



It's the
company
we keep
that helps
us succeed.



LOTTERIES COMMISSION OF SOUTH AUSTRALIA
ANNUAL REPORT 2000_01

LIST OF CONTENTS

Success is our business

Introducing the Lotteries Commission of South Australia	1
Vision, Mission, Core Values, Corporate Objectives	2
From the Chair	4
Corporate Governance Statement	6
Ten Year Financial Summary	12
From the Chief Executive Officer	14
Our Games	18
Our Customers	22
Our Agents	24
Our People	25
Our Systems	28
Our Business	29
Our Commitment	32
Our Organisation	34
Our Occupational Health and Safety Performance	36
Financial Statements	37

Front cover: \$7.5 million was cause for this Oz Lotto winner to kick up his heels.
Photo courtesy of Tricia Johnson, The Advertiser.

There's a lot more to success than just good luck

After 34 years you'd have to ask what's made SA Lotteries so successful? Ask our first winner Mrs Hargrave, who won \$14,000 in 1967, and she'd say pure luck. And so would the thousands of other lucky South Australians who've shared in \$2.6 billion in prize money since then.

But if you ask the people at SA Lotteries, we'd answer differently. We'd say that real success is attributable to the people in our organisation. Organisations are represented by their people, and everyone, including our hardworking agents, has made an outstanding contribution to our performance in 2000-01.

As a matter of fact we've been able to contribute to the success of nearly 530 small business operators in South Australia and, together with our sponsorships, we've delivered other benefits to our broader industry partners. This year, we've also provided over \$78 million to the State Hospitals Fund and the sporting

community has benefited with our ongoing financial assistance via the Recreation and Sport Fund.

But our success story stretches well beyond South Australia. We're still in the forefront of the lottery industry internationally which, again, comes back to the company we keep. Together with Victoria, New South Wales, Tasmania, Queensland, Western Australia, the Northern Territory and the Australian Capital Territory, South Australia is a member of the Australian Lotto Bloc, National Lotto Bloc, Powerball Bloc and Australian Soccer Pools Bloc, which enables us to offer South Australians much larger prize pools than State-based games could offer.

At SA Lotteries we've enjoyed another successful year and success comes down to more than good luck. And in SA Lotteries' case, we owe it all to the great people around us.

HIGHLIGHTS AND ACHIEVEMENTS OF SA LOTTERIES, 2000-01:

2000-01

A new sales record was set with gross sales increasing by \$14.6 million to \$309.6 million.

\$191.2 million in prizes won in South Australia.

\$78.4 million was distributed to the State Hospitals Fund.

Operating expenses, excluding GST, as a percentage of gross sales were 6.7% compared to 6.9% last year.

SINCE 1967

\$1.3 billion distributed to the State Hospitals Fund.

\$2.6 billion in prizes.



LOTTERIES
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AUSTRALIA

ANNUAL
REPORT
2000_01

Vision

To be a world class provider of entertaining games.

Mission

To achieve our revenue and profit targets in a socially responsible manner, for the benefit of the community of South Australia.

Core Values

In all our activities we will:

- operate with integrity;
- commit to service excellence;
- be innovative; and
- meet the highest professional standards.

Corporate Objectives

SA Lotteries is committed to achieving its corporate objectives which are to:

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

A color photograph of a middle-aged man with glasses and a black cap, wearing a dark double-breasted suit and yellow patterned tie, smiling broadly as he steps out of a dark green sedan. He is holding a large bouquet of colorful flowers (yellow, red, blue) wrapped in blue paper. A woman's arm is visible on the right, handing him the flowers. Another person's hand is on the left door handle. The scene is outdoors with trees in the background.

An \$11.6 million Powerball
winner arrived in style.

Photo courtesy of Sarah Reed,
The Advertiser.

When it comes to vision we're in

To the Honourable Dr Michael Armitage, MBBS, MP, Minister for Government Enterprises, Parliament House, Adelaide.

It is with pleasure that I present the Annual Report of the Lotteries Commission of South Australia for the year ended 30 June 2001 in accordance with Section 18B of the State Lotteries Act 1966, as amended.

THE YEAR IN REVIEW

The year 2000-01 was another record-breaking period for SA Lotteries with an increase in gross sales of \$14.6 million to \$309.6 million. The end of year result represented an increase of 4.9% on last year's gross sales achievement of \$295.0 million.

It was also a winning year for players with prizes to the value of \$180.6 million payable during the

year, representing 58.3% of sales revenue. Costs associated with administering the organisation, excluding GST, represented just 6.7% of gross sales.

Distribution to the State Hospitals Fund totalled \$78.4 million and \$0.2 million to the Recreation and Sport Fund, ensuring that the benefits from SA Lotteries' efficient operation were enjoyed by all South Australians.

Also, with nearly 530 agents throughout the State, SA Lotteries played a major role in the ongoing success of its small business partners with \$22.7 million disbursed to agents in the form of commission on sales. In addition, challenging and rewarding employment was provided for 95 staff.



Good Company

During the year, the Commission held a meeting in Clare providing an opportunity to also meet with agents within the region. The Commission looks forward to continuing the program of rural meetings in the coming year.

Following an in-principle decision of the State Government to sell SA Lotteries, announced in February 2000, finalisation of the sale process was expected during the year. As the legislation required to enable a sale to proceed was defeated by the Parliament on 29 November 2000, the Minister for Government Enterprises established an inter-agency SA Lotteries Corporatisation Steering Committee in March 2001 to examine various corporate reform options for the Lotteries Commission as an ongoing agency of government. The Commission and the Chief Executive continue to work co-operatively with the Government in this corporatisation process.

Given the long period of uncertainty which preceded this outcome, the management and staff are to be congratulated on the professionalism displayed and the outstanding results achieved. I also acknowledge the contribution of my fellow Commission Members Peter LeMessurier, John Patten and Philip Plummer for their dedication and commitment throughout what has been a busy and challenging year.

The coming year will see the organisation continue its preparations to host the Congress of the World Lottery Association, which will be held in Adelaide in November 2002. SA Lotteries is ensuring a profile for the upcoming congress with strong representation at appropriate global lottery industry conferences and seminars.

With another year of record breaking achievement to reflect upon, the Commission is proud of the important role that lotteries play in South Australia and the vital financial returns which are generated for the benefit of the broad community.

The Commission looks to the future with great confidence based on the dedication and commitment of management, staff and agents, sound business practices and a clear vision for future success. The support of the members of our agent network is vital to ensure that we are able to provide players with high quality customer service and an entertainment experience that ensures maximum rewards for all South Australians.

SUSAN C BIGGS
Chair

Commission Members
(left to right) back: John Patten, Philip Plummer
front: Susan Biggs (Chair), Peter LeMessurier.



LOTTERIES
COMMISSION
OF SOUTH
AUSTRALIA

ANNUAL
REPORT
2000_01

How we succeeded

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

1. COMMISSION MEMBERS AND COMMITTEES

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

Composition of the Commission

The Members of the Commission in office at the date of this statement are:

Name: Ms S C Biggs, LLB, FAICD Dip

Position: Chair

Expertise: Legal

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

Position: Member

Expertise: Stock Broking

Name: Mr J M Patten, B.Ec (Commerce), FCA

Position: Member

Expertise: Retail / Wholesale

Name: Mr P H Plummer, FCA, MTIA

Position: Member

Expertise: Accounting

Appointment

Members of the Commission are appointed under the State Lotteries Act 1966.

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

The Chair of the Commission is a non-executive member.

The Commission comprises non-executive members.

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

Suspension or removal from office of member

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

Remuneration

The current remuneration for a member is \$18,700 per annum, plus an attraction and retention allowance of \$2,200 per annum. The Chair receives \$27,200 per annum, plus an attraction and retention allowance of \$2,200 per annum.

Further details of members' remuneration including superannuation payments are set out in Note 19 to the financial statements.

Membership

On 29 March 2001, pursuant to the provisions of the State Lotteries Act 1966, His Excellency the Governor in Executive Council re-appointed the Chair of the Commission, Susan Biggs, and Commission Members Peter LeMessurier, John Patten and Philip Plummer to the Commission until 31 March 2002.

Audit Committee

The role of the Audit Committee is documented in a Charter which is approved by the Commission. In accordance with this Charter, all members of the Committee are non-executives.

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



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

The members of the Audit Committee during the year were:

Mr P H Plummer - Chair

Ms S C Biggs - Member

Mr J M Patten - Member (from 2 March 2001).

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

The responsibilities of the Audit Committee include:

Broad functions

- The reviewing of the Annual Financial Statements prior to their approval by the Commission to ensure that the statements provide a true and fair view of the state of affairs of the Lotteries Commission of South Australia.
- Liaising with the Commission's external auditors, the Auditor-General's Department, on all matters concerning the outcome of the annual audits of the Lotteries Commission of South Australia.
- The regular reviewing of the adequacy of the accounting, internal auditing, reporting and other financial management systems and practices of the Lotteries Commission of South Australia.

Specific functions

- Approval of the release of an Internal Audit Tender document, and recommending to the Commission the signing of the agreement, following selection of the successful tenderer by the Committee.
- Liaising with the external auditor on such matters as the scope of the audit and the methodology.
- Reviewing and approving the audit plans of the Internal Auditor.
- Evaluating the effectiveness of internal audit.
- Ensuring that internal auditors are able to perform their duties free from restrictions.

A triumphant Neil Fuller celebrates Paralympic Gold.
Photo courtesy of newsphotos.com.au



- Evaluating the adequacy and effectiveness of the Commission's administrative, operating and accounting systems.
- Reviewing Corporate Policies.
- Reviewing Management Operating Authorities.
- Reviewing Financial Authorities.
- Reviewing all financial reports which are intended to be made public prior to their consideration by the Commission.
- Evaluating the Commission's exposure to fraud by ensuring that risk is adequately covered by audit plans and by reviewing auditor's reports and management's reports.
- Reviewing all significant accounting policy and reporting changes which will reflect throughout the organisation.
- Reviewing compliance with the Act, the Charter (at least annually) and any other regulatory requirements relevant to the Commission.
- Identifying and providing direction on audit investigations deemed necessary.
- Monitoring risk management processes in conjunction with the Internal Auditors.

The Audit Committee met on five occasions during the year. The findings and recommendations of the

Internal Auditors, coupled with the direction and oversight of the Audit Committee, have ensured the maintenance and refinement of an efficient internal control framework.

Superannuation Policy Committee

As at 1 July 2000, the Superannuation Policy Committee comprised:

Employer-appointed:

Mr P LeMessurier (Chair)
Mr J Patten
Ms J Roache.

Member representatives:

Mr P Dutton (term expired 31 August 2000)
Mr D Gazzola (term expired 31 August 2000)
Mr S Harvey (term expired 31 August 2000).

Following the expiration of the member representatives' terms on 31 August 2000, membership of the Superannuation Policy Committee was altered to comprise four members: two employer-appointed and two member-elected representatives. Membership now comprises:

Employer-appointed:

Mr P LeMessurier (Chair)
Ms J Roache.

Member-elected:

Mr G Button
Mr P Wright.

Attendance at Meetings

MEETINGS					
COMMISSION MEMBERS	REGULAR (13 HELD)	TELECONFERENCE (4 HELD)	AUDIT (5 HELD)	SUPERANNUATION POLICY COMMITTEE (1 HELD)	
S Biggs	12	4	5	•	
P LeMessurier	12	3	•	1	
J Patten	13	2	1♦	♦	
P Plummer	13	3	5	•	

Notes: • Not a member ♦ Member for part year only



Don and Betty proved that
'It Happens' with a \$100,000
Instant Scratchies win.

2. INTERNAL CONTROL FRAMEWORK

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

Financial reporting - There is a comprehensive budgeting system with an annual budget approved by the Commission prior to submission to the Minister for Government Enterprises. Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly.

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

A key element of the code is the requirement that officers and employees are expected to act in accordance with the law and with the highest standards of propriety. Formal appraisals are conducted at least annually for all employees.

Operating division controls - Financial controls and procedures, including information systems controls, are detailed in procedure manuals. Divisional units prepare a Commission questionnaire confirming compliance with these procedures. These questionnaires are reviewed by both the Commission's external auditors and the Audit Committee. The system is based upon written policies, guidelines and procedures and organisational structures that provide an appropriate division of responsibility and control.

Functional specialty reporting - The Commission has identified key areas which are subject to regular reporting such as key performance indicators, market share analysis, cash flow and liquidity reports. Monitoring of performance to the five-year corporate plan is also undertaken.

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

Internal Audit

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

PricewaterhouseCoopers have been appointed Internal Auditors until 30 June 2002.

3. ETHICAL STANDARDS

The Commission follows the Guidelines for Ethical Conduct for Public Employees in South Australia (Commissioner's Circular No. 64) which sets out the standards in accordance with which each executive, manager and employee of SA Lotteries is expected to act. The requirement to comply with these ethical standards is communicated to all employees. The guidelines deal with the following main areas:

- professional conduct;
- dealing with customers and consumers;
- dealing with suppliers;
- dealing with advisers and regulators;
- dealing with competitors;
- dealing with the community; and
- dealing with other employees.

All executives, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Commission. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment.

Environment

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

4. THE ROLE OF STAKEHOLDERS

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



Workmates at Exide Technologies celebrated their \$340,000 Lotto win.

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

Relationship with other agencies within the Minister's area of responsibility

The Minister for Government Enterprises' portfolio encompasses responsibility for the following government enterprises in addition to SA Lotteries:

- Forestry SA;
- Industrial and Commercial Premises Corporation;

- Land Management Corporation;
- Playford Centre;
- Ports Corp South Australia;
- SA Water Corporation;
- South Australian Totalizator Agency Board;
- WorkCover Corporation.

The Minister for Government Enterprises is also responsible for the Government agency of Department for Administrative and Information Services (DAIS).

SA Lotteries has had a normal commercial supplier relationship with SA Water Corporation and WorkCover Corporation. SA Lotteries provides information on its operations to the Office for Government Enterprises, within DAIS, on a monthly basis and when requested. There has been no relationship with other government enterprises under the Minister's control.

Ministerial Directions

With the discontinuation of the sale process, formal advice was received from the Minister for Government Enterprises that, effective from 29 November 2000, the Ministerial directions that had applied to SA Lotteries during the review process were revoked.

On 18 January 2001, the Minister for Government Enterprises issued a Ministerial direction in accordance with the legislative power provided by Section 4(3) of the State Lotteries Act 1966, to provide for an observer to attend Commission meetings and receive Commission papers.



Ten year financial summary

YEAR ENDED 30 JUNE	2001 \$'000	2000 \$'000	1999 \$'000	1998 \$'000	1997 \$'000	1996 \$'000	1995 \$'000	1994 \$'000	1993 \$'000	1992 \$'000
GROSS SALES										
Lotto	123,023	120,304	115,074	113,220	107,314	116,181	108,431	109,330	108,202	111,659
SA Lotto	21,468	21,292	18,756	17,635	16,472	15,143	15,072	17,349	17,593	18,161
*Oz Lotto	17,133	16,662	16,977	19,590	15,027	15,124	16,220	5,922	-	-
*Powerball	46,438	34,288	35,200	27,223	25,228	2,884	-	-	-	-
*Thursday Lotto	-	-	-	-	-	19,972	23,960	32,295	34,065	37,631
Keno	61,689	68,620	69,308	71,818	71,961	70,431	70,425	76,621	62,420	48,811
Instant Scratchies	37,099	30,866	28,860	25,833	25,359	26,298	29,697	38,378	48,019	43,827
The Pools	716	607	609	566	570	787	817	2,255	1,358	1,184
Super 66	2,027	2,379	2,677	2,739	2,718	3,601	4,225	4,727	5,753	5,999
TOTAL GROSS SALES	309,593	295,018	287,461	278,624	264,649	270,421	268,847	286,877	277,410	267,272
Less Agents' Commission	22,707	21,853	20,692	20,104	19,192	19,787	20,592	22,058	21,152	18,705
NET SALES	286,886	273,165	266,769	258,520	245,457	250,634	248,255	264,819	256,258	248,567
Other Revenue	7,171	6,520	5,117	5,319	5,171	5,583	4,781	4,043	4,000	4,322
TOTAL REVENUE	294,057	279,685	271,886	263,839	250,628	256,217	253,036	268,862	260,258	252,889
Prizes	180,604	174,519	173,982	169,695	162,978	164,631	162,335	173,555	165,808	155,374
% of gross sales	58.3%	59.2%	60.5%	60.9%	61.6%	60.9%	60.4%	60.5%	59.8%	58.1%
Surplus Funds avail for Retention & Distribution	29,702	84,869	80,753	77,709	72,300	74,524	74,970	78,237	78,791	81,816
% of gross sales	9.6%	28.8%	28.1%	27.9%	27.3%	27.6%	27.9%	27.3%	28.4%	30.6%
Operating Surplus (excluding other revenue)	22,531	78,349	75,636	72,390	67,026	68,941	70,189	75,095	74,791	78,400
% of gross sales	7.3%	26.5%	26.3%	26.0%	25.3%	25.5%	26.1%	26.2%	27.0%	29.3%
Operating Expenses	32,271	20,297	17,151	16,435	15,453	17,062	15,731	16,169	15,659	14,793
% of gross sales	10.4%	6.9%	6.0%	5.9%	5.8%	6.3%	5.9%	5.6%	5.6%	5.5%
# State Gambling Tax	51,480	0	0	0	0	0	0	0	0	0
% of gross sales	16.6%	N.A.								
# GST (included in operating expenses)	11,415	0	0	0	0	0	0	0	0	0
% of gross sales	3.7%	N.A.								

* Oz Lotto commenced in February 1994.

* Powerball commenced in May 1996.

* Thursday Lotto ceased in May 1996.

* Thursday Lotto was Wednesday Lotto prior to October 1992.

State Gambling Tax and GST were introduced on 1 July 2000 and are levied on Net Gambling Revenue (NGR).

(NGR = Gross sales less monetary prizes payable).

State Gambling Tax at the rate of 41% of NGR is paid to the State Hospitals Fund/Recreation and Sport Fund and the GST at the rate of 9.09% of NGR is paid to the Australian Taxation Office.

Bert was thrilled with his win in
'The Pools' Send It Off promotion.



Everyone has made a great contribution to our success



The year in review was a significant one for SA Lotteries. With an increase of \$14.6 million in sales during 2000-01, a new record was created as SA Lotteries' sales passed the \$300 million mark.

Saturday Lotto continues as our dominant brand, accounting for nearly 40% of sales during the year. Megadraws were well supported by players, in particular the 30 December Megadraw which contributed significantly to overall Lotto sales. This draw resulted in 80,989 South Australians collecting more than \$5 million in prizes, including two lucky South Australians who collected a share of the \$21 million Division One prize pool, instantly becoming millionaires.

Sales of SA Lotto, our Monday night game, increased marginally during the year, even though there were only 12 jackpot weeks compared to 29 in 1999-2000. Positioned as a truly South Australian game, the draw broadcast was successfully moved from Channel 9 to Channel 7 during the year as a result of a competitive tender process. With a new set design and reinforcement of SA Lotto as 'the game picked by South Australians', the profile of this game continues to rise.

A Bloc initiative to adjust the jackpot sequence to encourage jackpot activity renewed player interest in Oz Lotto, played on Tuesdays, and saw sales increase by 2.8% to \$17.1 million during the year.

Powerball experienced the largest increase in sales of

any game brand with an increase of 35.4% to \$46.4 million. 2000-01 was a year of unprecedented jackpot activity for Powerball and Australia's highest ever Division One prize pool of \$30 million was offered in January 2001. With further support from a new advertising campaign featuring the slogan "Life's different when you've won Powerball", the awareness of the game generated by the huge jackpots was capitalised upon.

Instant Scratchies performed well during the year, with an increase in sales of \$6.2 million, being 20.2% higher than last year. This growth is mainly attributed to the May 2000 introduction of SA Lotteries' first extended play game, Crossword, which has fast become the most popular Instant Scratchies game in South Australia. The continued popularity of the 'It Happens' credibility advertising campaign has also contributed to the success of the Instant Scratchies brand.

The performance of Keno was again disappointing with sales declining \$6.9 million, or 10.1%, on the previous year. Keno continues to present challenges. We recently launched new and advanced monitor graphics and we have other strategies to implement.

Our on-line lotteries system continues to perform well and allows for the fast and efficient processing of players' entries by nearly 530 members of our agent network. Truly put to the test for the 30 December Megadraw, with almost 2,000 transactions processed per minute, the system continues to meet our expectations and those of our agents and players.

Along with all other Australian businesses, a requirement this year was the integration of the Goods and Services Tax into the lotteries business. A GST project team prepared for and managed the successful introduction of the GST on 1 July 2000. The team ensured that all key business objectives were met and that SA Lotteries and the agent network enjoyed a trouble free transition to the new tax system.

The members of the agent network, as our partners in the delivery of games to our players, are especially to be congratulated. As predominantly small businesses, we acknowledge the efforts that the successful



introduction of the GST in particular has demanded of them during 2000-01.

I also want to particularly acknowledge the members of our Agent Reference Group. The feedback that these 10 representatives offer on behalf of their fellow agents is highly valued and enables us to respond to suggestions and address areas of concern. With such combined effort, we have come a long way in recent years in building a successful partnership between SA Lotteries corporate and the agent network as the real face of our business across the State.

SA Lotteries is proud of its record of providing much-needed support to the community via the State Hospitals Fund and the Recreation and Sport Fund in addition to its continued alliance with a number of sporting and regional events and industry associations.

Support of the South Australian National Football League and the SA Great Rural Pride Program continued during the year, reaching a wide audience, including those in regional areas.

Our long-term sponsorship of the Oakbank Racing Carnival concluded in 2001 and we commend the Club on its continued delivery of an event of the highest standard.

SA Lotteries' long-standing association with the

South Australian Olympic Council culminated during 2000, our Olympic year. With our sponsored athletes - Juliet Haslam, Neil Fuller and Kate Slatter - all achieving medal winning performances, it was a memorable time for SA Lotteries and our staff.

We look with excitement to a new sponsorship initiative for the coming year, Jacob's Creek Tour Down Under in January 2002. As the sprint jersey sponsor, SA Lotteries looks forward to capitalising on the high profile of this event.

With the World Lottery Association Congress to be held in Adelaide in November 2002, SA Lotteries' preparations to host this event will continue during the year ahead.

As a lengthy period of uncertainty is now behind us and a clear course is charted for the future, the coming year promises to be another period of great challenges for SA Lotteries.

The social, economic and competitive environment requires particular focus and one thing that cannot be ignored is the opportunity and convenience factor that technology presents to players.

Above all, however, are our relationships with players and agents. These relationships are critically important for SA Lotteries' success.

OUR CORPORATE SCORECARD

During the year we introduced a Balanced Corporate Scorecard which reports on our performance against key performance targets and enables corrective action to be taken where the target had not been achieved. Our performance in 2001 is detailed below together with a comparison of our performance in 2000.

Gross sales fell slightly short of target mainly as a result of declining sales of Keno

From 1 July 2000, total government revenue includes surplus for distribution, gambling tax, GST and income tax equivalent. The gambling tax and GST commenced 1 July 2000.

Selling system up-time fell slightly short of target as a result of communication equipment failure on four separate occasions totalling 44.5 minutes.



LOTTERIES
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OF SOUTH
AUSTRALIA

ANNUAL
REPORT
2000_01



A lucky Nairne syndicate collected over \$260,000 in Lotto.

With respect to customer relationships, we know that we need to offer unprecedented value for the players of our games and that we need to know more about them. Consequently, we will be leveraging the existing database of Easiplay Club Members. Also, we are currently seeking to appoint a Customer Relationships Manager to provide focus to this important function.

With respect to agent relationships, SA Lotteries is totally committed to the agency network throughout the State. We have restructured the sales area and we have introduced, and are committed to, an enhanced training program.

The initiatives planned will see us continue to provide fun and entertaining games for our players and optimum returns for the broad South Australian community, delivering once more on the promise that 'It's not just the winners who win with SA Lotteries'.

JUNE ROACHE BAcc, ASA, FAIM, FAICD, JP.
Chief Executive Officer



Anthony was thrilled with his Instant Scratchies win.



Our entertaining games are a success

We have provided innovative and entertaining games.



Played on Saturdays, Lotto remains SA Lotteries' flagship game accounting for 39.7% of sales during 2000-01.

Gross sales remained strong throughout the year recording an increase of \$2.7 million (2.3%) to \$123.0 million.

NSW Lotteries joined other Australian jurisdictions as members of the Australian Lotto Bloc in December 2000 which has resulted in a larger Division One prize pool on a weekly basis.

Megadraw activity in alternate months contributed excellent sales. Whilst not replicating the unprecedented

success of the Millennium Megadraw on 31 December 1999, another end of year draw conducted on 30 December 2000 was a highlight attracting approximately 843,000 entries.

\$123.0 million in gross sales in 2000-01

Average number of weekly entries 325,536

\$ Value of prizes won in SA \$69.8 million

35 Division One prize winners in SA

Total number of winners in SA 905,951



As South Australia's own Lotto game, SA Lotto has enjoyed a successful year, despite only 12 jackpot weeks occurring compared to 29 in 1999-2000. Sales in SA Lotto increased by \$0.2 million (0.8%) on the previous year.

With a change in the broadcast host during the year from Channel 9 to Channel 7, SA Lotto adopted a new-look format. With a new set design, and the reinforcement of SA Lotto as "The game picked by South Australians", SA Lotto's position as a truly South Australian game was strengthened.

\$21.5 million in gross sales in 2000-01

Average number of weekly entries 99,540

\$ Value of prizes won in SA \$14.1 million

11 Division One prize winners in SA

Total number of winners in SA 271,713



Oz Lotto has had a solid year with an increase in sales of \$0.5 million (2.8%).

A change to the jackpot sequence during the year has increased the frequency of jackpot activity with 32 jackpots occurring compared to 25 in 1999-2000. This included a record \$15 million Division One prize pool on 10 October 2000.

Oz Lotto created an instant South Australian multi-millionaire in 2000-01 when a single man, from Blackwood in the Adelaide Hills, shared the \$15 million Division One prize pool with one other winner from Victoria.

\$17.1 million in gross sales in 2000-01

Average number of weekly entries 42,166

\$ Value of prizes won in SA \$12.7 million

1 Division One prize winner in SA

Total number of winners in SA 58,908



Powerball experienced a year of unprecedented large jackpot activity, including a record \$30 million Division One prize pool on 25 January 2001, which generated considerable excitement and cemented the game's position as the ultimate money game.

Gross sales increased by \$12.2 million (35.4%) on the previous year, to \$46.4 million.

South Australia had one Division One winner in 2000-01, a lucky single mother from Adelaide's western suburbs, who collected \$11.6 million on 20 July 2000.

A new advertising campaign was launched during the year with the slogan "Life's different when you've won Powerball" which was well accepted by players.

\$46.4 million in gross sales in 2000-01

Average number of weekly entries 143,761

\$ Value of prizes won in SA \$27.9 million

1 Division One prize winner in SA

Total number of winners in SA 518,314



Despite the reintroduction of a Spot 10 jackpot, Keno sales during 2000-01 declined \$6.9 million (10.1%) compared with 1999-2000.

\$61.7 million in gross sales in 2000-01

Average number of weekly entries 217,999

\$ Value of prizes won in SA \$44.1 million

10 Spot 8 prize winners in SA

1 Spot 9 prize winner in SA

0 Spot 10 prize winners in SA

Total number of winners in SA 3,103,015



LOTTERIES
COMMISSION
OF SOUTH
AUSTRALIA

ANNUAL
REPORT
2000_01

INSTANT Scratchies

Instant Scratchies experienced an increase in sales of \$6.2 million (20.2%) in 2000-01.

This growth is mainly attributed to the launch of SA Lotteries' first Extended Play game "Crossword" in May 2000 which has become the most popular Instant Scratchies game amongst players.

The continued success of the "It Happens" credibility campaign and heightened promotion of Instant Scratchies as the perfect gift idea over traditional gift giving periods such as Father's Day, Mother's Day and Christmas, has contributed to this increase.

\$37.1 million in gross sales in 2000-01

Number of tickets sold 21,890,450

\$ Value of prizes won in SA \$21.4 million

7 \$25,000 winners (\$1)

6 \$100,000 winners (\$2)

4 \$150,000 winners (\$3)

2 \$250,000 winners (\$5)



Sales for The Pools in 2000-01 increased \$0.1 million (18.0%) on the previous year. A consumer promotion for this niche game was run in early 2001 to reward existing players of the game.

\$0.7 million in gross sales in 2000-01

Average number of weekly entries 2,346

\$ Value of prizes won in SA \$0.1 million

0 Division One prize winners in SA

Total number of winners in SA 5,296



★ ★ ★ ★

Super 66 sales declined in 2000-01 by \$0.35 million (14.8%). This is consistent with the experiences of other Bloc members.

LOTTERIES COMMISSION OF SOUTH AUSTRALIA ANNUAL REPORT 2000 01

\$2.0 million in gross sales in 2000-01

Average number of weekly entries 23,733

\$ Value of prizes won in SA \$1.1 million

3 Division One prize winners in SA

Total number of winners in SA 30,090

Dean and Talana were all smiles after their \$25,000 Instant Scratchies win.



Our success depends on our customers

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

SA Lotteries is committed to ensuring that players enjoy the highest quality service across all aspects of our operations.

To ensure that we achieve this goal we continually monitor our performance. Customer service standards have been set and performance is measured against those standards.

During the year in review the service target was achieved as follows:

CUSTOMER SERVICE

2000-01	Achieved	Target
Prompt Response		
Time to Complaints	4.0 days	5.5 days
Raised by Players		

AGENCY EXCELLENCE AWARDS

Now in its sixth year, the annual Agency Excellence Awards program continues to be an important mechanism for us to evaluate the performance of the members of the sales network and to encourage and reward them on their achievements. A new judging format for the awards, undertaken in response to agent feedback, has been well received and has resulted in fair and equitable rewards for all members of the network.

As our agents are our interface with players, service quality is a key component of the annual Agency Excellence Awards program, which ensures that agents stay focused on providing players with a high level of service. The program is centred on the performance of agents in six performance categories, namely, sales performance, service quality, staff knowledge and training, outlet plan, administration and bonus points.

Agents are assessed twice yearly through a mystery shopping program and through regular assessments conducted by their SA Lotteries representative. Metropolitan and country agents are classified into 'business channels' to enable them to be benchmarked against like businesses, for example: Newsagents; Supermarkets/Delicatessens; Chemists/Kiosks/Other; Licensed.

SA Lotteries acknowledges the Morphettville Quick Deli, which was announced as the 1999-2000 Agent of the Year in August 2000.

EASIPLAY CLUB

More than 273,000 players enjoy the benefits of SA Lotteries' Easiplay Club.

The benefits of Easiplay Club membership include the safeguarding of any winnings, the forwarding of unclaimed prizes to the registered member by cheque or auto payment into a nominated bank account approximately four weeks after the draw and the ability to store favourite numbers. Further, when an Easiplay Club member wins a Division One prize, they are contacted by SA Lotteries on the day after the draw to advise them of their win.

A number of further initiatives are planned for the Easiplay Club in 2001-02 and beyond, which includes a Customer Relationship Management Scheme. This will enable us to better understand players' purchasing behaviours and needs, recognise our loyal players and offer more rewarding games and services for members.

INTERNET

SA Lotteries' Internet site at www.salotteries.sa.gov.au is constantly updated and contains game details, historical and current game results, latest winners details and corporate information, including the Rules under the State Lotteries Act 1966, SA Lotteries' Annual Report, Small Business Charter and Disability Discrimination Action Plan.

With the improved service offered through the site, together with the ever-increasing access to this medium, SA Lotteries' Internet site averaged 16,000 visits per month, an increase of 6,300 visits per month (65%) on 1999-2000.

SA Lotteries is currently upgrading the Internet site to provide an enhanced service to players and to meet current and future business needs.



TELEPHONE RESULTS SERVICE

Players of SA Lotteries' games continued to rely heavily on the telephone results service during the year with more than 360,000 calls recorded.

The service provides results for all of SA Lotteries' on-line games in English, Greek, Italian, Serbian, Croatian, Polish, Dutch, Chinese (Mandarin), Vietnamese and German.

To further enhance our service to the community, SA Lotteries also uses a TTY, or teletypewriter, which enables hearing impaired players to access results and general information on all SA Lotteries' games.

MARKET RESEARCH

Market research continues to be relied upon to provide essential background information where the strategic impact of various marketing initiatives is under consideration.

During 2000-01 market research was conducted by Market Equity (SA), a South Australian based research company.

In the course of the past year, corporate image research was conducted to determine the perception of SA Lotteries in the South Australian community and to establish a benchmark against which SA Lotteries' future corporate performance can be measured.

The research findings indicated that SA Lotteries holds a unique and trusted position as a provider of lottery games in South Australia and, when measured against its gaming competitors, is the market leader in terms of social and economic responsibility. The research also found that SA Lotteries' games are perceived as value for money, low risk and are considered to deliver what is promised.



LOTTERIES
COMMISSION
OF SOUTH
AUSTRALIA

ANNUAL
REPORT
2000_01

OUR AGENTS

We're only as successful as the people around us

We have provided high level support to our agent network.

In recognising that SA Lotteries' business success and that of our agents is inextricably linked, we are firmly committed to enhancing the relationship with all members of the State-wide agent network to ensure a partnership that delivers the greatest mutual rewards.

SA Lotteries' games are currently available via the retail and licensed distribution channels.

SA Lotteries has remained vigilant through the year in ensuring that the goals and undertakings outlined in our Small Business Charter are achieved.

AGENT RECOGNITION

To further recognise the achievements of our agents, we were pleased to use hospitality opportunities available to us under our corporate sponsorship agreements to host agents at weekly AFL football matches, Festival Theatre performances and SA Great functions throughout the year. These hospitality initiatives provide a valuable opportunity to enhance the relationship between SA Lotteries and the members of the agent network and also allow for rewarding two-way communication.

AGENT TRAINING

Ensuring that our agents are highly trained in the operation of our system and the promotion of our games continues to be a priority. The agent training course held at TAFE Regency Park is highly important to SA Lotteries.

A three day course to assist incoming agents and a half-day training course to enable agency staff to refresh their skills and benefit from new and interesting business ideas is provided.

‘In-house’ agent training, which is undertaken by sales staff at agent locations as required, has been received with enthusiasm and enables agents to supplement training of new staff.

A new initiative introduced during the past year was regional training conducted around South Australia. The regions involved in the training were Mount Gambier, Port Pirie and the Riverland. This initiative was extremely well received.

AGENT REFERENCE GROUP

SA Lotteries continues to gain valuable input into marketing strategies and agent based initiatives from the Agent Reference Group and we greatly appreciate the contribution and commitment of the members.

Four new members were welcomed to the group during 2000-01 to replace four members who had completed their term of appointment.

We would like to thank the retiring members Mr John Batten, Ms Gayle Humphries, Mr Tom Komninos and Mr Glen Morgan for their contribution during their time as members.

INDUSTRY LIAISON

Mutually beneficial relationships between SA Lotteries and various industry bodies such as the State Retailers Association of SA, the Newsagents Association of SA, the Australian Hotels Association (SA) and Clubs SA continue to prove invaluable for the sharing of information. SA Lotteries greatly appreciates the feedback received from these bodies and their support of our business activities.

RETAIL IMAGE

The number of outlets adopting SA Lotteries’ corporate fit-out continued to increase with a further 40 adopting the fit-out during the year. Approximately 37% of the network now feature the fit-out at their business. An upgrade and revision of all external agency signage also continued throughout the year, to further highlight agencies to players.

DISTRIBUTION OF AGENTS BY BUSINESS TYPE 2000-2001

	Metro		Country		Total
	#	%	#	%	
Newsagents	117	31.9	69	42.9	186
Kiosks	10	2.7	1	0.6	11
Delicatessens	45	12.3	11	6.8	56
Chemists	24	6.6	3	1.9	27
Supermarkets	23	6.3	9	5.6	32
Service Stations	3	0.8	0	0	3
Hotels	110	30.1	49	30.4	159
Clubs	22	6.0	11	6.8	33
Others	12	3.3	8	5.0	20
Total	366	100	161	100	527

Our biggest success story is our people

We have employed the best possible people and continue to realise their potential.

Our people are our most valuable resource. Despite a lengthy period of uncertainty resulting from the proposed sale of SA Lotteries, our staff have demonstrated an unfaltering commitment and their hard work and efforts have greatly contributed to us achieving a record performance this year.

TRAINING AND DEVELOPMENT

SA Lotteries is committed to realising the potential of its staff and regards improvement of skills as a joint initiative, beneficial to both the employee and SA Lotteries.

A performance appraisal and training needs analysis is conducted for all employees annually and ensures staff have input into their own training and development requirements.

In addition, a number of group training sessions were held during the year in the areas of sales, information systems and responsible gambling.

The percentage of training expenditure relative to the cost of salaries was 2.2% in 2000-01, compared to 1.9% in 1999-2000.

MANAGED PERFORMANCE

SA Lotteries is committed to responding to the needs of its staff and, so that staff can better meet their commitments outside of work, the organisation plans to extend the flexible working arrangements already in place and introduce new family-friendly policies.

New initiatives to be undertaken in the coming year include job sharing and purchased leave, whilst telecommuting, part-time work and flexible working hours will continue to be available to staff where appropriate.

In keeping with the corporate objective of realising each employee's potential, performance appraisal evaluations are used to identify employees capable of filling higher positions within the organisation, which is an important contributor to motivation and job satisfaction.

SA Lotteries also assists employees in their professional development by reimbursing study fees where there are identified mutual benefits to the employee and SA Lotteries.

PROTECTION OF MERIT AND EQUITY

SA Lotteries has an Equal Employment Opportunity Policy, which recognises and protects merit and equity and a Code of Conduct has been developed to ensure staff are treated fairly without discrimination or harassment while at work. There were no recorded instances of discrimination or harassment during the year.

EVALUATION AND REMUNERATION REVIEW

SA Lotteries reviews and updates position information documents annually to ensure that they reflect work being undertaken by employees.

In addition to salary increases awarded under enterprise negotiations, SA Lotteries utilises the services of William M Mercer Cullen Egan Dell to independently evaluate all positions on an annual basis.

ENTERPRISE BARGAINING

A strong commitment was required by all staff to ensure changes, as detailed in the second Enterprise Agreement, were successfully implemented. All parties recognised the need to be responsive to new technology and a rapidly changing environment and to acknowledge the requirement for flexible conditions and family-friendly policies.

Whilst negotiations related to the third Enterprise Agreement commenced prior to the completion of the second agreement, negotiations stalled pending the outcome of a decision before the Industrial Court regarding a Memorandum of Understanding between the Government and the Public Service Association. It is intended that a third agreement will be finalised shortly.

LEAVE MANAGEMENT

The long service leave plan has been updated to reflect long service leave taken in the year 2000-01. The long service leave liability has increased as a result of a number of employees now being eligible for long



service leave. Employees continue to schedule and take their entitlements where appropriate.

Staff schedule and take their full allocation of annual leave each year unless special circumstances necessitate deferral.

OCCUPATIONAL HEALTH AND SAFETY

SA Lotteries is proactive in its approach to occupational health and safety (OH&S), striving where possible to resolve any issues raised by employees promptly.

SA Lotteries' corporate OH&S policy was reviewed and updated during the period of this report.

Our OH&S Committee meets quarterly to ensure compliance with the Occupational Health, Safety and Welfare Act, 1986. The OH&S Committee comprises the Manager - Human Resources, Manager - Finance, Head Office Administration Selling Clerk and the Manager - Service, representing the Stepney warehouse staff.

An inspection of the head office and warehouse premises is carried out annually. All OH&S issues are recorded and dealt with immediately. The results of the inspection and associated action are reported to the OH&S committee at its quarterly meeting.

SA Lotteries is committed to ensuring that its workplace is free from unlawful discrimination, harassment and victimisation. Awareness sessions were held for all staff during the period of this report.

Fire awareness and first aid training was conducted for employees responsible for these functions.

Further details on SA Lotteries' occupational health and safety performance can be found on page 36 of this report.

STAFF PRESENTATIONS

SA Lotteries continues to acknowledge the great contribution of staff and recognises that the retention of staff with long-standing service is critical to ensuring the organisation enjoys the benefit of a corporate memory.

Staff service is monitored by the Human Resources Department and presentations are made to staff for each five years of service.

During the period of this report 20 staff members were recognised for their contribution to SA Lotteries through their years of service. Gary Fletcher, Tony Mudge and Christine Whittenbury achieved 20 years' service. In addition, we acknowledged two people who achieved 15 years' service and six who achieved 10 years. The remainder achieved five years.

A total of 29 staff have achieved 10 years' service and 11 staff have achieved 20 years' service or more.

UNIVERSITY OF SA ALLIANCE

SA Lotteries continues to make available, through the University of South Australia, a position for a marketing trainee. The university refers candidates and a merit based selection process is conducted by SA Lotteries prior to an appointment being made. The position is for a 12-month period and provides experience and skills to ensure a high quality foundation for the graduate.

Reports and findings of one research project, undertaken during the year by University of South Australia students, was presented to SA Lotteries during the year in review. The research was undertaken to establish the effectiveness of customer loyalty programs and their implications for SA Lotteries. The undertaking of such research projects will continue in 2001-02.



Chris enjoyed his
\$22,300 Super 66 prize.



Leading-edge technology ensures we continue to succeed

We have utilised the most effective technology.

The on-line lotteries system in place is supplied and supported by GTECH Corporation and continues to perform well, effectively delivering lottery games to our players through point-of-sale terminals in agencies.

System and network reliability continues to be exceptional with the system being available 99.99% of the time.

GST COMPLIANCE

The conversion of our systems to be GST ready was a major focus leading into the 2000-01 financial year. GST compliance was achieved by 1 July 2000.

TELEPHONE RESULTS SERVICE

Our system also supports our telephone results capability which continues to provide a heightened service to players and has enabled us to ensure that game results are widely available through the convenience of a 1900 telephone service.

NEW BUSINESS SYSTEM

A requirement has been identified to acquire a business system to achieve an integrated enterprise-wide solution. This initiative will reduce business risk through replacement of the ageing financial system and will allow easier and more timely access to comprehensive information in addition to improved information management and reporting.

CONTRACTUAL ARRANGEMENTS

SA Lotteries has a contract with GTECH Corporation for the supply of a real-time on-line lotteries system. The system became operational in June 1999.

The contract includes supply of the equipment, licensed software and software support for five years. This expires on 26 June 2004 with an option to extend the contract for a further three years.

This function was out-sourced, as SA Lotteries did not have the capability in terms of resources and expertise to cost-effectively develop an on-line lotteries system.



OUR BUSINESS

Success is our business

We have developed a corporate culture that is socially, financially, economically and environmentally responsible and have ensured mutually beneficial relationships with suppliers.

OUR SUPPLIERS

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

General indications are that SA Lotteries has achieved harmonious relationships with all suppliers.

During 2000-01 we worked closely with selected suppliers with a view to strengthening our relationship and generating opportunities which would be to our mutual benefit, whilst continuing to counter-balance the objective of open and fair competition.

As a further benefit to South Australian suppliers, SA Lotteries promotes a 'buy local' philosophy where a local supplier or potential supplier provides a value for money outcome that exceeds or equals that offered by non-local suppliers or potential suppliers.

ACCOUNT PAYMENT PERFORMANCE

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

The following table summarises the account payment performance achieved during 2000-01.

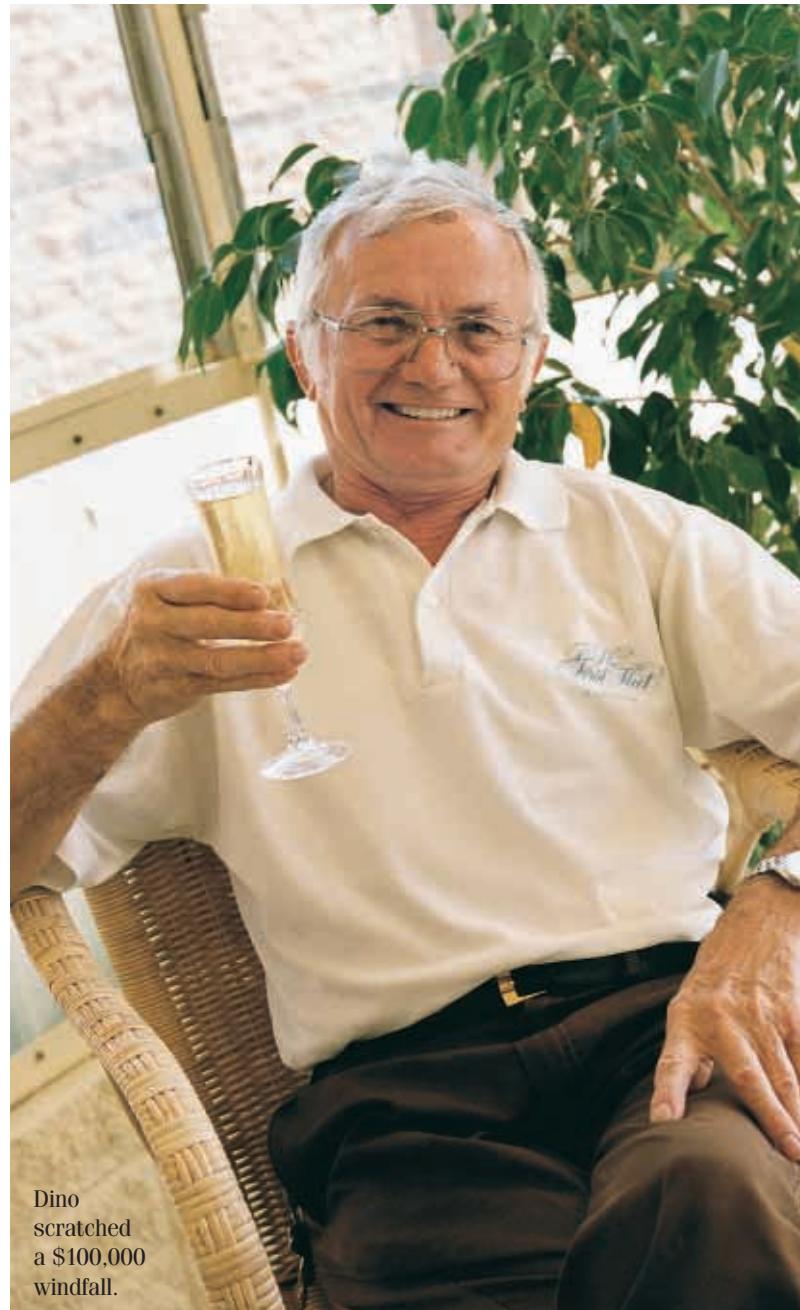
Account Payment Performance

Particulars	Number of accounts	% of accounts paid (by number)	Value in \$A of accounts paid	% of accounts paid (by value)
Paid by due date	1,925	100%	\$16.9 million	100%
Paid within 30 days or less from due date	—	—	—	—
Paid more than 30 days from due date	—	—	—	—



LOTTERIES
COMMISSION
OF SOUTH
AUSTRALIA

ANNUAL
REPORT
2000_01



GST AND GAMBLING TAX

Effective 1 July 2000, the Statutes Amendment (Lotteries and Racing - GST) Act 2000 amended the State Lotteries Act 1966 to enable the implementation of the Goods and Services Tax (GST). GST is 9.09% of net gambling revenue and is payable to the Australian Taxation Office. The amount charged as an operating cost is \$11.4 million. The Act also included the provision for a gambling tax to strengthen the owner/service provider relationship with the Government with the application of the tax rate of 41% of net gambling revenue from 1 July 2000. The amount included in cost of sales is \$51.5 million and is payable to the Recreation and Sport Fund in respect of sports lotteries and to the State Hospitals Fund in respect of all other lotteries.

RISK MANAGEMENT

In accordance with the State Government's risk management objective of identification of threats and developing cost-effective strategies to minimise risks associated with the threats, SA Lotteries implemented a Risk Management Policy and Framework during 1996-97 and since that time has had an ongoing risk management program.

Risks were reassessed during 2000-01 in relation to the protection of SA Lotteries' employees, assets, earnings, liabilities and the public. New risks resulting from changes in operations during the year were identified and added to the program.

In addition, a risk evaluation was formally implemented and completed for all corporate projects undertaken during the financial year. This analysis includes an evaluation of the business, financial, managerial and political risks. This basis ensures that the risks are assessed as part of all strategic and ongoing planning and decision making.

FRAUD CONTROL POLICY

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

CRISIS PLAN

SA Lotteries' Crisis Plan comprises a set of written procedures covering pre-incident planning, emergency handling and post-loss recovery, to cater for identified threats. This plan was reviewed and updated twice during 2000-01.

In September 2000 SA Lotteries' Crisis Team undertook training in crisis management. This training seminar included a desktop simulation exercise and was conducted by an external provider.

NATIONAL COMPETITION POLICY

The State Lotteries Act 1966 is listed for review under the Competition Principles Agreement. It is anticipated this will occur as part of a broad review of gaming legislation to be undertaken prior to June 2002, in accordance with the revised Council of Australian Governments review completion schedule.

FREEDOM OF INFORMATION

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

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

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

No requests for information were received during 2000-01.

DISABILITY DISCRIMINATION ACTION PLAN

In November 2000 the Minister for Disability Services launched 'Promoting Independence - Disability Action Plans for South Australia'. This document provides a framework for the development by agencies of Disability Action Plans as a key strategy in meeting Commonwealth and State disability legislative requirements.

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

In developing the plan, SA Lotteries sought extensive feedback and input from people with disabilities and disability associations in South Australia and a copy of the Disability Discrimination Action Plan was provided to



the Human Rights and Equal Opportunity Commission in August 1998.

Areas identified for improvement within the action plan have been addressed and a copy of the plan is maintained on SA Lotteries' web site.

Five outcome areas in regard to meeting disability obligations are outlined in 'Promoting Independence' and SA Lotteries' progress against each outcome is recorded below:

- Accessibility to SA Lotteries' services for people with disabilities has been addressed in the action plan.
- Provision of information about SA Lotteries' services and programs to people with disabilities has been addressed in the action plan.
- Awareness training of SA Lotteries' staff in the delivery of advice or services to people with disabilities has been addressed in the action plan.
- SA Lotteries has consulted, and will continue to consult where appropriate, with people with disabilities in decision making processes regarding service delivery, and in the implementation of complaints and grievance mechanisms.
- SA Lotteries has provided information to the Chief

Executive of the Department for Administrative and Information Services advising of action taken in respect to the requirements of the Disability Discrimination Act 1992 and the Equal Opportunity Act 1984.

Action has been taken to integrate the strategies of 'Promoting Independence' into SA Lotteries' policies so that accessibility considerations for people with disabilities are built into planning processes.

INTERNATIONAL RELATIONS

A key corporate strategy is to constantly monitor international and national trends in all aspects of the gambling industry. This has been achieved during the year by attendance at relevant conferences and visits to other lottery jurisdictions both internationally and nationally.

During the year, SA Lotteries was pleased to host Reidar Nordby, President of the World Lottery Association and Chief Executive Officer of Norsk Tipping and a delegation of 10 representatives from the China (Beijing) Sports Lottery Administration.

OVERSEAS TRAVEL

A summary of overseas travel by employees of SA Lotteries appears below:

OVERSEAS TRAVEL				
Date	Destination	Reasons for travel	Employee involved	Total cost
July 2000	Glasgow	Credit received on air fare (re travel to World Lottery Association Congress in May/June 2000).	Commission Member	\$283
12-14 September 2000	Singapore	To attend meeting of the Asia Pacific Lottery Association.	Chief Executive Officer	\$5,316
10-14 September 2000	Singapore	To attend World Lottery Association School of Management seminar: "How to Measure Achievements in the Lottery Industry".	Executive	\$5,898
10-16 November 2000	Cancun	To attend World Lottery Association School of Management workshop: "Creativity in the Lottery Business".	Employee	\$7,291
16-24 March 2001	Miami	To attend GTECH World Leaders Forum.	Executive	\$6,276
8-11 April 2001	Washington DC	To attend and present a paper at La Fleur's 6th Annual Lottery World Symposium.	Executive	\$7,715
26 May to 3 June 2001	Cannes, France	To attend European Lotteries Congress, 2001 - Cannes	Commission Member, Chief Executive Officer and Employee	\$34,020
Total				\$66,233



LOTTERIES
COMMISSION
OF SOUTH
AUSTRALIA

ANNUAL
REPORT
2000_01

Everyone benefits from our success

We have generated maximum returns to the community.

SA Lotteries was established in 1967 to generate funds for the benefit of the community and since then has truly been a South Australian success story.

In addition to generating funds for the State Hospitals Fund and the Recreation and Sport Fund, SA Lotteries also contributes to the community in providing challenging employment for some 95 staff and business opportunities for 527 agents across the State.

SA Lotteries' agents are the public face of the organisation and, to demonstrate its commitment to these small business operators, SA Lotteries has established a number of sponsorship initiatives for the direct benefit of the agent network. These include the Newsagents Association of SA, the Australian Hotels Association (SA), Clubs SA and the SA Great Rural Pride Program. Each of these corporate sponsorships serve to

strengthen the relationship between SA Lotteries, the industry associations and the agents themselves.

Ongoing support of the State's hockey teams, the Adelaide Suns and the Hotshots, further expanded SA Lotteries' reach into the local community.

South Australia is a sporting State and SA Lotteries' sponsorships extended further into the sporting arena this year with the SANFL Magarey Medal and the SANFL website.

During the year in review, staff of SA Lotteries also elected to raise money through monthly casual days for a range of charities clearly demonstrating their own commitment to the community.

Corporate research undertaken during the year highlighted ways in which SA Lotteries can continue to improve the support it provides to the community and in turn reinforce its reputation as a good corporate citizen.

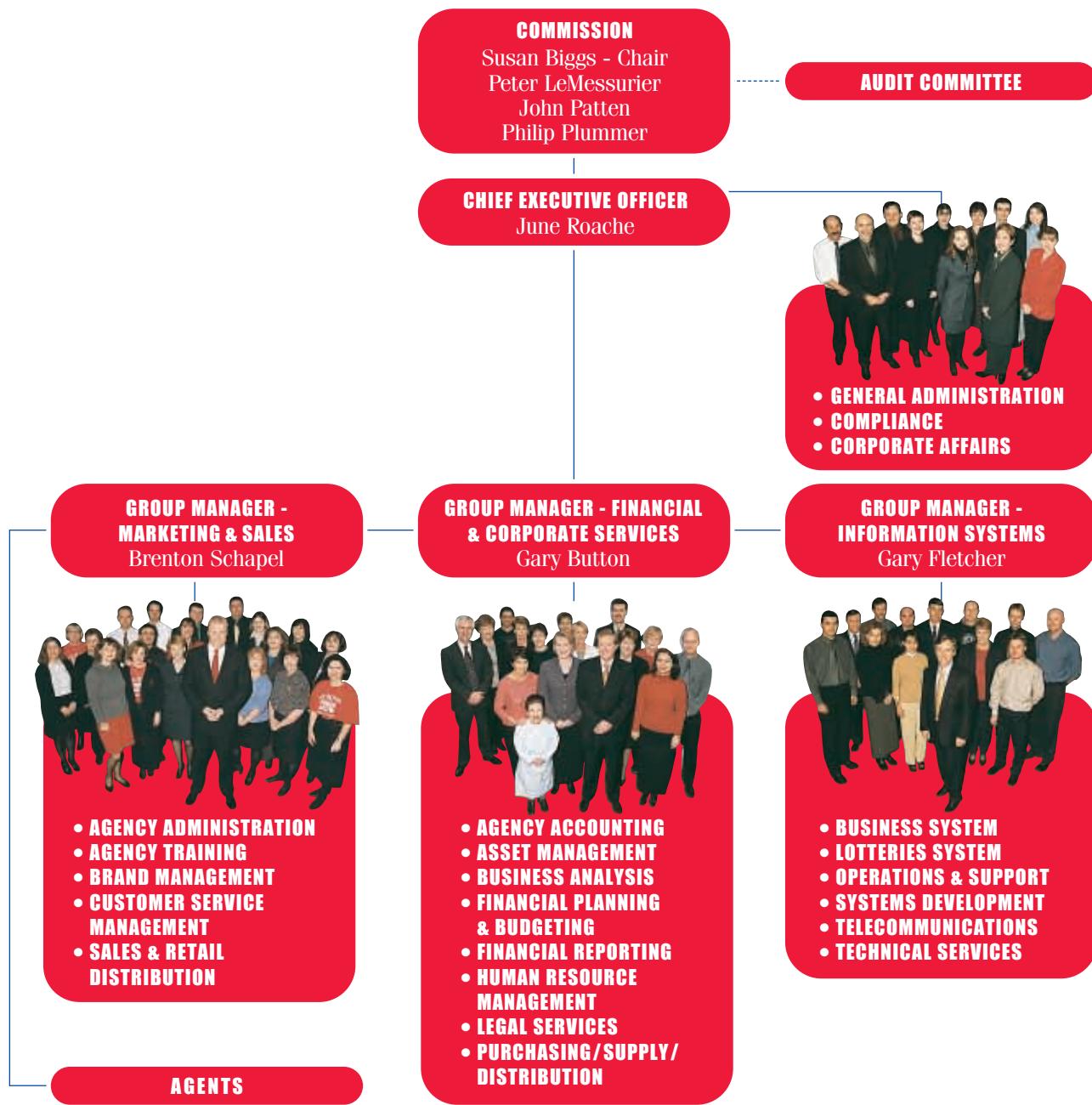




Christine and John
scooped the entire
SA Lotto Division One
prize pool of \$1.1 million

Photo courtesy
of Julie-Anne Martin,
The Advertiser.

Organisation Structure



EXECUTIVE EMPLOYMENT

The Chief Executive Officer and Group Managers are employed under contract and do not have the right to be appointed to another position in the public sector at the end of their contract.

Level C – 1 Female Level A – 3 Males

NON EXECUTIVE EMPLOYMENT CLASSIFICATION

Classification	PERMANENT			PERMANENT PART-TIME			TEMPORARY			TOTAL		
	M	F	TOTAL	M	F	TOTAL	M	F	TOTAL	M	F	TOTAL
AS01	3	7	10	-	13	13	-	-	-	3	20	23
AS02	5	6	11	-	3	3	-	-	-	5	9	14
AS03	-	8	8	-	-	-	-	-	-	-	8	8
AS04	5	7	12	-	1	1	-	-	-	5	8	13
AS05	2	4	6	-	-	-	-	-	-	2	4	6
AS06	7	4	11	-	-	-	-	-	-	7	4	11
AS07	4	-	4	-	-	-	-	-	-	4	-	4
AS08	-	3	3	-	-	-	-	-	-	-	3	3
TG01	1	-	1	-	-	-	-	-	-	1	-	1
TG02	3	-	3	-	-	-	-	-	-	3	-	3
MAS3	2	-	2	-	-	-	-	-	-	2	-	2
Contract	-	-	-	-	-	-	2	1	3	2	1	3
Total	32	39	71	-	17	17	2	1	3	34	57	91

LEAVE MANAGEMENT

2000-01 1999-00 1998-99

Average number of sick leave days taken per FTE	6.8	7.5	7.3
Average number of family carer leave days taken per FTE	0.6	0.5	0.4

FTE = Full Time Equivalent

AGE PROFILE

AGE GROUP (Years)	NUMBER OF EMPLOYEES (Persons)		
	Male	Female	Total
15-19			nil
20-24	1	3	4
25-29	2	6	8
30-34	9	7	16
35-39	7	7	14
40-44	6	5	11
45-49	5	6	11
50-54	4	14	18
55-59	3	6	9
60-64		3	3
65+		1	1
Total	37	58	95

Nelson was a winner in the 'Send It Off' promotion for The Pools.



OUR OCCUPATIONAL HEALTH AND SAFETY PERFORMANCE

OCCUPATIONAL HEALTH, SAFETY AND INJURY MANAGEMENT

2000-01 1999-00 1998-99

1 OH&S legislative requirements

Number of notifiable occurrences pursuant to OHS&W Regulations Division 6.6	nil	nil	nil
Number of notifiable injuries pursuant to OHS&W Regulations Division 6.6	nil	nil	nil
Number of notices served pursuant to OHS&W Act s35,s39 and s40	nil	nil	nil

2 Injury Management legislative requirements

Total number of employees who participated in the rehabilitation program	2	2	2
Total number of employees rehabilitated and reassigned to alternative duties	nil	nil	nil
Total number of employees rehabilitated back to their original work	nil	1	1

3 WorkCover Action Limits

Number of open claims	2	3	4
Percentage of workers' compensation expenditure over gross annual remuneration	0.86%	1.16%	1.15%

4 Number of Claims

Number of new workers' compensation claims in the financial year	2	1	4
Number of fatalities	nil	nil	nil
Number of lost time injuries	1	1	3
Number of medical treatment only	1	nil	1
Total number of whole working days lost	18	24	127

5 Cost of workers' compensation

Cost of new claims for financial year	\$1,867	\$2,239	\$3,414
Cost of all claims excluding lump sum payments	\$38,986	\$48,517	\$44,139
Amount paid for lump sum payments (s42,s43,s44)	nil	nil	nil
Total amount recovered from external sources (s54)	nil	nil	nil
Budget allocation for workers' compensation	\$110,860	\$66,540	\$85,490

6 Trends

Injury frequency rate for new lost-time injury/disease for each million hours worked	5.27	5.43	23.44
Most frequent cause (mechanism) of injury	overuse syndrome	fall	overuse syndrome
Most expensive cause (mechanism) of injury	overuse syndrome	fall	overuse syndrome

We Keep Counting on our Success

Statement of Financial Performance	38
Statement of Financial Position	39
Statement of Cash Flows	40
Notes to and forming part of the Financial Statements	41
Statement by the Chair and Chief Executive Officer	58
Independent Audit Report	59

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2001

	Note	2001 (\$'000)	2000 (\$'000)
SALES REVENUE	2	309,593	295,018
Cost of sales:			
Prizes	1(b)	(180,604)	(174,519)
Gambling tax	1(r),17	(51,480)	-
Agents' commission	3	(22,707)	(21,853)
		(254,791)	(196,372)
TRADING PROFIT		54,802	98,646
Other revenues from ordinary activities	4	7,171	6,520
		61,973	105,166
Expenses:			
Goods and services tax	1(q)	(11,415)	-
Employee expenses		(5,396)	(4,785)
Marketing		(4,918)	(4,935)
Computer operations		(3,569)	(3,468)
Depreciation	5	(2,752)	(2,431)
Borrowing costs	1(s)	(693)	(654)
Other	6	(3,528)	(4,024)
		(32,271)	(20,297)
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EQUIVALENT		29,702	84,869
Income tax equivalent expense relating to ordinary activities	1(p),1(r),17	(10,099)	(30,553)
PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EQUIVALENT	18	19,603	54,316
Net increase in asset revaluation reserve	16(i)	347	-
TOTAL NET CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		19,950	54,316



LOTTERIES
COMMISSION
OF SOUTH
AUSTRALIA

ANNUAL
REPORT
2000 01

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2001

	Note	2001 (\$'000)	2000 (\$'000)
CURRENT ASSETS			
Cash		125	125
Investments	1(l)	43,659	41,327
Receivables	1(k),7	5,037	2,444
Inventories	1(f),8	328	393
Prepayments		290	469
Total current assets		<u>49,439</u>	<u>44,758</u>
NON-CURRENT ASSETS			
Property, plant and equipment	1(c),1(d),9	20,738	22,855
Total non-current assets		<u>20,738</u>	<u>22,855</u>
TOTAL ASSETS		70,177	67,613
CURRENT LIABILITIES			
Accounts payable	1(m),10	2,107	4,510
Borrowings	1(s)	1,253	1,172
Employee entitlements	11	304	364
Other	12	25,445	20,012
Total current liabilities		<u>29,109</u>	<u>26,058</u>
NON-CURRENT LIABILITIES			
Borrowings	1(s)	8,285	9,493
Provisions	1(g),13	790	4,281
Unclaimed prizes reserve	14	11,612	11,661
Total non-current liabilities		<u>20,687</u>	<u>25,435</u>
TOTAL LIABILITIES		49,796	51,493
NET ASSETS		20,381	16,120
EQUITY			
Funds retained for capital purposes	15	2,976	2,976
Reserves	16	17,405	13,144
Retained profits	18	—	—
TOTAL EQUITY		20,381	16,120



LOTTERIES
COMMISSION
OF SOUTH
AUSTRALIA

ANNUAL
REPORT
2000/01

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2001

Note	2001		2000	
	(\$'000) Inflows (Outflows)	(\$'000) Inflows (Outflows)	(\$'000) Inflows (Outflows)	(\$'000) Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	289,413		277,074	
Prizes paid	(179,746)		(172,195)	
Payments to suppliers and employees (excluding GST)	(17,068)		(16,754)	
GST payments to taxation authority	1(q)	(7,672)	—	
GST payments on purchases	1(q)	(3,370)	—	
GST receipts on sales	1(q)	383	—	
Interest received		2,487	2,045	
Borrowing costs paid		(714)	(539)	
Net cash provided by/ (used in) operating activities	27(ii)		83,713	89,631
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for property, plant and equipment	(1,616)		(5,059)	
Proceeds from sale of equipment	2		41	
Net cash used in investing activities		(1,614)		(5,018)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings	83		4,700	
Repayment of borrowings	(1,210)		(847)	
Distribution to the Hospitals Fund and Recreation and Sport Fund for gambling tax	1(r),17	(47,047)	—	
Distribution to the Hospitals Fund for income tax equivalent	1(r),17	(10,695)	(30,101)	
Distribution to the Hospitals Fund and Recreation and Sport Fund for after tax surplus	1(r),17	(20,898)	(55,580)	
Net cash used in financing activities		(79,767)		(81,828)
Net increase/(decrease) in cash held		2,332		2,785
Cash at the beginning of the financial year		41,452		38,667
Cash at the end of the financial year	27(i)	43,784		41,452

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2001

1. ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the State Lotteries Act 1966, the requirements of the Treasurer's Instructions relating to financial reporting which are issued pursuant to the Public Finance and Audit Act 1987 and Accounting Policy Statements issued pursuant to those Instructions, the Statements of Accounting Concepts, applicable Accounting Standards and Urgent Issues Group Consensus Views.

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

(b) Changes in Accounting Policies

SA Lotteries has adopted the presentation and disclosure requirements of AAS1 "Statement of Financial Performance" and AAS36 "Statement of Financial Position" for the first time in the preparation of this financial report. In accordance with the requirements of these new or revised Standards, comparative amounts have been reclassified in order to comply with the new presentation format.

The provision for Keno prizes at 1 July 2000 comprised \$3,398,000 for SA Lotteries' generated sales and has been adjusted in the Statement of Financial Performance. The balance of \$264,000 for an external obligation subject to a legal arrangement has now been treated as an accrual in note 12. Keno prizes are now expensed when won rather than being provided for as a fixed percentage of net Keno sales as this treatment does not meet the criteria for recognition as a liability in accordance with Statement of Accounting Concepts (SAC4).

Had the new accounting policy always been in place, the amount presented as prizes paid would have been \$184,031,000 (2000: \$177,334,000) resulting in a net profit before tax of \$26,275,000 (2000: \$82,054,000). Tax expense would have been \$8,934,000 (2000: \$29,539,000) and profit after tax \$17,342,000 (2000: \$52,515,000).

A portion of the opening balance of \$548,000 has been utilised for prizes won during the financial year and the net effect on the profit from ordinary activities from the opening balance is an increase of \$2,850,000.

A Keno Prize Reserve of \$2,850,000 has been created to meet a large Spot 10 (10 hit) Jackpot prize payment in the event that Spot 10 (10 hit) is won more than once in each financial year.

The change in accounting policy has had no effect on retained profits as these are forwarded to the Hospitals Fund.

(c) Property, plant and equipment

Property, plant and equipment are brought to account at cost or at independent valuation.

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



LOTTERIES
COMMISSION
OF SOUTH
AUSTRALIA

ANNUAL
REPORT
2000_01

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

Property:	
Freehold land	Nil
Buildings *	2.9% and 3.3%
Plant and equipment:	
Furniture, fixtures & fittings	5% and 10%.
Plant and office equipment	5%, 6.67%, 10%, 20% and 33.3%.
On-line lotteries system	12.5%, 20% and 33.3%.

* As from 1 June 2001 the useful lives were reviewed resulting in a change in percentage from 2.5% to the rates stated above. The financial effect of the change is an increase of \$2,000 on depreciation expense.

(d) Revaluation of non-current assets

The Commission's policy, in line with Accounting Policy Statements, is to independently revalue non-current assets every three years, with adjustments to book value as appropriate. The policy applies to non-current assets where the fair value at the time of acquisition is equal to or greater than \$1 million and the estimated useful life is equal to or greater than five years.

(e) Recognition of income

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

(f) Inventories

Inventories are carried at actual cost.

(g) Employee entitlements

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

(i) Superannuation

The Commission contributes to externally managed superannuation funds. Contributions are charged as an expense in the period in which they occur (refer to note 24).

(ii) Annual leave

Provision has been made for the unused component of annual leave at balance date. The provision has been calculated at nominal amounts based on current salary rates.

(iii) Long service leave

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

(iv) Sick leave

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

(v) Workers' compensation

A workers' compensation levy rate is paid to WorkCover Corporation to cover any claims.

(h) Building maintenance reserve

This reserve was established to meet future major building maintenance costs (refer to note 16(ii)).

(i) Capital asset reserve

This reserve was established to contribute to the financing of the cost of replacement/upgrade of the on-line lotteries system hardware and software, and the purchase of other non-current assets (refer to note 16(iii)).

(j) Keno prize reserve

This reserve was established to meet a payment for a second and subsequent payment of Keno Spot 10 (10 hits) Jackpot Prize within a financial year (refer to note 16 (iv)).

(k) Receivables

Trade and other debtors

Debtor agents and sundry debtors are settled within seven days and 30 days respectively and are carried at amounts due (refer to note 7 and to note 25). All debts considered bad or doubtful are written off to bad debt expense in the year in which they are recognised as irrecoverable. Bad debts written-off for the year ended 30 June 2001 totalled \$1,000 (2000: \$33,000).

Receivables from Bloc

Lotto and Super 66, Oz Lotto, Powerball and The Pools are games supported by inter-jurisdiction prize pooling arrangements. State lottery operators participating in individual games form Blocs for the relevant games. Amounts receivable from Bloc members are carried at the excess of actual prizes payable over the relevant percentage of draw turnover prescribed for each game. Settlement of amounts receivable from Bloc members are due 10 working days after the date of draw, in accordance with Bloc agreements (refer to note 7 and to note 25).

(l) Investments

Deposits are held with the South Australian Government Financing Authority (SAFA) in short term financial instruments and are valued at cost. Interest is paid at SAFA's overnight at call deposit rate. These deposits principally reflect funds available for unclaimed prizes and for distribution to the Hospitals Fund and the Recreation and Sport Fund (refer to note 25).

(m) Accounts payable

Trade and other creditors

Accounts payable are recognised for amounts to be paid in the future for goods and services received. Trade accounts payable are normally settled within 30 days (refer to note 10 and to note 25).

Accounts payable to Bloc

Lotto and Super 66, Oz Lotto, Powerball and The Pools are games supported by inter-jurisdiction prize pooling arrangements. State lottery operators participating in individual games form Blocs for the relevant games. Amounts payable to Bloc members are carried at the excess of the relevant percentage of draw turnover prescribed for each game over actual prizes payable. Settlement of amounts payable to Bloc members are due 10 working days after the date of draw, in accordance with Bloc agreements (refer to note 10 and to note 25).



(n) Foreign currency

Exchange differences arising up to the date of purchase or sale are deferred and are included in the measurement of the purchase or sale (refer to note 25).

(o) Unclaimed prizes

If a prize in a lottery has not been collected or taken delivery of within 12 months of the date of the draw or relevant day, the prize is forfeited to the Commission and transferred to the unclaimed prizes reserve. Section 16C(4) of the State Lotteries Act 1966 requires the Commission to pay 50% of the amount derived from unclaimed prizes in The Pools to the Recreation and Sport Fund and 50% of the amount derived from unclaimed prizes in other lotteries to the Hospitals Fund. The balance in the Reserve is applied by the Commission from time to time for the purposes of providing additional increased prizes in subsequent lotteries, providing prizes in promotional lotteries or making ex-gratia prize payments.

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

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

(p) Tax equivalent regime

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

The tax equivalent regime has been applied in a manner that is consistent with the requirement of the Commission, pursuant to Section 16(3) of the State Lotteries Act 1966, as amended, to pay surplus funds to the Hospitals Fund (refer to note 1(r)).

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

(q) Goods and Services Tax (GST)

A New Tax System (Goods and Services Tax) Act, 1999, commenced on 1 July 2000.

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

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

The net amount of GST recoverable from, or payable to the ATO, is included as a current asset or liability in the statement of financial position.

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



(r) Distribution of funds to Government

The Statutes Amendment (Lotteries and Racing - GST) Act, 2000 came into operation on 1 July 2000 to amend the application of funds from the Lotteries Fund.

The Act introduced a gambling tax of 41 per cent of NGR on all lotteries conducted by the Commission. The gambling tax is paid into the Hospitals Fund, except the gambling tax on The Pools, which is paid into the Recreation and Sport Fund.

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

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

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

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

A wholesale tax equivalent payment to the Hospitals Fund was made this financial year for purchases of consumable items in June 2000 (refer to note 17).

(s) Borrowings and borrowing costs

Borrowings are initially brought to account at their principal amounts. Interest expense is brought to account on an accrual basis over the period it becomes due. Borrowing costs are recognised as expenses in the period in which they are incurred. No borrowing costs have been capitalised in the financial period.

The on-line lotteries system has been financed, in part, from borrowings from the Treasurer of South Australia and in part from the capital asset reserve. The loan is unsecured. Repayments are made six monthly on a credit foncier loan basis, with interest charged at the lender's benchmark rate. The carrying amount for borrowings therefore approximates fair value (refer to note 25).



LOTTERIES
COMMISSION
OF SOUTH
AUSTRALIA

ANNUAL
REPORT
2000_01

2. SALES REVENUE

	2001 (\$'000)	2000 (\$'000)
Lotto	123,023	120,304
SA Lotto	21,468	21,292
Oz Lotto	17,133	16,662
Powerball	46,438	34,288
Keno	61,689	68,620
Instant Scratchies	37,099	30,866
The Pools	716	607
Super 66	2,027	2,379
	<hr/>	<hr/>
	309,593	295,018

Sales revenue includes agents' commission

3. AGENTS' COMMISSION

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

4. OTHER REVENUE

	2001 (\$'000)	2000 (\$'000)
Agents' fees and charges	3,101	3,285
Interest from investments	2,460	2,102
Commission on Head Office sales	417	443
Easiplay Club service fee	298	281
Liquidated damages *	545	–
Sundry	350	409
	<hr/>	<hr/>
	7,171	6,520

* The GTECH contract for the on-line lotteries system installed late in June 1999 provided for SA Lotteries to claim liquidated damages for delays in installation. A delay did occur and settlement was effected in June 2001.

5. DEPRECIATION

	2001 (\$'000)	2000 (\$'000)
Asset class:		
Buildings	61	59
Plant and equipment	250	235
On-line lotteries system	2,441	2,137
	<hr/>	<hr/>
	2,752	2,431

6. OTHER

	2001 (\$'000)	2000 (\$'000)
General	2,218	2,672
Printing of tickets	1,310	907
Wholesale sales tax equivalent	—	445
	<u>3,528</u>	<u>4,024</u>

7. CURRENT ASSETS - RECEIVABLES

Debtor - agents	3,171	2,068
Prize money due from Blocs	1,221	—
Sundry	645	376
	<u>5,037</u>	<u>2,444</u>

8. CURRENT ASSETS - INVENTORIES

Ticket stock	328	393
--------------	-----	-----

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

9. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

Freehold land and buildings

Buildings at independent valuation May 2001 *	2,490	2,360
Accumulated depreciation	(7)	(133)
	<u>2,483</u>	<u>2,227</u>
Land at independent valuation May 2001 *	3,310	3,280
	<u>5,793</u>	<u>5,507</u>

Plant and equipment

Plant and equipment at historical cost	4,091	4,060
Accumulated depreciation	(3,432)	(3,379)
	<u>659</u>	<u>681</u>

On-line lotteries system

On-line lotteries system at historical cost	20,065	20,006
Accumulated depreciation	(5,779)	(3,339)
	<u>14,286</u>	<u>16,667</u>
Total property, plant and equipment - net book value	<u>20,738</u>	<u>22,855</u>



LOTTERIES
COMMISSION
OF SOUTH
AUSTRALIA

ANNUAL
REPORT
2000_01

Reconciliations

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

	2001 (\$'000)	2000 (\$'000)
Freehold land		
Carrying amount 1 July	3,280	3,280
Revaluation increment *	30	—
Carrying amount 30 June	<u>3,310</u>	<u>3,280</u>
Buildings		
Carrying amount 1 July	2,227	2,286
Revaluation increment *	317	—
Depreciation expense	(61)	(59)
Carrying amount 30 June	<u>2,483</u>	<u>2,227</u>
Plant and equipment		
Carrying amount 1 July	681	706
Additions	228	210
Disposals	—	—
Depreciation expense	(250)	(235)
Carrying amount 30 June	<u>659</u>	<u>681</u>
On-line lotteries system		
Carrying amount 1 July	16,667	16,646
Additions	60	2,158
Disposals	—	—
Depreciation expense	(2,441)	(2,137)
Carrying amount 30 June	<u>14,286</u>	<u>16,667</u>

* Pursuant to the Commission's policy of revaluing freehold land and buildings (refer to note 1(d)) independent valuations of \$5,800,000 were obtained in May 2001 from Simon Hickin B App Sc (Val) AAPI ASIA Certified Practising Valuer of Jones Lang LaSalle. Adjustments were made to the asset revaluation reserve to reflect the increment.

10. CURRENT LIABILITIES - ACCOUNTS PAYABLE

	2001 (\$'000)	2000 (\$'000)
Clemenger (BBDO) Adelaide Pty Ltd	88	28
GTECH Australasia Corporation	1	1,406
Oberthur Gaming Technologies Pty Ltd	93	188
Prodigy Design Plastics Pty Ltd	104	—
Starcom Worldwide (Aust) Pty Ltd	175	193
Young & Rubicam Adelaide	18	116
Prize money due to Blocs	1,202	2,183
Other	426	396
	<u>2,107</u>	<u>4,510</u>

The liability to Clemenger (BBDO) Adelaide Pty Ltd, the Commission's advertising agency for Lotto and Super 66, SA Lotto, Oz Lotto, Powerball and Easiplay Club, includes production advertising material for television and radio commercials, press and point of sale material. The liability to GTECH Australasia Corporation, the Commission's on-line lotteries system supplier, covers software licence fees. The liability to Oberthur Gaming Technologies Pty Ltd covers the print and supply of Instant Scratchies tickets. The liability to Prodigy Design Plastics Pty Ltd covers point of sale ticket dispensers and Keno caddies. The liability to Starcom Worldwide (Aust) Pty Ltd, the Government's Master Media Agency, covers the placement of the Commission's media advertising through television, radio, outdoor and press. The liability to Young & Rubicam Adelaide, the Commission's advertising agency for The Pools, Keno, Instant Scratchies and Corporate, includes production advertising material for television and radio commercials, press and point of sale material. Prize money due to Blocs (refer to note 1(m)).

11. CURRENT LIABILITIES - EMPLOYEE ENTITLEMENTS

	2001 (\$'000)	2000 (\$'000)
Employee entitlements:		
Annual leave (refer to note 1(g)(ii))	262	291
Long service leave (refer to note 1(g)(iii))	42	73
	<hr/>	<hr/>
	304	364
	<hr/>	<hr/>

12. CURRENT LIABILITIES - OTHER

Accruals	1,984	626
Undistributed funds (refer to note 17)	6,975	6,832
Prizes payable	9,382	5,446
Bonus prize reserve (i)	6,091	5,085
Sales in advance (refer to note 1(e))	1,013	2,023
	<hr/>	<hr/>
	25,445	20,012
(i) Bonus prize reserve		
Balance at 1 July	5,085	4,060
Allocated to reserve during the year	8,445	8,022
	<hr/>	<hr/>
	13,530	12,082
Applied to prizes during the year	(7,439)	(6,997)
	<hr/>	<hr/>
Balance at 30 June	6,091	5,085
	<hr/>	<hr/>

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

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

These funds are applied from time to time either to boost the first division prize or to provide additional prize money for the respective games.



LOTTERIES
COMMISSION
OF SOUTH
AUSTRALIA

ANNUAL
REPORT
2000_01

13. NON-CURRENT LIABILITIES - PROVISIONS

	2001 (\$'000)	2000 (\$'000)
Employee entitlements:		
Long service leave (refer to note 1(g)(iii))	790	619
Provision for Keno prizes * (refer to note 1(b))	—	3,662
	<u>790</u>	<u>4,281</u>

* Prize money for 2000 is based on 75% of net Keno sales. This provision is the difference between actual prizes payable and this percentage.

14. UNCLAIMED PRIZES RESERVE

	2001 (\$'000)	2000 (\$'000)
Balance at 1 July	11,661	10,295
Unclaimed monies forfeited	3,030	3,070
	<u>14,691</u>	<u>13,365</u>
Monies provided for distribution to the Hospitals Fund	(1,514)	(1,534)
Monies provided for distribution to the Recreation and Sport Fund	(1)	(1)
Allocated to prizes	(1,564)	(169)
Balance at 30 June	<u>11,612</u>	<u>11,661</u>
Refer to note 1(o)		

15. FUNDS RETAINED FOR CAPITAL PURPOSES

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

16. RESERVES

	2001 (\$'000)	2000 (\$'000)
Asset revaluation (i)	3,011	2,664
Building maintenance (ii)	94	94
Capital asset (iii)	11,450	10,386
Keno prize (iv)	2,850	—
	<u>17,405</u>	<u>13,144</u>

(i) Asset revaluation

Balance at 1 July	2,664	2,664
Transferred to reserve during the year	347	—
Balance at 30 June	<u>3,011</u>	<u>2,664</u>

(ii) Building maintenance

Balance at 30 June	94	94
Refer to note 1(h)		



	2001 (\$'000)	2000 (\$'000)
(iii) Capital asset		
Balance at 1 July	10,386	9,198
Transfer to reserve during the year	2,000	2,000
Transfer to retained profits	(936)	(812)
Net transfer to reserve	1,064	1,188
Balance at 30 June	<u>11,450</u>	<u>10,386</u>
Capital asset comprises the:		
Capital fund account	6,961	5,249
Capital fund assets (at amortised value) *	<u>4,489</u>	<u>5,137</u>
	<u>11,450</u>	<u>10,386</u>
Capital fund account - movements during the year		
Balance at 1 July	5,249	3,981
Transferred to reserve during the year	2,000	2,000
Assets financed during the year	(288)	(732)
Balance at 30 June	<u>6,961</u>	<u>5,249</u>
Capital fund assets - movements during the year		
Amortised value at 1 July	5,137	5,217
Assets financed during the year	288	732
Depreciation	(936)	(812)
Amortised value at 30 June	<u>4,489</u>	<u>5,137</u>
Refer to note 1(i)		
* Assets financed from the capital fund		
Balance at 1 July	7,334	6,996
Assets financed during the year	288	732
	<u>7,622</u>	<u>7,728</u>
Assets disposed during the year	(199)	(394)
Balance at 30 June	<u>7,423</u>	<u>7,334</u>
Accumulated depreciation write-down	(2,934)	(2,197)
Capital fund assets (at amortised value)	<u>4,489</u>	<u>5,137</u>
(iv) Keno prize		
Balance at 1 July	-	-
Transfer to reserve during the year	2,850	-
Balance at 30 June	<u>2,850</u>	<u>-</u>
Refer to note 1(b) and to note 1(j)		

*

LOTTERIES
COMMISSION
OF SOUTH
AUSTRALIA

ANNUAL
REPORT
2000_01

17. DISTRIBUTION OF FUNDS TO GOVERNMENT

	Balance 1 July (\$'000)	Distribution Provided (\$'000)	Distribution Paid (\$'000)	Balance 30 June (\$'000)
Gambling tax	–	51,480	47,047	4,433
Income tax equivalent	2,426	10,099	10,695	1,830
Profit distributed	4,217	15,689	19,295	611
Unclaimed prizes	109	1,515	1,523	101
Sales tax equivalent #	80	–	80	–
	<hr/> 6,832	<hr/> 78,783	<hr/> 78,640	<hr/> 6,975
Comprising:				
Distribution to Hospitals Fund *	6,811	78,524	78,377	6,958
Distribution to Recreation and Sport Fund *				
Gambling tax	–	155	145	10
Profit distributed	21	103	117	7
Unclaimed prizes	–	1	1	–
	<hr/> 21	<hr/> 259	<hr/> 263	<hr/> 17
Total 2000/2001	<hr/> 6,832	<hr/> 78,783	<hr/> 78,640	<hr/> 6,975
Total 1999/2000	<hr/> 6,514	<hr/> 85,999	<hr/> 85,681	<hr/> 6,832

Comprises sales tax equivalent on operating expenses of \$80,000 for the month of June 2000.

* Refer to note 1(r)

18. RETAINED PROFITS

	2001 (\$'000)	2000 (\$'000)
Retained profits at beginning of period	–	–
Profit for year	19,603	54,316
Profit distributed	(15,689)	(53,128)
Transfer to capital asset reserve	(2,000)	(2,000)
Transfer to Keno prize reserve	(2,850)	–
Transfer from capital asset reserve	936	812
Retained profits at end of period	<hr/> –	<hr/> –



19. COMMISSION MEMBERS' FEES

	2001 No.	2000 No.
	(\$'000)	(\$'000)
The number of Commission Members whose fee was within the following bands:		
\$1 - \$10,000	—	3
\$10,001 - \$20,000	—	2
\$20,001 - \$30,000	3	—
\$30,001 - \$40,000	1	—
Total fee received, or due and receivable, by Commission Members	102	46

20. REMUNERATION OF EMPLOYEES

	2001 No.	2000 No.
	(\$'000)	(\$'000)
The number of employees whose total remuneration package was within the following bands:		
\$110,001 - \$120,000	—	1
\$120,001 - \$130,000	1	—
\$130,001 - \$140,000	—	1
\$140,001 - \$150,000	2	1
\$200,001 - \$210,000	—	1
\$220,001 - \$230,000	1	—
Total remuneration package received, or due and receivable, by employees whose remuneration is \$100,000 or more	645	599

21. NUMBER OF EMPLOYEES

	2001 No.	2000 No.
Number of employees at year end	95	95
Number of full time equivalent at year end	89.7	89.5

22. REMUNERATION OF AUDITORS

	2001 (\$'000)	2000 (\$'000)
Amounts received, or due and receivable, by the auditors for auditing the accounts	130	123



LOTTERIES
COMMISSION
OF SOUTH
AUSTRALIA

ANNUAL
REPORT
2000_01

23. EXTERNAL CONSULTANTS

	2001 (\$'000)	2000 (\$'000)
	2001 No.	2000 No.
Total expenditure on consultancies	528	590
Below \$10,000	11	8
\$10,000 - \$50,000		
Collison & Co - intellectual property		
Dare Sutton Clarke Pty Ltd - building structural review		
KPMG - project management and general consulting		
Moore Stephens Hughes Fincher - game audit		
Morgan & Banks - staff recruitment		
The Marketing Centre - mystery shopping		
University of South Australia - marketing project		
Above \$50,000		
Market Equity - game research		
PricewaterhouseCoopers - internal audit		

24. SUPERANNUATION

The Commission contributed to the following employee superannuation schemes:

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

- Category A - six per cent of base salary
- Category B - five per cent of base salary
- Category C - four per cent of base salary
- Category D - four per cent of base salary

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

Information from the last actuarial report:

Accrued benefits as at 1 July 2000,	
the last measurement date	\$5,891,000
Net market value of assets as at 1 July 2000	\$6,792,000
Net market value of assets as at 1 July 2000 in excess of accrued benefits	\$901,000

Information from the last audited annual accounts:

Vested benefits as at 30 June 2000	\$5,696,000
Net market value of assets as at 30 June 2000	\$6,792,000



Funds are invested in a “diversified growth” strategy in the scheme known as Mercer Retirement Trust - Lotteries Commission of South Australia Superannuation Plan.

As at 30 June 2001 the Policy Committee for the scheme comprised:

Commission appointed	- D P LeMessurier (Chair)
	- J R Roache
Member representatives	- G N Button
	- P H Wright

The Commission pays the contribution level recommended by the actuary appropriate to meet the expected long term costs of benefits being provided. In accordance with the advice of the actuary, a contribution holiday was taken by the Commission from 1 August 1999 to 30 June 2001. Contribution to the defined benefits plan during the year was nil (2000: \$15,000).

To comply with the Commonwealth Superannuation Guarantee legislation, the Commission has made contributions of 8% effective for the full year of eligible earnings. The contribution by the Commission for the accumulation members of the plan during the year was \$63,000 (2000: \$31,000). These contributions are mainly invested in a “diversified growth” strategy under the Mercer Retirement Trust.

- (b) The Commission contributed \$13,000 for superannuation on behalf of employees who are members of private funds (2000: \$14,000).

25.FINANCIAL INSTRUMENTS

(a) Interest rate risk

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

	Floating Interest Rate (\$'000)	Fixed Interest Rate (\$'000)	Non- Interest Bearing (\$'000)	Total (\$'000)
Financial assets				
Cash	—	—	125	125
Investments	43,659	—	—	43,659
Receivables	—	—	3,816	3,816
Receivables - Blocs	—	—	1,221	1,221
Total financial assets 2000/2001	43,659	—	5,162	48,821
Weighted average interest rate	5.86%			
Total financial assets 1999/2000	41,327	—	2,569	43,896
Weighted average interest rate	5.39%			



	Floating Interest Rate (\$'000)	Fixed Interest Rate (\$'000)	Non Interest Bearing (\$'000)	Total (\$'000)
Financial liabilities				
Loans	–	9,538	–	9,538
Accounts payable	–	–	905	905
Accounts payable - Blocs	–	–	1,202	1,202
Undistributed funds	–	–	6,975	6,975
Prizes payable	–	–	9,382	9,382
Total financial liabilities 2000/2001	–	9,538	18,464	28,002
Weighted average interest rate		<u>7.05%</u>		
Total financial liabilities 1999/2000	–	10,665	16,788	27,453
Weighted average interest rate		<u>6.83%</u>		

(b) Foreign exchange risk

SA Lotteries entered into forward exchange contracts to hedge anticipated purchase commitments in US dollars.

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

	2001 Weighted Average Rate	2000 Weighted Average Rate	2001 (\$'000)	2000 (\$'000)
Buying US dollars:				
Not longer than one year	0.49	0.61	851	446
Longer than one year but not longer than two years	0.50	–	301	–
			<u>1,152</u>	<u>446</u>

(c) Credit risk

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

Investments are held in A grade securities with SAFA. SA Lotteries minimises its credit on trade debtors by undertaking its sales transactions with a large number of agents and requiring those agents to remit outstandings on a twice weekly basis. SA Lotteries is therefore not materially exposed to credit risk.

(d) Net fair values

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



26. RELATED PARTY DISCLOSURES

Commission Members

During the financial year the following persons held the position of Member of the Lotteries Commission of South Australia: Chair, Ms S C Biggs, LLB, FAICD Dip; Mr D P LeMessurier, Ass Dip (Man), SIA (aff), FAICD, MSDIA, MBA; Mr J M Patten, BEc (Commerce), FCA; Mr P H Plummer, FCA, MTIA.

Details of Commission Members' Fees are set out in note 19.

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

27. STATEMENT OF CASH FLOWS

(i) Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in bank and investments with SAFA.

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

	2001 (\$'000)	2000 (\$'000)
Cash	125	125
Short term deposits with SAFA	43,659	41,327
	<u>43,784</u>	<u>41,452</u>

(ii) Reconciliation of net cash provided by operating activities to surplus funds available for retention and distribution

Surplus funds available for retention and distribution:	29,702	84,869
Gambling tax	51,480	–
Wholesale sales tax equivalent	–	445
Depreciation	2,752	2,431
Provision for long service leave	140	4
Provision for annual leave	(29)	53
Prepayments, stock on hand and debtors	(2,349)	(1,564)
Unclaimed prizes reserve	1,466	2,901
Bonus prize reserve	1,006	1,025
Provision for Keno prizes	(3,662)	(2,551)
Profit on sale of equipment	(2)	(41)
Accounts payable and accrued liabilities	283	1,601
Prizes payable	3,936	(387)
Sales in advance	(1,010)	845
Net cash provided by operating activities	<u>83,713</u>	<u>89,631</u>



STATEMENT BY THE CHAIR AND CHIEF EXECUTIVE OFFICER

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

- a. present fairly, in accordance with Statements of Accounting Concepts, applicable Accounting Standards, Urgent Issues Group Consensus Views and the Public Finance and Audit Act, 1987, as amended, the financial position of the Lotteries Commission of South Australia as at 30 June 2001 and the result of its operations and its cash flows for the year then ended; and
- b. that internal controls over financial reporting have been effective throughout the reporting period.

SUSAN C BIGGS
Chair

J R ROACHE
Chief Executive Officer



LOTTERIES
COMMISSION
OF SOUTH
AUSTRALIA

ANNUAL
REPORT
2000_01



INDEPENDENT AUDIT REPORT

TO THE CHAIRPERSON
LOTTERIES COMMISSION OF SOUTH AUSTRALIA

SCOPE

As required by section 31 of the *Public Finance and Audit Act 1987* and Section 18 of the *State Lotteries Act 1966*, I have audited the financial report of the Lotteries Commission of South Australia for the financial year ended 30 June 2001. The financial report comprises:

- A Statement of Financial Performance;
- A Statement of Financial Position;
- A Statement of Cash Flows;
- Notes to and forming part of the Financial Statements;
- Certificate by the Chairperson of the Lotteries Commission of South Australia and Chief Executive Officer of the Lotteries Commission of South Australia.

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

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

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

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

AUDIT OPINION

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Australian Accounting Standards and other mandatory professional reporting requirements, the financial position of the Lotteries Commission of South Australia as at 30 June 2001, the results of its operations and its cash flows for the year then ended.

29 August 2001

K I MacPHERSON
AUDITOR-GENERAL



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