donor Program.

Christmas Wish promotion

The wishes of ten South Australians were granted as part of SA Lotteries' Christmas Wish promotion with radio partner, Triple M. The two-week promotion encouraged adult listeners to register their wishes on Triple M's website in the lead-up to Christmas.

Christmas giving

SA Lotteries employees donated more than 35 Christmas gifts to South Australians in need via The Smith Family's Wishing Tree initiative.

Left: Cooking breakfast for Adelaide's homeless and vulnerable residents.
Below: South Australians felt better after receiving 30,000 free outdoor medical kits.

Community event participation

Registration fees for participation in community-based events were reimbursed for 10 employees during the year.

These events included the MS Society's 24-hour MegaSwim and the Mother's Day Classic Fun Run to raise funds for breast cancer research.

Rotary Corporate Membership

SA Lotteries' corporate membership of Rotary continued, providing executives with the opportunity to attend weekly networking luncheons.

First aid in the community

In September 2007, SA Lotteries formed a media partnership to distribute 30 000 free outdoor medical kits to *The Advertiser* readers via selected members of SA Lotteries' retail agency network.

SA Lotteries also distributed complimentary outdoor medical kits to 1600 Tour Down Under race spectators in January, and 2000 attendees at the Adelaide Fringe Family Weekend in March.

Clockwise from left: Tour Down Under Stage 2 Sprint winner, Mickaël Buffaz.
South Australia's hospital community enjoys performances by State Opera singers Andrew Turner and Joanna McWaters.
SA Lotteries Symphony Sessions brings music to the ears of Royal Adelaide Hospital patients.
Port Power's Brett Ebert and Adelaide Crows' Chris Knights enjoy the free SA Lotteries Footy Express.
Photo courtesy of Adelaide Metro (DTEI Government of South Australia).

OUR ENVIRONMENT BENEFITED FROM OUR 13.44 PER CENT REDUCTION IN GREENHOUSE GAS EMISSIONS.

Protecting our environment

SA Lotteries is committed to efficient energy usage to minimise costs, reduce its greenhouse gas emissions and reduce waste associated with its products.

Greenhouse gas emissions

SA Lotteries is committed to reducing the environmental impacts of its business and has decreased its greenhouse gas emissions to achieve its final target of 886 323 Kg CO_2.

From 1 January 2008, SA Lotteries' use of renewable energy increased from 15 per cent to 20 per cent across its main head office energy account. Also during 2007-08, 100 per cent of energy used in SA Lotteries' distribution warehouse and public lighting areas was converted to originate from renewable sources.

SA Lotteries' use of renewable energy across its major and minor energy accounts, combined with a three per cent reduction in energy use during 2007-08, has resulted in an overall 13.44 per cent reduction in greenhouse gas emissions on 2006-07.

Recycling

To 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 tickets. A similar message will be printed on game coupons during 2008-09.

Cleaning up our Park Lands home.

Dual-fuel vehicles

SA Lotteries continued its program of replacing unleaded petrol-fuelled vehicles with dual-fuelled models during 2007-08. More than 92 per cent of SA Lotteries' vehicle fleet now operates on emission-friendly, energy-efficient fuel systems. The replacement program will continue in 2008-09.

Business Clean Up Day

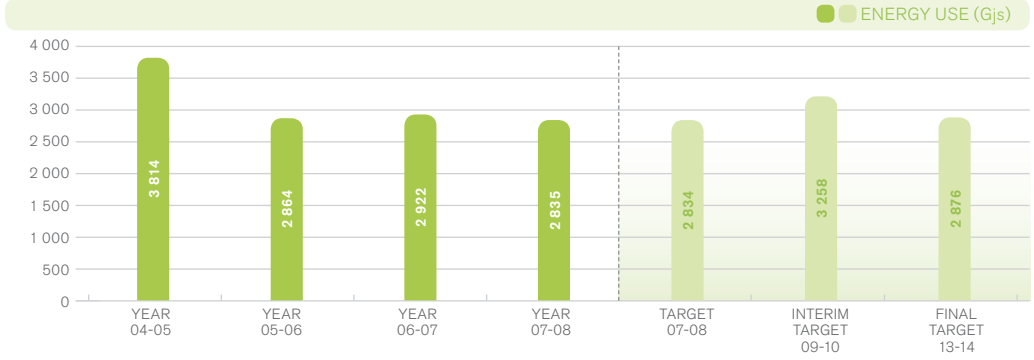
In February 2008, a team of employees participated in Business Clean Up Day to beautify the Park Lands adjacent to SA Lotteries Head Office.

Earth Hour

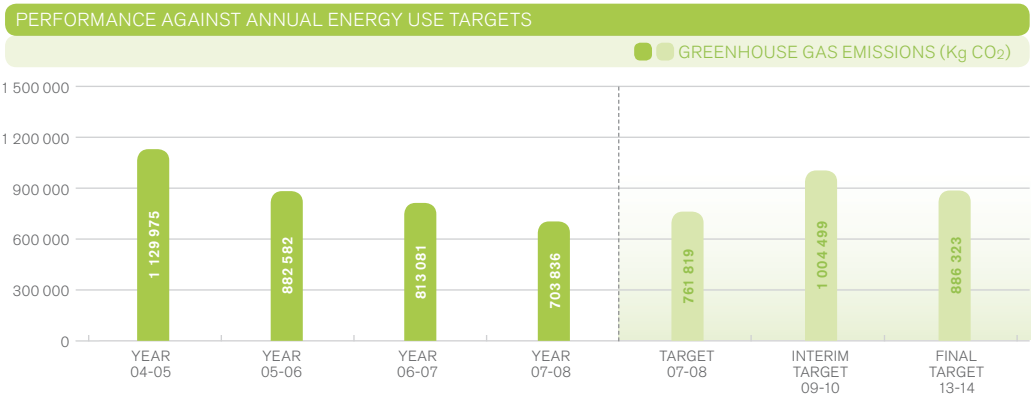
On 29 March 2008, SA Lotteries participated in Earth Hour to demonstrate its commitment to the environment and to further assist in the reduction in greenhouse gases by switching off non-critical systems and lighting.

SA Lotteries Head Office renewable energy usage increased by 33 per cent on 2006-07.

PERFORMANCE AGAINST ANNUAL ENERGY USE TARGETS



PERFORMANCE AGAINST ANNUAL ENERGY USE TARGETS



The year ahead

SOUTH AUSTRALIA'S STRATEGIC PLAN OBJECTIVE	SA LOTTERIES' GOALS	SA LOTTERIES' 2008–09 OUTLOOK
GROWING PROSPERITY	To promote, conduct and distribute lotteries games in a responsible manner to generate wealth for the South Australian community.	• Add value to games through innovative promotions and enhancements to existing games. • Enhance relationship with existing agents respecting the links between their business and SA Lotteries. • Ensure that our distribution network meets customer expectations.
FOSTERING CREATIVITY	To promote, conduct and distribute lotteries games in a responsible manner to generate wealth for the South Australian community.	• Increase level of internet use by agents and SA Lotteries players. • Continue to foster an innovative environment for staff through the Innovation Program.
IMPROVING WELLBEING	To be a corporately responsible and respected organisation that has a broad base of community support.	• Continue the Corporate Social Responsibility (CSR) Program. • Ensure continued compliance with the State Lotteries Responsible Gambling Code of Practice and State Lotteries Advertising Code of Practice. • Increase the level of public recognition of the role that SA Lotteries plays in benefiting the community of South Australia.
ATTAINING SUSTAINABILITY	To be a corporately responsible and respected organisation that has a broad base of community support.	• Reduce energy consumption and greenhouse gas emissions to minimise our impact on the environment. • Implement a recycling program at head office and continue to encourage recycling within the agency network.
GROWING PROSPERITY	To improve productivity by optimising the use of assets and pursuing the most effective work practices.	• Minimise organisation cost structures and charges. • Implement Independent Strategic Assessment recommendations.
EXPANDING OPPORTUNITY	To improve productivity by optimising the use of assets and pursuing the most effective work practices.	• Continue the Leadership Development Program. • Maintain the number of employees with vocational or higher education qualifications. • Ensure the amount spent on employee training and development meets industry benchmarks.

2007-08
Lotteries Commission of South Australia
Annual Financial Report

Lotteries Commission of South Australia Annual Financial Report Year ended 30 June 2008

Income Statement for the year ended 30 June 2008

	Note	2008 $'000	2007 $'000
Income			
Sales revenue	6	**366 583**	349 246
Cost of sales	7	**321 003**	306 145
Gross Margin		**45 580**	43 101
Interest revenue		**3 628**	3 083
Other revenues	8	**4 517**	4 404
Total Income		**53 725**	50 588
Expenses			
Employee benefits expenses	9	**7 080**	6 246
Supplies and services	10	**14 876**	14 060
Depreciation and amortisation expense	11	**3 346**	3 201
Loss on disposal of non-current assets	12	**1 542**	-
Borrowing costs		**11**	95
Total Expenses		**26 855**	23 602
Profit before income tax equivalent		**26 870**	26 986
Income tax equivalent expense		**8 061**	8 096
Net Profit after income tax equivalent		**18 809**	18 890

Net Profit after income tax equivalent is attributable to the SA Government as owner.

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

Balance Sheet as at 30 June 2008

	Note	2008	2007
		$'000	$'000
Current Assets			
Cash and cash equivalents	14	**51 360**	48 980
Receivables	15	**2 600**	28 571
Inventories		**504**	473
Total Current Assets		**54 464**	78 024
Non-Current Assets			
Property, plant and equipment	16	**6 767**	11 321
Intangible assets	17	**105**	143
Other non-current assets	18	**542**	1 082
Total Non-Current Assets		**7 414**	12 546
Total Assets		**61 878**	90 570
Current Liabilities			
Payables	19	**22 468**	48 697
Short-term borrowings	20	**-**	554
Short-term employee benefits	21	**731**	731
Other current liabilities	22	**8 230**	8 155
Total Current Liabilities		**31 429**	58 137
Non-Current Liabilities			
Payables	19	**52**	28
Long-term borrowings	20	**-**	6
Long-term employee benefits	21	**685**	669
Other non-current liabilities	22	**6 705**	5 829
Total Non-Current Liabilities		**7 442**	6 532
Total Liabilities		**38 871**	64 669
Net Assets		**23 007**	25 901
Equity			
Funds retained for capital purposes		**636**	636
Reserves		**22 371**	25 265
Retained earnings		**-**	-
Total Equity		**23 007**	25 901

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

Unrecognised contractual commitments	24	
Contingent assets and liabilities	25	

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

Lotteries Commission of South Australia Annual Financial Report Year ended 30 June 2008

Statement of Changes in Equity for the year ended 30 June 2008

	Funds Retained for Capital Purposes $'000	Asset Revaluation Reserve $'000	Building Maintenance Reserve $'000	Capital Asset Reserve (Note 23) $'000	Keno Prize Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 30 June 2006	636	7 871	94	16 263	1 241	-	26 105
Profit after income tax equivalent for 2006-07	-	-	-	-	-	18 890	18 890
Transfers:							
• from Retained earnings	-	-	-	2 000	1 421	(3 421)	-
• to Retained earnings	-	-	-	(1 541)	(2 466)	4 007	-
Gain on revaluation of property in 2006-07 (Note 16)	-	382	-	-	-	-	382
Dividend contribution to SA Government	-	-	-	-	-	(19 476)	(19 476)
Balance at 30 June 2007	636	8 253	94	16 722	196	-	25 901
Profit after income tax equivalent for 2007-08	-	-	-	-	-	18 809	18 809
Transfers:							
• from Retained earnings	-	-	-	2 000	1 274	(3 274)	-
• to Retained earnings	-	(2 779)	-	(1 929)	(1 460)	6 168	-
Dividend contribution to SA Government	-	-	-	-	-	(21 703)	(21 703)
Balance at 30 June 2008	**636**	**5 474**	**94**	**16 793**	**10**	**-**	**23 007**

All Changes in Equity are attributable to the SA Government as owner.

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

Cash Flow Statement for the year ended 30 June 2008

	Note	2008 $'000	2007 $'000
Cash Flows from Operating Activities			
Cash Inflows			
Receipts from customers		**339 870**	321 658
Interest received		**3 555**	3 053
GST recovered from the Australian Taxation Office		**450**	419
Cash generated from operations		**343 875**	325 130
Cash Outflows			
Prizes paid		**(217 631)**	(206 227)
Payments to suppliers and employees		**(20 548)**	(20 137)
GST paid to Australian Taxation Office		**(9 534)**	(8 938)
GST payments on purchases		**(1 501)**	(1 533)
Interest paid		**(22)**	(125)
Distribution to the Hospitals Fund and Recreation and Sport Fund			
• Gambling tax	27	**(59 816)**	(56 998)
• Dividends	27	**(20 298)**	(20 258)
• Unclaimed prizes	27	**(1 925)**	(1 964)
Distribution to the Hospitals Fund for income tax equivalent	27	**(8 930)**	(8 416)
Cash used in operations		**(340 205)**	(324 596)
Net cash provided by operating activities	26	**3 670**	534
Cash Flows from Investing Activities			
Cash Inflows			
Proceeds from sale of property, plant and equipment		**-**	5
Cash Outflows			
Purchase of property, plant and equipment		**(710)**	(1 437)
Purchase of intangible assets		**(20)**	(145)
Net cash used in investing activities		**(730)**	(1 577)
Cash Flows from Financing Activities			
Cash Outflows			
Repayment of borrowings		**(560)**	(1 690)
Net cash used in financing activities		**(560)**	(1 690)
Net Increase (Decrease) in Cash and Cash Equivalents		**2 380**	(2 733)
Cash and Cash Equivalents at the beginning of the financial year		**48 980**	51 713
Cash and Cash Equivalents at the end of the financial year	26	**51 360**	48 980

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

Lotteries Commission of South Australia Annual Financial Report Year ended 30 June 2008

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Notes to the Financial Statements

1 Objectives of SA Lotteries

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

2 Summary of Significant Accounting Policies

(a) Statement of Compliance

The financial report is a general purpose financial report. The financial report has been prepared in accordance with applicable Australian Accounting Standards and Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987.*

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by SA Lotteries for the reporting period ending 30 June 2008. Refer to Note 3.

(b) Basis of Preparation

The preparation of the financial report requires:

- the use of certain accounting estimates and requires 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 reporting date, classified according to their nature;

  (b) expenses incurred as a result of engaging consultants (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; and

  (d) employees whose normal remuneration is $100 000 or more (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.

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

The Cash Flow Statement has been prepared on a cash basis.

The financial report has been prepared based on a twelve month operating cycle and is presented in Australian currency.

The accounting policies set out below have been applied consistently in preparing the financial report for the year ended 30 June 2008 and the comparative information presented for the year ended 30 June 2007.

(c) Reporting Entity

The financial report covers the Lotteries Commission of South Australia as an individual reporting entity. The Lotteries Commission of South Australia was established by the *State Lotteries Act 1966*. The reporting entity comprises the Lotteries Commission of South Australia only.

(d) Comparative Information

The presentation and classification of items in the financial report are consistent with prior periods except where a specific Accounting Policy Statement or Australian Accounting Standard have required a change.

Where presentation or classification of items in the financial report has been amended, comparative amounts have been reclassified unless reclassification is impracticable.

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

(e) Rounding

All amounts in the financial statements 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 profit method. This requires that the corporate income tax rate be applied to the 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.

Lotteries Commission of South Australia Annual Financial Report Year ended 30 June 2008

Notes to the Financial Statements

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

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 Balance Sheet.

Cash flows are included in the Cash Flow Statement 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 and Expenses

Income and expenses are recognised to the extent that it is probable that the flow of economic benefits to or from the entity will occur and can be reliably measured.

Income and expenses 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 30 discloses income, expenses, financial assets and financial liabilities 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:

Revenues

Revenues are measured at fair value of consideration received or receivable. Revenue is recognised for major activities as follows:

- Sales revenue for Saturday Lotto, Monday/Wednesday Lotto, Oz Lotto, Powerball, Keno, Super 66, The Pools and Lucky SA Lottery is recognised as at the date of the draw or competition. 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 daily.
- 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.

Expenses

Employee benefits expenses include all costs related to employment, including salaries and leave entitlements. These are recognised when incurred. Recognition of superannuation expenses is described in note 2(y).

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.

All borrowing costs are recognised as an expense.

The net loss on disposal of non-current assets is recognised when control of the asset has passed to the buyer and is determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation increments are transferred to retained earnings.

(h) 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.

(i) Cash and Cash Equivalents

Cash and cash equivalents in the Balance Sheet and Cash Flow Statement includes cash on hand, deposits held at call and other short-term, highly liquid investments that are readily converted to cash, 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. Interest is earned at a minimum of SAFA's overnight at call deposit rate. The deposits principally reflect funds available for unclaimed prizes and for distribution to the Hospitals Fund and the Recreation and Sport Fund.

Cash is measured at nominal value.

(j) Receivables

Receivables include amounts receivable from agents and other parties, prizes receivable from Blocs, 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 is 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. Bad debts are written off when identified.

Prizes Receivable from Blocs

Saturday Lotto, Monday/Wednesday Lotto, Oz Lotto, Powerball, Super 66 and The Pools are games supported by inter-jurisdictional prize pooling arrangements. State lottery operators participating in individual games form Blocs for the relevant games. Amounts receivable from Blocs represent monies due from other jurisdictions for prizes won in South Australia. Settlement of amounts receivable from Bloc members are normally due 14 days after the date of the draw.

(k) Inventories

Inventories are held for distribution and include Instant Scratchies tickets, online coupons, ticket rolls, and ribbons.

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

(l) Non-Current Asset Acquisition and Recognition

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.

(m) Revaluation of Non-Current Assets

All non-current tangible assets are valued at 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. 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 3.10 to take asset revaluation adjustments to the asset revaluation reserve on a class basis rather than an individual asset basis.

(n) Impairment

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

(o) 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. Amortisation is used in relation to leasehold improvements and intangible assets (software), while depreciation is applied to tangible assets such as property, plant and equipment.

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.

Notes to the Financial Statements

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	20 years
Plant and Equipment	3 - 10 years
Online Lotteries System	1½ - 4¼ years
Leasehold Improvements	10 years
Intangibles (software)	3 years

(p) 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 to be either finite or indefinite. SA Lotteries only has intangible assets with finite lives.

(q) 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 to lottery operators in other States participating in inter-jurisdictional prize pooling arrangements. State lottery operators have formed Blocs to conduct the games of Saturday Lotto, Monday/Wednesday Lotto, Oz Lotto, Powerball, Super 66 and The Pools.

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

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.

(r) Borrowings

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

The carrying amount for borrowings approximates fair value.

(s) 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

The liability for long service leave is recognised after an employee has completed 6½ years of service based on an actuarial assessment performed by the Department of Treasury and Finance.

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 shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with SA Lotteries' experience of employee retention and leave taken.

The portion of the long service leave provision 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.

(t) Unclaimed Prizes Reserve

Other than a prize in a Special Appeal Lottery (note 2(v)), 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 to 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 a notice of a claim for the prize has not been complied with in accordance with the Lotteries Rules.

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

(u) 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(v)), 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 and special lotteries;

(ii) an income tax equivalent payment (calculated on the accounting profits method), recorded as an expense item in the Income Statement;

(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 27.

(v) Special Appeal Lotteries

With effect from 30 April 2007, the *State Lotteries Act 1966* was amended to facilitate the conduct of Special Appeal Lotteries for approved state-based causes and disasters. The beneficiary(s), as approved by the Minister, receive the net proceeds less GST on NGR plus unclaimed prizes in respect of the Special Appeal Lotteries.

No Special Appeal Lotteries were conducted during the financial year.

(w) Foreign Currency

Exchange differences arising up to the date of purchase are included in the measurement of the purchase and are reported in the Income Statement.

(x) Operating Leases

SA Lotteries has an accommodation lease agreement for its Head Office premises at 24-25 Greenhill Road, Wayville and an operating lease agreement for a remote computer site at Kidman Park. 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 Income Statement 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.

(y) Superannuation

SA Lotteries has an established superannuation plan for its employees, being the Lotteries Commission of South Australia Superannuation Plan (the Plan), which is 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'

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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 18 July 2008.

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 Income Statement.

The superannuation expense of the defined benefit 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 recognised in the Balance Sheet represents the surplus 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.

(z) 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.

(aa) Reserves

Asset Revaluation Reserve

This reserve was established to record increments and decrements in relation to the revaluation of land and buildings and the online lotteries system.

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 at the rate of 23.32% of all Keno Spot 10 net sales (being gross sales less agents' commission) 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 returned to the Hospitals Fund as a Dividend.

(ab) Unrecognised Contractual Commitments

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

(ac) 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.

3 Changes in Accounting Policies

The Australian Accounting Standards and interpretations that have recently been issued or amended, but are not yet effective, have not been adopted by SA Lotteries for the reporting period ending 30 June 2008. 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 report 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 30.

5 Segment Reporting Information

SA Lotteries' business operations are conducted in the one main business and geographical segment - selling lottery games within the economic environment of South Australia.

SA Lotteries has not established any partnership, body corporate or trust to carry out any function of its business operations.

6 Sales Revenue

	2008 $'000	2007 $'000
Saturday Lotto	128 336	135 042
Monday/Wednesday Lotto	31 782	32 607
Oz Lotto	34 709	22 234
Powerball	49 972	42 034
Keno	79 506	78 523
Instant Scratchies	39 929	37 139
Super 66	1 108	1 149
The Pools	581	518
Lucky SA	660	-
Total sales revenue	366 583	349 246

Sales revenue includes agents' commission.

7 Cost of Sales

	2008 $'000	2007 $'000
Prizes	221 283	211 236
Gambling tax on net gambling revenue	59 573	56 584
Agents' commission	26 938	25 779
GST on net gambling revenue	13 209	12 546
Total cost of sales	321 003	306 145

8 Other Revenues

	2008 $'000	2007 $'000
Agents' fees and charges	3 621	3 604
Easiplay Club service fees	355	338
Sundry	541	462
Total other revenues	4 517	4 404

9 Employee Benefits Expenses

	2008 $'000	2007 $'000
Salaries (including annual leave)	5 476	5 234
Long service leave	119	167
Employment on-costs - superannuation contributions (note 29(j))	397	553
Decrease (increase) in defined benefit superannuation plan asset (note 29(e))	540	(294)
Employment on-costs - other	429	484
Commission Members' fees	119	102
Total employee benefits expenses	7 080	6 246

Remuneration of employees

The table covers all employees who received remuneration of $100 000 or more during the year. Remuneration reflects all costs of employment including salaries, superannuation contributions, fringe benefits tax, any other salary sacrifice benefits, and payment of leave entitlements on ceasing employment. Employer contributions for employees who are members of the defined benefit section of the SA Lotteries Superannuation Plan have been reduced from 1 July 2007 in accordance with actuarial advice and Commission endorsement.

	2008 No.	2007 No.
The number of employees whose remuneration received or receivable falls within the following bands:		
$100 000 to $109 999	2	-
$120 000 to $129 999	1	2
$130 000 to $139 999	1	-
$140 000 to $149 999	1	-
$150 000 to $159 999	-	1
$170 000 to $179 999	1	-
$260 000 to $269 999	1	-
$280 000 to $289 999	-	1
$290 000 to $299 999	-	1
Total Number of Employees	7	5

	2008 $'000	2007 $'000
Total remuneration received or receivable by employees whose remuneration was $100 000 or more	1 049	990

Commission Members

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

Mr H J Ohff, FIEAust, CPEng, BA (Hons) (Presiding Member)
Ms S J Mackenzie, B Comm (Accounting), LLB (Hons)
Mr W R Jackson, BEc, FASA
Mr S K Shirley, BEc, FCA, CPA
Ms A E Lindsay, BA (Hons), LLB (Hons).

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.

	2008 No.	2007 No.
The number of Commission Members whose remuneration received or receivable falls within the following bands:		
$0 to $9 999	-	2
$10 000 to $19 999	-	1
$20 000 to $29 999	4	2
$30 000 to $39 999	1	1

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	2008 $'000	2007 $'000
The total remuneration received or receivable by Commission Members	145	120

Other Key Management Personnel Transactions

The aggregate amounts recognised during the year relating to key management personnel were as follows:		
Commission Member: Mr S K Shirley		
Transaction: Consulting Fees	-	9

During the year ended 30 June 2007, SA Lotteries used the consulting services of Mr S K Shirley in relation to independent accounting and commercial advice to the Commission and such other advice in accordance with his qualifications during the period after the expiration of his term as a Commission Member to his reappointment. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms. No amounts were outstanding at year end.

Related Party Disclosure

All transactions with related parties, including Commission Members, are on conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

No Commission Member has entered into a material 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.

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.

The compensation of key management personnel included in Employee Benefits Expenses is as follows:

	2008 $'000	2007 $'000
Short-term employee benefits	860	951
Post-employment benefits *	212	85
Long-term employee benefits	13	16
Total key management personnel compensation	1 085	1 052

* Post-employment benefits include an allocation of the change in the defined benefit superannuation plan asset 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.

10 Supplies and Services

	2008 $'000	2007 $'000
Advertising and marketing	6 400	5 875
Computer operations	2 997	3 190
Tickets, coupons, terminal rolls and ribbons	1 464	1 467
Operating leases	632	609
Other occupancy costs	578	562
Temporary staff and contractors	459	295
Agent distribution costs	234	225
Consultancies	248	36
Insurance	121	145
External audit fees (note 13)	135	121
Training costs	117	82
Gambling tax - other	46	32
Bad debts	14	6
Other	1 431	1 415
Total Supplies and Services	14 876	14 060

	2008 No.	2007 No.	2008 $'000	2007 $'000
Consultancies				
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	9	11
$10 000 to $50 000	1	2	20	25
Above $50 000	2	-	219	-
Total paid/payable to consultants engaged	5	4	248	36

11 Depreciation and Amortisation Expense

	2008 $'000	2007 $'000
Depreciation		
Buildings	38	24
Plant and equipment	288	305
Online lotteries system	2 719	2 624
Total depreciation	3 045	2 953
Amortisation		
Leasehold improvements	243	229
Software	58	19
Total amortisation	301	248
Total depreciation and amortisation	3 346	3 201

Change in Depreciation due to Revaluation

SA Lotteries revalued its land and buildings upwards on 30 June 2007. As a result of the revaluation, depreciation on buildings has increased in the current reporting period. Depreciation expense increased by $14 000 as a result of the revaluation.

12 Net Loss on Disposal of Non-current Assets

	2008 $'000	2007 $'000
Proceeds from disposal	-	5
Less: Net book value of assets disposed	1 542	5
Net loss from disposal of non-current assets	1 542	-

13 Auditor's Remuneration

	2008 $'000	2007 $'000
Audit Services		
Audit fees payable for the financial year	142	141
(Over) under accrual	(7)	(20)
External audit fees expense	135	121

The Auditor-General's Department is the auditor of SA Lotteries.

Other Services

No other services were provided by the Auditor-General's Department.

14 Cash and Cash Equivalents

	2008 $'000	2007 $'000
Bank balances and cash on hand	(315)	(377)
Short-term deposits	51 675	49 357
Total cash and cash equivalents	51 360	48 980

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

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

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 7.00% (2007: 6.21%).

Net Fair Values

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

15 Receivables

	2008 $'000	2007 $'000
Agent debtors	1 933	1 565
Prizes receivable from Blocs	78	26 389
Sundry receivables	508	405
Prepayments	81	212
Total receivables	2 600	28 571

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 balance 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 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.

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Notes to the Financial Statements

16 Property, Plant and Equipment

	2008	2007
	$'000	$'000
Land and buildings		
Land at fair value	700	700
Buildings at fair value	650	650
Accumulated depreciation	(38)	-
Total land and buildings	1 312	1 350
Plant and equipment		
Plant and equipment at cost (deemed fair value)	2 097	2 388
Accumulated depreciation	(1 733)	(1 828)
Total plant and equipment	364	560
Online lotteries system		
Online lotteries system at cost (deemed fair value)	2 506	2 351
Accumulated depreciation	(1 277)	(357)
Online lotteries system at fair value	8 619	10 168
Accumulated depreciation	(6 442)	(4 647)
Total online lotteries system	3 406	7 515
Leasehold improvements		
Leasehold Improvements at cost (deemed fair value)	2 470	2 438
Accumulated amortisation	(785)	(542)
Total leasehold improvements	1 685	1 896
Totals		
Total property, plant and equipment at fair value	9 969	11 518
Total property, plant and equipment at cost (deemed fair value)	7 073	7 177
Total accumulated depreciation	(9 490)	(6 832)
Total accumulated amortisation	(785)	(542)
Total property, plant and equipment	6 767	11 321

Reconciliation of Property, Plant and Equipment

The following table shows the movement of Property, Plant and Equipment during 2007-08 and 2006-07.

	Land $'000	Buildings $'000	Plant & Equipment $'000	Online Lotteries System $'000	Leasehold Improvements $'000	Total $'000
Carrying amount at 1 July 2007	700	650	560	7 515	1 896	11 321
Additions	-	-	92	152	32	276
Disposals	-	-	-	(1 542)	-	(1 542)
Depreciation and amortisation	-	(38)	(288)	(2 719)	(243)	(3 288)
Carrying amount at 30 June 2008	700	612	364	3 406	1 685	6 767
Carrying amount at 1 July 2006	560	432	610	8 615	1 980	12 197
Additions	-	-	260	1 524	145	1 929
Disposals	-	-	(5)	-	-	(5)
Revaluation increment	140	242	-	-	-	382
Depreciation and amortisation	-	(24)	(305)	(2 624)	(229)	(3 182)
Carrying amount at 30 June 2007	700	650	560	7 515	1 896	11 321

Valuations of property, plant and equipment

- The valuation of the 24-26 Payneham Road, Stepney property was performed by Simon Hickin AAPI, Certified Practicing Valuer, an independent valuer from Jones Lang LaSalle, as at 30 June 2007. 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 valuation of the online lotteries system was performed by Andrew Lucas, MBA, BappSc (Val), AAPI, ASA, Certified Practicing Valuer, an independent valuer from Valcorp Australia Pty Ltd, as at 30 June 2005. The valuer arrived at fair value based on market value of items in this group of assets.

	2008 $'000	2007 $'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	368	379
Plant and equipment	364	560
Online lotteries system	2 619	4 747
Leasehold improvements	1 685	1 896
Total carrying amount of property, plant and equipment that would have been recognised if these assets were stated at cost	5 036	7 582

Impairment

There were no indications of impairment of property, plant and equipment assets at 30 June 2008.

17 Intangible Assets

	2008 $'000	2007 $'000
Software		
Software at cost	182	162
Accumulated amortisation	(77)	(19)
Total Intangible Assets	105	143

Reconciliation of Intangible Assets

The following table shows the movement of Intangible Assets during 2007-08 and 2006-07.

Carrying amount at 1 July	143	129
Additions	20	33
Amortisation	(58)	(19)
Carrying amount at 30 June	105	143

18 Other Non-Current Assets

	2008 $'000	2007 $'000
Defined benefit superannuation plan asset (note 29(d))	542	1 082
Total other non-current assets	542	1 082

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Notes to the Financial Statements

19 Payables

	2008 $'000	2007 $'000
Current		
Creditors and accrued expenses	2 663	2 470
Prizes payable	11 185	38 227
GST payable	652	688
Undistributed funds (note 27)	7 881	7 196
Employment on-costs	87	116
Total current payables	22 468	48 697
Non-current		
Employment on-costs	52	28
Total non-current payables	52	28
Total payables	22 520	48 725

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.

20 Borrowings

	2008 $'000	2007 $'000
Current borrowings	-	554
Non-current borrowings	-	6
Total borrowings	-	560

SA Lotteries had six loans from the Department of Treasury and Finance, with fixed interest rates ranging from 5.59% to 7.21% together with a 0.65% guarantee fee. The weighted average interest incurred was 6.82% (2007: 6.24%). Loans have been recognised at cost. Loans were unsecured and repayable over eight years with six monthly repayments on a credit foncier loan basis.

21 Employee Benefits

	2008 $'000	2007 $'000
Current		
Annual Leave	447	337
Short-term Long Service Leave	155	156
Accrued Salaries	129	238
Total current employee benefits	731	731
Non-Current		
Long-term Long Service Leave	685	669
Total non-current employee benefits	685	669
Total employee benefits	1 416	1 400
The total current and non-current employee expenses (ie aggregate employee benefit (above) plus related employment on-costs (note 19)) is:	1 555	1 544

22 Other Liabilities

	2008 $'000	2007 $'000
Current		
Prize reserve fund (a)	6 759	6 813
Unearned revenue - sales in advance	1 471	1 342
Total current other liabilities	8 230	8 155
Non-current		
Unclaimed prizes reserve (b)	6 705	5 829
Total non-current other liabilities	6 705	5 829
Total other liabilities	14 935	13 984

		2008 $'000	2007 $'000
(a)	**Prize Reserve Fund**		
	Balance at 1 July	6 813	8 010
	Allocated to prize reserve fund	10 263	9 832
	Applied to additional or increased prizes or missed prizes	(10 317)	(11 029)
	Balance at 30 June	6 759	6 813

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

- 5.0 per cent for Lotto;
- 3.5 per cent for Oz Lotto, Powerball and Super 66;
- 2.0 per cent for The Pools.

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)	**Unclaimed Prizes Reserve**		
	Balance at 1 July	5 829	5 016
	Unclaimed monies forfeited	4 541	3 810
		10 370	8 826
	Monies provided for distribution to the Hospitals Fund	(2 270)	(1 904)
	Monies provided for distribution to the Recreation and Sport Fund	(1)	(1)
	Applied to additional or increased prizes in subsequent lottery draws, tickets and prizes in promotional lotteries or ex-gratia payments	(1 394)	(1 092)
	Balance at 30 June	6 705	5 829

23 Capital Asset Reserve

	2008 $'000	2007 $'000
Capital asset reserve comprises:		
• Capital fund account	12 170	10 466
• Capital fund assets (at written down value)	4 623	6 256
	16 793	16 722
Capital fund account		
Balance at 1 July	10 466	10 428
Transfer from retained earnings	2 000	2 000
Assets financed	(296)	(1 962)
Balance at 30 June	12 170	10 466
Capital fund assets		
Written down value at 1 July	6 256	5 835
Assets financed	296	1 962
Depreciation	(1 927)	(1 536)
Written down value of assets disposed of	(2)	(5)
Written down value at 30 June	4 623	6 256

24 Unrecognised Contractual Commitments

	2008 $'000	2007 $'000
Operating lease commitments		
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	712	689
Later than one year but not longer than five years	2 502	2 429
Later than five years	558	1 212
Total operating lease commitments	3 772	4 330
Representing:		
Non-cancellable operating leases	3 772	4 330

The 10 year accommodation operating lease at 24-25 Greenhill Road (head office) is non-cancellable with rent payable monthly in advance. Contingent rental provisions within the lease agreement require lease payments to be increased by 3 per cent per annum with a rent review after 5 years. The option for renewal of a further term of 5 years is available prior to the expiration of the current term.

The operating lease for the remote computer site at Kidman Park is non-cancellable with rental payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments to be increased by 5 per cent per annum.

Lotteries Commission of South Australia Annual Financial Report Year ended 30 June 2008

Notes to the Financial Statements

	2008 $'000	2007 $'000
Other Commitments		
Other expenditure contracted for at the reporting date but not recognised as liabilities in the financial report, are payable as follows:		
Within one year	2 640	1 238
Later than one year but not longer than five years	2 383	2 604
Total other commitments	5 023	3 842

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

25 Contingent Assets and Liabilities

SA Lotteries is not aware of any contingent assets.

A claim for damages was received by SA Lotteries on 15 July 2008 for alleged loss of potential winnings. At this time it is not possible to estimate the dollar effect of this claim or whether the claim will be successful.

Other than this claim, SA Lotteries is not aware of any contingent liabilities.

SA Lotteries has made no guarantees.

26 Cash Flow Reconciliation

	2008 $'000	2007 $'000
Reconciliation of cash and cash equivalents		
Balance Sheet	51 360	48 980
Cash Flow Statement	51 360	48 980
Reconciliation of Net Profit after income tax equivalent to Net Cash provided by Operating Activities:		
Profit before income tax equivalent	18 809	18 890
Less: Dividend contribution provided	(21 703)	(19 476)
Less: Unclaimed prizes distribution provided	(2 271)	(1 905)
Add (less): Non-cash items		
Depreciation and amortisation expense	3 346	3 201
Net loss on disposal of non-current assets	1 542	-
(Increase) Decrease in defined benefit superannuation plan asset	540	(294)
Changes in Assets / Liabilities		
(Increase) Decrease in Receivables	25 971	(27 320)
(Increase) Decrease in Inventories	(31)	(20)
Increase (Decrease) in Payables (including Undistributed funds)	(25 771)	26 702
Increase (Decrease) in Employee benefits	16	157
Increase (Decrease) in Other liabilities	3 222	599
Net cash provided by operating activities	3 670	534

27 Distribution of Funds to SA Government

	Balance 1 July $'000	Distribution Provided $'000	Distribution (Paid) $'000	**Balance 30 June** $'000
Gambling tax (notes 7 and 10)	4 992	59 619	(59 816)	4 795
Dividend and Income tax equivalent	2 067	29 764	(29 228)	2 603
Unclaimed prizes	137	2 271	(1 925)	483
Totals 2007-08	7 196	91 654	(90 969)	7 881
Totals 2006-07	8 739	86 093	(87 636)	7 196
Comprising:				
Distribution to Hospitals Fund				
Gambling tax	4 980	59 491	(59 687)	4 784
Dividend and Income tax equivalent	2 058	29 677	(29 140)	2 595
Unclaimed prizes	137	2 270	(1 924)	483
Totals	7 175	91 438	(90 751)	7 862
Distribution to Recreation and Sport Fund				
Gambling tax	12	128	(129)	11
Dividend	9	87	(88)	8
Unclaimed prizes	-	1	(1)	-
Totals	21	216	(218)	19

28 Financial Risk Management

SA Lotteries is exposed to a variety of financial risks, including market risk (foreign exchange and price), 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 internal written policies 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) and interest bearing liabilities (borrowings from the SA Government). 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 five years.

SA Lotteries' exposure to foreign exchange risk and cash flow interest risk is minimal. SA Lotteries is exposed to price risk for changes in interest rates that relate to debt obligations and 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. The continued existence of SA Lotteries in its present form, and with its present segment/service, is dependent on State Government policy to maintain SA Lotteries' asset base. SA Lotteries' exposure to liquidity risk is insignificant based on past experience and current expectations regarding risk.

Lotteries Commission of South Australia Annual Financial Report Year ended 30 June 2008

Notes to the Financial Statements

29 Superannuation

	2008 $'000	2007 $'000
(a) Expense (Income) Recognised in the Income Statement		
Amounts recognised as expense (income) in respect of the defined benefit superannuation plan as follows:		
Current service cost	290	287
Interest cost	339	297
Expected return on plan assets	(467)	(416)
Actuarial loss (gain)	492	(122)
Superannuation expense (income)	654	46
The expense (income) is recognised in the following item in the Income Statement:		
• Employee benefits expenses	654	46

	2008 $'000	2007 $'000
(b) Reconciliation of the Present Value of the Defined Benefit Obligation		
Present value of defined benefit obligation at beginning of financial year	6 323	5 852
Current service cost	290	287
Interest cost	339	297
Contributions by plan participants	237	199
Actuarial losses (gains)	(618)	533
Benefits paid	(1 125)	(769)
Taxes, premiums and expenses paid	(61)	(99)
Transfers in	-	23
Present value of defined benefit obligation at end of financial year	5 385	6 323

	2008 $'000	2007 $'000
(c) Reconciliation of the Fair value of Defined Benefit Plan Assets		
Fair value of plan assets at beginning of financial year	7 405	6 640
Expected return on plan assets	467	416
Actuarial gains (losses)	(1 110)	655
Employer contributions	114	340
Contributions by plan participants	237	199
Benefits paid	(1 125)	(769)
Taxes, premiums and expenses paid	(61)	(99)
Transfers in	-	23
Fair value of plan assets at end of financial year	5 927	7 405

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.

	2008 $'000	2007 $'000
(d) Reconciliation of the Asset Recognised in the Balance Sheet		
Defined benefit obligation	5 385	6 323
Fair value of plan assets	5 927	7 405
Surplus	542	1 082
Net superannuation asset	542	1 082
The amount included in the Balance Sheet arising from SA Lotteries' net superannuation asset in respect of its defined benefit plan is as follows:		
Note 18: Other Non-Current Assets Defined benefit superannuation plan asset	542	1 082

(e) Movement in Asset Recognised in the Balance Sheet		
Net superannuation asset at beginning of financial year	1 082	788
Income (expense) recognised in Income Statement	(654)	(46)
Employer contributions	114	340
Net movement	(540)	294
Net superannuation asset at end of financial year	542	1 082

(f) Plan Assets

The percentage invested in each asset class at the balance sheet date:

	Percentage Invested *		Plan Assets	
	2008	2007	2008 $'000	2007 $'000
Australian equity	31%	35%	1 837	2 592
Overseas equity	25%	29%	1 482	2 147
Fixed income	10%	14%	593	1 037
Property	12%	8%	711	592
Alternative assets **	10%	0%	593	-
Cash	12%	14%	711	1 037
Total Plan Assets	100%	100%	5 927	7 405

* Asset allocation as at 30 June 2008 was not available. The asset allocation at 31 May 2008 has been used as an approximation of the allocation as at the balance sheet 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	
	2008	2007
The expected rate of return for each asset class at the end of the financial year is as follows:		
Australian equity	7.7%	7.7%
Overseas equity	7.2%	7.2%
Fixed income	4.4%	4.4%
Property	6.5%	6.5%
Alternative assets	3.9%	n/a
Cash	3.9%	3.9%
Weighted average expected return	6.5%	6.5%

(h) Actual Return on Plan Assets

	2008 $'000	2007 $'000
Actual return on plan assets	(643)	1 071

(i) Principal Actuarial Assumptions

The principal actuarial assumptions at the balance sheet date (expressed as weighted averages):		
Discount rate (active members)	5.9% pa	5.3% pa
Expected rate of return on plan assets (active members)	6.5% pa	6.5% pa
Expected salary increase rate	3.5% pa	3.5% pa

(j) Contributions

	2008 $'000	2007 $'000
Contributions paid/payable by SA Lotteries to superannuation plans:		
Defined benefit members	92	311
Defined contribution (accumulation) members	301	238
Private funds	4	4
Total contributions	397	553

(k) Expected Employer Contributions

	2008 $'000	2007 $'000
The estimated employer contributions expected to be paid to the plan during the year beginning after the balance sheet date:	86	88

The estimated employer contributions are based on a contribution rate of 4% of defined benefit members' salaries (see note 29(m)(ii)).

(l) Historical Information

	2008 $'000	2007 $'000	2006 $'000
Present value of defined benefit obligation	5 385	6 323	5 852
Fair value of plan assets	5 927	7 405	6 640
Surplus (deficit) in plan	542	1 082	788
Experience adjustments gain (loss) - plan assets	(1 110)	655	566
Experience adjustments gain (loss) - plan liabilities	540	(561)	(170)

(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*.

	as at 30 June 2006 $'000
Defined benefit members:	
Accrued benefits	6 055
Net market value of plan assets	6 658
Net surplus (deficit)	603
Accumulation members:	
Assets and benefits	1 529

(The Plan is subject to a triennial review and is externally managed. The last full actuarial investigation was conducted as at 30 June 2006 by Stuart Mules, FIAA, of Mercer Human Resource Consulting. The report was dated 18 June 2007.)

(ii) Current Contribution Rates

The current contribution rates, as recommended in the report of the most recent actuarial valuation of the Plan as at 30 June 2006, are:

- from 1 July 2007, 4% of defined benefit members' salaries for five years with contributions at 11% of defined benefit members' salaries from 1 July 2012;
- at the Superannuation Guarantee rate for accumulation members.

Notes to the Financial Statements

(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 actuarial review of the Plan as at 30 June 2006 were:

	Weighted-Average Assumptions
• Expected rate of return on assets (discount rate)	13.3% in the 2006-07 year 6.5% pa thereafter
• Expected salary increase rate	3.5% pa

(n) Nature of Asset/Liability

SA Lotteries has recognised an asset in the Balance Sheet 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.

SA Lotteries (the employer) may at any time by notice to the Trustee terminate its contributions. In this case the employer has a liability to pay the monthly contributions due prior to the effective date of the notice, but subject to any statutory obligations, there is no requirement for the employer to pay any further contributions, irrespective of the financial condition of the Plan.

The Plan does not impose a legal liability on SA Lotteries to cover any deficit that exists in the Plan if it is wound up. The Master Deed of the Mercer Super Trust and the Participation Agreement of the Plan state that if the Plan winds up, the remaining assets must be paid to Members, Dependants, former Members, deceased Members' Dependants or legal personal representative in proportions the Trustee in its discretion determines are appropriate.

30 Transactions with SA Government

As required by APS 4.1 of Accounting Policy Framework II General Purpose Financial Reporting 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	
		2008 $'000	2007 $'000	**2008** $'000	2007 $'000	**2008** $'000	2007 $'000
	INCOME						
6.	**Sales Revenue**	-	-	366 583	349 246	366 583	349 246
7.	**Cost of Sales**						
	Prizes	-	-	(221 283)	(211 236)	(221 283)	(211 236)
	Gambling tax on net gambling revenue	(59 573)	(56 584)	-	-	(59 573)	(56 584)
	Agents' commission	-	-	(26 938)	(25 779)	(26 938)	(25 779)
	GST on net gambling revenue	-	-	(13 209)	(12 546)	(13 209)	(12 546)
	Total cost of sales	(59 573)	(56 584)	(261 430)	(249 561)	(321 003)	(306 145)
	Interest Revenue	3 628	3 083	-	-	3 628	3 083
8.	**Other Revenues**	29	9	4 488	4 395	4 517	4 404
	TOTAL INCOME	(55 916)	(53 492)	109 641	104 080	53 725	50 588
	EXPENSES						
9.	**Employee Benefits Expenses**	369	436	6 711	5 810	7 080	6 246
10.	**Supplies and Services**						
	Advertising and marketing	84	77	6 316	5 798	6 400	5 875
	Computer operations	-	-	2 997	3 190	2 997	3 190
	Tickets, coupons, terminal rolls and ribbons	-	-	1 464	1 467	1 464	1 467
	Operating leases	-	-	632	609	632	609
	Other occupancy costs	12	10	566	552	578	562
	Temporary staff and contractors	-	-	459	295	459	295
	Agent distribution costs	-	-	234	225	234	225
	Consultancies	-	-	248	36	248	36
	Insurance	121	145	-	-	121	145
	External audit fees	135	121	-	-	135	121
	Training costs	-	-	117	82	117	82
	Gambling tax - other	46	32	-	-	46	32
	Bad debts	-	-	14	6	14	6
	Other	280	218	1 151	1 197	1 431	1 415
	Total Supplies and Services	678	603	14 198	13 457	14 876	14 060
12.	**Net loss on disposal of non-current assets**	-	-	1 542	-	1 542	-
	Borrowing Costs	11	95	-	-	11	95
	TOTAL EXPENSES (excluding Depreciation and Amortisation)	1 058	1 134	22 451	19 267	23 509	20 401
	FINANCIAL ASSETS						
15.	**Receivables**						
	Agent debtors	-	-	1 933	1 565	1 933	1 565
	Prizes receivable from Blocs	-	-	78	26 389	78	26 389
	Sundry receivables	351	274	157	131	508	405
	Prepayments	-	52	81	160	81	212
	Total receivables	351	326	2 249	28 245	2 600	28 571
	FINANCIAL LIABILITIES						
19.	**Payables**						
	Current						
	Creditors and accrued expenses	184	196	2 479	2 274	2 663	2 470
	Prizes payable	-	-	11 185	38 227	11 185	38 227
	GST payable	-	-	652	688	652	688
	Undistributed funds	7 881	7 196	-	-	7 881	7 196
	Employment on-costs	47	80	40	36	87	116
	Total current payables	8 112	7 472	14 356	41 225	22 468	48 697
	Non-current						
	Employment on-costs	38	16	14	12	52	28
	Total non-current payables	38	16	14	12	52	28
	Total payables	8 150	7 488	14 370	41 237	22 520	48 725
20.	**Borrowings (current & non-current)**	-	560	-	-	-	560

Lotteries Commission of South Australia Annual Financial Report Year ended 30 June 2008

Certification of the Financial Report

In our opinion the attached general purpose financial report for the Lotteries Commission of South Australia:

- complies with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987* and relevant Australian Accounting Standards;
- is in accordance with the accounts and records of the Lotteries Commission of South Australia; and
- presents a true and fair view of the financial position of the Lotteries Commission of South Australia as at 30 June 2008 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 report 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

Ian Clayfield
General Manager - Financial & Corporate Services

18 September 2008

INDEPENDENT AUDITOR'S REPORT

Government of South Australia
Auditor-General's Department

9th Floor
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To The Presiding Member
Lotteries Commission of South Australia

As required by section 31 of the *Public Finance and Audit Act 1987* and section 18A of the *State Lotteries Act 1966*, I have audited the accompanying financial report of the Lotteries Commission of South Australia for the financial year ended 30 June 2008. The financial report comprises:

- An Income Statement
- A Balance Sheet
- A Statement of Changes in Equity
- A Cash Flow Statement
- Notes to the Financial Statements and
- A Certificate from the Presiding Member, the Chief Executive and the General Manager – Financial and Corporate Services.

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 and the fair presentation of the financial report in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 complies with relevant ethical requirements relating to audit engagements and plans and performs the audit to obtain reasonable assurance 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 and fair presentation of the financial report 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 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 auditor's opinion.

Auditor's Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Lotteries Commission of South Australia as at 30 June 2008, and 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 (including the Australian Accounting Interpretations).

S O'Neill
AUDITOR-GENERAL
22 September 2008

Glossary

ACTTAB
Australian Capital Territory Totalisator Agency Board.

Agent
Entity appointed under an Agent Agreement to operate one or more SA Lotteries agencies.

Agent Reference Group (ARG)
A group of self-nominated SA Lotteries agents, representing different business types, who regularly meet with SA Lotteries to discuss past initiatives and new ideas and concepts that may affect the agency network.

Agency
Distribution outlet selling SA Lotteries games.

Corporate Scorecard
A performance measurement report linking targets with the corporate strategic intent.

Corporate Social Responsibility (CSR)
The management of processes and practices to maximise the social and economic benefits, and minimise the environmental impact, of business operations.

Division One prize
The top prize in Lotto – Saturday, Lotto – Monday and Wednesday, Oz Lotto, Powerball, Super 66 and The Pools.

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.

Instant Scratchies
Instant lottery tickets whereby players can win a prize by scratching away 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, which results in the Division One prize pool accumulating 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 10 numbers (Spot 10).

Lotto – Saturday
A game of chance in which six numbered balls and two supplementary balls are randomly drawn from a barrel of 45 every Saturday.

Lotto – Monday and Wednesday
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.

LuckySA Lottery
A traditional raffle-style lottery with tickets generated via SA Lotteries' online terminals.

Megadraw
Lotto – Saturday draw that offers an augmented Division One prize pool exceeding $15 million.

MTBF
Mean number of Transactions Between Failures – 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 every Tuesday.

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

Problem gambling
Characterised by difficulties in limiting money and/or time spent on gambling which leads to adverse consequences for the gambler, others, or for the community[i].

Responsible gambling
Occurs when individuals make informed decisions about their gambling participation in lotteries games and play 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.

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. The Spot 10 prize includes a minimum guaranteed $1 million plus any jackpot amount.

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 a six-digit number combination in the range of 000000 to 999999 is drawn.

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 an Instant Scratchies ticket, and the largest prize available in Keno Spots 8, 9 or 10.

[i] Neal P, Delfabbro P, O'Neil M. Problem gambling and harm: towards a national definition. Melbourne: Gambling Research Australia, 2005. Viewed 3 September 2008, http://gamblingresearch.org.au/CA256902000FE154/Lookup/GRA_Reports_Files1/$file/FinalReportPrinter.pdf

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