



ANNUAL REPORT 2012-13



SA LOTTERIES ANNUAL REPORT 2012-13

September 2013

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CORPORATE STRATEGIC INTENT

Our Mission

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

Our Values

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

Our Goals

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

2012-13 HIGHLIGHTS

SA Lotteries' games generated a record \$462.1 million in revenue in 2012-13, and created prosperity for the South Australian community via the distribution of:

- **\$278.7 million** in prize money to players of SA Lotteries' games;
- **\$111.8 million** to the Hospitals Fund for the provision, maintenance, development and improvement of public hospitals;
- **\$34.2 million** in commission earnings to SA Lotteries' agent network;
- **\$7.4 million** to South Australian suppliers in exchange for goods and services;
- **\$8.1 million** to South Australians employed at SA Lotteries' head office and warehouse; and
- **\$0.211 million** to the Recreation and Sport Fund for the support and development of South Australian recreational and sporting facilities and services.

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PRESIDING MEMBER AND CHIEF EXECUTIVE REPORT

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

We are pleased to present the Annual Report of the Lotteries Commission of South Australia for the year ended 30 June 2013, in accordance with Section 18B of the *State Lotteries Act 1966* (as amended).

Revenue generated from the sale of SA Lotteries games was a record \$462.1 million. Prizes of \$278.7 million were paid to players and SA Lotteries' agent network received commissions of \$34.2 million.

Total Return to Government was \$114.2 million. \$111.8 million was provided for distribution to develop and improve public hospitals via the Hospitals Fund and \$0.211 million to the Recreation and Sport Fund.

On 11 December 2012 Tatts Lotteries SA Pty Ltd (Tatts) commenced its appointed term as the exclusive Master Agent to operate SA Lotteries' products and brands for a 40-year period. As Master Agent, Tatts is responsible for selling entries into lottery games and paying prizes on those entries, appointing retail agents, and authorising premises at which retail agents may sell tickets in lottery games.

SA Lotteries and Tatts commenced an 18-month transition period on 11 December 2012 to ensure a successful transfer of the operation of products and brands to Tatts. During this transitional period, the majority of SA Lotteries' employees have been providing services to Tatts.

As at 30 June 2013 the marketing and sales functions had transitioned to Tatts. By 30 June 2014 it is expected that the information and communication technology functions of SA Lotteries will also be transitioned to Tatts.

2012-13 was an extraordinary year for SA Lotteries' employees. There were significant demands to assist the Government with the restructure, including a thorough due diligence process. Employees have also had to adjust to a changed business environment while continuing to maintain the high performing and ethical culture of SA Lotteries. We acknowledge and applaud the commitment and professionalism of employees during the past year.

SA Lotteries has not made any forced non-executive redundancies as a consequence of the appointment of Tatts as Master Agent. In 2012-13 four employees elected to accept an offer of a separation package, two employees chose a transfer to a government agency and some resigned to accept a job offer in the private sector.

On behalf of SA Lotteries, we also acknowledge the contributions of Commission Members Hans J Ohff, Anne Lindsay and Amanda Heyworth, whose terms of office expired during the year and, in particular Mr Ohff, who had served as Presiding Member since 1 April 2002.

2013-14 is expected to be another challenging year as SA Lotteries completes the transitional period and finalises the governance framework, structure and processes for the organisation post-transition.

Wayne R Jackson
Presiding Member

June Roache
Chief Executive

27 September 2013

PERFORMANCE MEASURES

Three organisational goals were the key drivers of SA Lotteries' business activities in 2012-13. These goals were supported by six corporate strategies, which were aligned with South Australia's Strategic Plan.

South Australia's Strategic Plan Objective	Performance Measure	Target 2012-13	Actual 2012-13
Goal 1: To promote, conduct and distribute lotteries games for the benefit of the South Australian community.			
Strategy 1: Grow revenue by enhancing existing games and introducing new games and initiatives.			
Our prosperity	Gross sales	\$415.0M	\$462.1M
	Tickets sold	51.6M	52.8M
	SA Lotteries' proportion of Australian Bloc sales	7.29%	6.66%
Strategy 2: Exceed customer expectations by providing an accessible and reliable service.			
Our ideas	Selling system downtime: central system	0.04%	0.004%
	Point of Sale terminal reliability (MTBF)*	350 000	467 503
	Number of visits to corporate website	4 320 000	5 128 448
	Easiplay Club membership	210 000	200 164
Goal 2: To be a corporately responsible and respected organisation that has a broad base of community support.			
Strategy 3: Ensure community and stakeholder trust and support.			
Our health	Return to Government	\$98.3M	\$114.2M
Our community	Non-compliance (Codes of Practice and other)	6.0%	8.4%
Strategy 4: Adopt sound environmental practices.			
Our environment	Greenhouse gas emissions	806 tonnes	746 tonnes
Goal 3: To optimise profits through the effective allocation of resources.			
Strategy 5: Ensure a high performance and ethical culture.			
Our education	Average FTEs employed during the year*	84.31	76.63
	Training and development costs as a percentage of base salary costs	2.5%	3.04%
	Employee turnover*	12%	15.9%
	Total number of annual leave days accrued	1 350	1 228
	Total number of long service leave days accrued	5 000	4 734
	Completed employee performance plans/or reviews	100%	89%
Strategy 6: Ensure sustainable growth opportunities are pursued.			
Our prosperity	EBITDA*	\$32.2M	\$24.3M
	EBITDA per average FTEs	\$0.382M	\$0.317M
	Total operating expenses as a percentage of gross sales*	6.8%	12.1%
	Cost per average FTEs*	\$0.334M	\$0.730M
	SA suppliers as a percentage of total suppliers	70%	69%
* MTBF – Average number of Transactions Between Failures. Average FTEs – Average Operating Full-time Equivalent employee numbers during the year. Employee turnover includes four employees who accepted a Targeted Voluntary Separation Package. EBITDA - Earnings Before Interest, Tax, Depreciation and Amortisation. Total operating expenses as a percentage of gross sales and Cost per average FTE include Master Agent Fee, Depreciation and Amortisation.			

TEN-YEAR FINANCIAL SUMMARY

YEAR ENDED 30 JUNE	2013 \$'000	2012 \$'000	2011 \$'000	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000	2006 \$'000	2005 \$'000	2004 \$'000
GROSS SALES										
Saturday X Lotto	144 643	153 216	137 897	125 764	131 280	128 336	135 042	132 388	135 176	130 825
Monday/Wednesday X Lotto	36 483	37 422	34 684	37 133	36 718	31 782	32 607	35 936	40 670	41 706
Oz Lotto	67 383	46 695	36 871	44 530	58 789	34 709	22 234	16 495	14 641	15 467
Powerball	68 027	44 347	42 740	48 673	35 414	49 972	42 034	46 519	42 248	44 760
Keno	104 922	99 407	95 866	92 566	90 753	79 506	78 523	76 581	73 821	70 425
Instant Scratchies	38 506	40 737	39 113	40 189	38 886	39 929	37 139	38 383	40 343	39 812
Super 66	1 489	1 114	1 138	1 184	1 171	1 108	1 149	1 228	1 333	1 479
The Pools	692	694	631	665	694	581	518	558	586	622
Lucky SA	-	-	-	-	-	660	-	-	-	-
TOTAL GROSS SALES	462 145	423 632	388 940	390 704	393 705	366 583	349 246	348 088	348 818	345 096
COST OF SALES										
Agents' commissions	34 233	31 538	29 010	29 179	29 310	26 938	25 779	25 755	25 795	25 443
Prizes	278 721	257 120	235 412	233 407	236 931	221 283	211 236	209 439	207 172	207 886
% of gross sales	60.3%	60.7%	60.5%	59.7%	60.2%	60.4%	60.5%	60.2%	59.4%	60.2%
Gambling tax on NGR	75 202	68 270	62 946	64 492	64 277	59 573	56 584	56 846	58 074	56 256
% of gross sales	16.3%	16.1%	16.2%	16.5%	16.3%	16.3%	16.2%	16.3%	16.6%	16.3%
GST on NGR	16 690	15 138	13 957	14 300	14 252	13 209	12 546	12 604	12 877	12 474
% of gross sales	3.6%	3.6%	3.6%	3.7%	3.6%	3.6%	3.6%	3.6%	3.7%	3.6%
TOTAL COST OF SALES	404 846	372 066	341 325	341 378	344 770	321 003	306 145	304 644	303 918	302 059
GROSS MARGIN	57 299	51 566	47 615	49 326	48 935	45 580	43 101	43 444	44 900	43 037
Other Revenue	18 342	7 570	7 141	6 821	7 610	6 603	7 487	7 039	7 294	6 944
TOTAL INCOME	75 641	59 136	54 756	56 147	56 545	52 183	50 588	50 483	52 194	49 981
OPERATING EXPENSES										
Master Agent Fee*	30 826	-	-	-	-	-	-	-	-	-
Other expenses	25 119	27 369	25 294	26 734	25 921	25 313	23 602	23 249	25 978	24 926
	55 945	27 369	25 294	26 734	25 921	25 313	23 602	23 249	25 978	24 926
% of gross sales	12.1%	6.5%	6.5%	6.8%	6.6%	6.9%	6.8%	6.7%	7.4%	7.2%
PROFIT BEFORE INCOME TAX EQUIVALENT										
	19 696	31 767	29 462	29 413	30 624	26 870	26 986	27 234	26 216	25 055
% of gross sales	4.3%	7.5%	7.6%	7.5%	7.8%	7.3%	7.7%	7.8%	7.5%	7.3%
RETURN TO GOVERNMENT										
Gambling tax	75 197	68 294	63 018	64 571	64 344	59 619	56 616	56 888	58 412	56 256
Income tax equivalent	5 568	9 530	8 839	8 824	9 187	8 061	8 096	8 170	7 799	7 516
Dividend	15 918	23 265	20 298	21 968	19 446	21 703	19 476	18 956	22 911	17 869
Special dividend	14 954	-	-	-	-	-	-	-	-	-
Unclaimed prizes	2 550	1 829	2 041	1 610	2 152	2 271	1 905	1 291	1 839	1 639
	114 187	102 918	94 196	96 973	95 129	91 654	86 093	85 305	90 961	83 280
% of gross sales	24.7%	24.3%	24.2%	24.8%	24.2%	25.0%	24.7%	24.5%	26.1%	24.1%
GST on NGR	16 690	15 138	13 957	14 300	14 252	13 209	12 546	12 604	12 877	12 474
TOTAL RETURN TO GOVERNMENT	130 877	118 056	108 153	111 273	109 381	104 863	98 639	97 909	103 838	95 754
% of gross sales	28.3%	27.9%	27.8%	28.5%	27.8%	28.6%	28.2%	28.1%	29.8%	27.7%

*Net of Agents' commissions (refer to Note 11 to the Annual Financial Statements).

CORPORATE GOVERNANCE

SA Lotteries is a statutory authority empowered by the *State Lotteries Act 1966* (as amended) to promote and conduct lotteries for and on behalf of the State of South Australia.

Role of the shareholder

SA Lotteries' shareholder is the Government of South Australia (the Government) and the Honourable Michael O'Brien MP, Minister for Finance, is responsible for SA Lotteries.

SA Lotteries ensures that the Government, via the Minister, is informed of major developments affecting SA Lotteries, and ensures compliance with all formal directions issued by the responsible Minister. The following directions were issued during 2012-13:

- 24 September 2012: the Minister advised that a second proxy Government observer had been appointed to attend Commission meetings and receive Commission papers.
- 15 October 2012: the Commission was directed to:
 - continue to comply with the Probity Plan and Communications Protocols developed for the appointment of a private sector party to operate SA Lotteries' brands and products (Transaction); and
 - assist the State in progressing the Transaction by undertaking activities as requested by the Department of Treasury and Finance; and
 - assist the State in completing the Transaction, to the extent requested by the Department of Treasury and Finance.
- 26 November 2012: the Commission was directed to execute various documents approved by Cabinet to give effect to the Transaction.

The Commission

The Commission is established under the *State Lotteries Act 1966* (as amended) and is responsible for the governance of SA Lotteries.

Guided by a formal charter, the Commission generally meets monthly to review the organisation's performance and provide direction, as required.

The Commission's role includes, but is not limited to:

- setting the direction, strategy, goals, targets and priorities;
- setting operational parameters, including the annual operating and capital budgets;
- monitoring performance to ensure goals are achieved;
- establishing and maintaining a framework for internal control of the functions of SA Lotteries; and
- reviewing, approving and, where appropriate, revising the Delegated Management Operating Authorities to ensure the empowerment of employees to conduct SA Lotteries' day-to-day operations.

Commission Membership

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

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

Commission membership as at 30 June 2013 comprised:

Name: Wayne R Jackson, BEc, FASA

Position: Presiding Member

Expertise: Business Management Consultant

Name: Suzanne J Mackenzie, B Comm (Accounting), LLB (Hons)

Position: Member

Expertise: Law

Name: June Roache, BAcc, GradCertMgt (Monash), FAICD, FCPA, FAIM

Position: Member

Expertise: Finance and Business Strategy

Hans J Ohff's term as Presiding Member expired on 31 March 2013. Wayne R Jackson was subsequently appointed as Presiding Member from 1 April 2013 until 30 June 2014.

The terms of Amanda E Heyworth and Anne E Lindsay expired on 7 February 2013 and 21 March 2013, respectively. Suzanne J Mackenzie was reappointed as a Commission Member from 23 April 2013 until 30 June 2014 and SA Lotteries' Chief Executive, June Roache, was appointed to the Commission from 1 April 2013 until 30 June 2014.

Remuneration for qualifying members was \$24 765 per annum. The Presiding Member received \$37 148 per annum. Further detail of members' remuneration payments is set out in Note 9 to the Annual Financial Statements.

Committees of the Commission

Audit Committee

The Audit Committee was formed to identify and monitor areas of significant business risk, by:

- reviewing the General Purpose Financial Report prior to its approval by the Commission;
- liaising with SA Lotteries' external auditor, the Auditor-General, on all matters concerning the outcome of audits;
- reviewing the adequacy of the accounting, internal auditing, reporting and other financial management systems and practices; and
- performing the role of an executive remuneration committee for the Commission.

From 1 July 2012 until 31 March 2013, the Audit Committee Chair was Wayne R Jackson, and Anne E Lindsay and Amanda E Heyworth were members. SA Lotteries' Chief Executive, June Roache, and internal and external auditor representatives attended all meetings of the Audit Committee in 2012-13.

From 1 April 2013, the Commission assumed responsibility for the Audit Committee functions, as a result of three Commission members being appointed. Previously the Commission comprised five members.

Remuneration for qualifying members was \$3 715 per annum and the Chair received a fee of \$5 572 per annum.

Information Technology Committee

The Information Technology (IT) Committee was established to monitor major technology projects and the use of information technology within SA Lotteries.

In 2012-13, the IT Committee comprised one Commission member, Hans J Ohff, as Chair and members of SA Lotteries' executive management. A representative from the Auditor-General's Department was also invited to attend meetings.

On 14 February 2013, the IT Committee lapsed as a result of the appointment of the Master Agent. Remuneration for the Chair of the IT Committee was \$5 572 per annum.

Meeting attendance

The number of meetings of the Commission and its Committees held during the year, together with participation by each member, is detailed within the table below.

	Commission (12 held)	Audit Committee (2 held)	IT Committee (1 held)
Hans J Ohff	9*	#	1
Wayne R Jackson	11	2	#
Suzanne J Mackenzie	12	#	#
Anne E Lindsay	9*	2	#
Amanda E Heyworth	7*	2	#
June R Roache	3*	#	1
<i>*Member for part year only # Not a member</i>			

Master Agent appointment

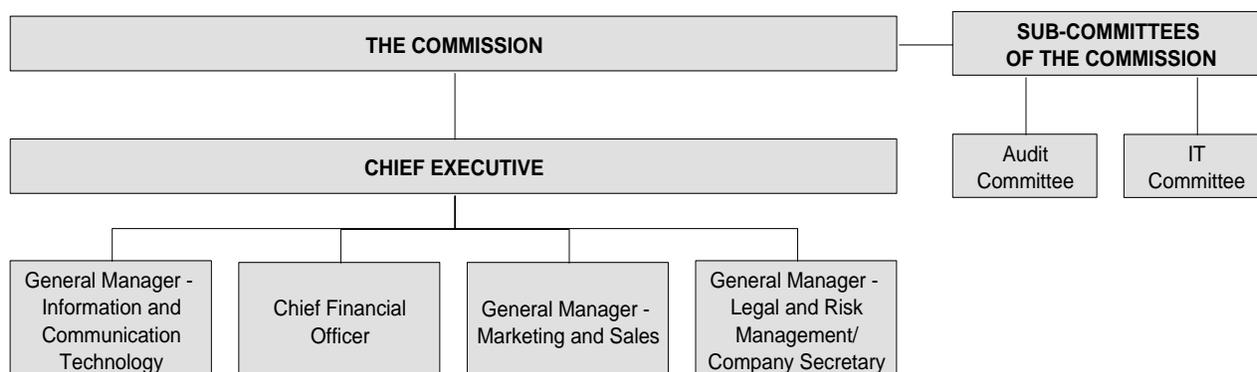
On 27 November 2012, the Government announced the appointment of Tatts Lotteries SA Pty Ltd as SA Lotteries' exclusive Master Agent for a 40-year term. The Master Agent has operated SA Lotteries' products and brands since 11 December 2012.

The ownership of SA Lotteries is retained by the Government and gambling tax from the sale of lottery games by the Master Agent in South Australia is returned to the Hospitals Fund and the Recreation and Sport Fund.

The Commission's statutory obligations are retained. Additional obligations include the administration of the contractual arrangements with the Master Agent.

BUSINESS MANAGEMENT

Organisation structure



Delegated Management Operating Authorities

The Chief Executive is responsible for the day-to-day management of SA Lotteries to ensure the achievement of corporate goals. Management accountabilities are clearly defined by the Commission through approved Delegated Management Operating Authorities.

Corporate policy framework

A corporate policy framework is maintained by SA Lotteries, comprising 35 policies which are annually reviewed and approved by the Commission. Corresponding with the corporate policies are divisional policies, procedures and guidelines that are reviewed by management on an ongoing basis to reflect changes in business operations.

Internal cost control

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

- Financial reporting
A comprehensive budgeting system with an annual budget approved by the Commission prior to submission to Government. Monthly actual results are reported against budget.
- Quality and integrity of personnel
Employees are bound by the Code of Ethics for the South Australian Public Sector and SA Lotteries' Ethics and Culture Policy.
- Operating division controls
Financial controls and procedures, including information systems controls, are in place. A Commission questionnaire details compliance with these controls and procedures to ensure sound principles of corporate governance and accountability.
- Functional specialty reporting
Performance is regularly measured and reported to the Commission on a monthly basis.

- Capital investment appraisal
SA Lotteries has clearly defined guidelines for capital expenditure. These include levels of authority, annual budgets, detailed cost benefit analyses and post-implementation reviews of major expenditure.

Ethics and culture

SA Lotteries defines core ethical standards in a code of conduct for employees and through the promotion of organisational values, in order to build integrity and trust and ensure the successful operation of the organisation.

Risk management

Risk assessments are undertaken by SA Lotteries on an ongoing basis to include any new identified strategic or operating risks. Risks in relation to work health and safety and the protection of SA Lotteries employees, assets and the public were assessed during the year.

Protective security

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

Intellectual assets management

SA Lotteries maintains a register of all trademarks, business names and domain names registered by and in which SA Lotteries has an interest. This register includes Trade Mark Management Agreements and Trade Mark Licence Agreements which SA Lotteries holds with interstate lottery operators.

Crisis planning

SA Lotteries ensures that business activities are protected through crisis and business continuity planning. A crisis simulation exercise was conducted in October 2012 to ensure that business activities and employees were adequately prepared.

Fraud and corruption control

SA Lotteries has a Fraud and Corruption Control Policy to minimise its exposure to fraudulent and corrupt conduct. Any suspected incidents of fraud or corruption are immediately investigated. No instances of fraud were identified during the year.

Information security and quality management

SA Lotteries conducts its business in accordance with the principles espoused in the following internationally-recognised information security and quality standards:

- Information Security Standard AS/NZS ISO/IEC 27001;
- World Lottery Association Security Control Standard; and
- Quality Standard AS/NZS ISO 9001.

Freedom of information

SA Lotteries complies with the requirements under the *Freedom of Information Act 1991* (SA) and ensures that appropriate and timely action is taken when access to information is requested.

A Freedom of Information Statement is published on SA Lotteries' corporate website. Two requests for information were received during the year.

Whistleblowers protection

Employees and members of the public who disclose public interest information to SA Lotteries are protected under the *Whistleblowers Protection Act 1993* (SA). SA Lotteries' Human Resources Manager receives all disclosures of public interest information and ensures that each report is thoroughly investigated. No disclosures were made to SA Lotteries in 2012-13.

PEOPLE

SA Lotteries' employees demonstrated the highest professional standards and commitment to the achievement of corporate goals in 2012-13.

During the year, priority was given to ensuring that all employees were provided with up-to-date information regarding the Government's proposal to allocate the right to operate SA Lotteries' brands and products to a private sector operator.

SA Lotteries ensured that all key announcements made by the Government were communicated to employees and that commitments to non-executive employees were upheld, including:

- no forced redundancies;
- access to redeployment in the South Australian Public Sector, and retention of entitlements;
- the offer of Targeted Voluntary Separation Packages (TVSPs) upon meeting specific criteria; and
- the protection of superannuation benefits under the SA Lotteries Scheme.

SA Lotteries also designed a career transitioning program in collaboration with an external training provider to provide employees with the tools and knowledge to assist them with future career choices.

A series of workshops covering themes from managing change, resumé development and interview skills to job search strategies were carried out over a four-month period. This training culminated in one-on-one meetings between career consultants and employees, to provide further feedback and support.

Confidential guidance and advice for personal and work-related matters continues to be available for employees via SA Lotteries' Employee Assistance Program.

Master Agent transitional services

To ensure a smooth handover of operations to the Master Agent from 11 December 2012, 63 employees were nominated to provide transitional services to the Master Agent for a period from four months up to 18 months. The remaining employees continued in their substantive roles.

Upon expiration of a nominated employee's transitional period, and the completion of required responsibilities for SA Lotteries, some employees were declared excess to SA Lotteries' requirements and were provided with the option of accepting a TVSP or access to redeployment in the South Australian Public Sector.

As at 30 June 2013, four employees had opted to accept a TVSP and two employees had elected to participate in the redeployment program.

Employee overview as at 30 June 2013

Employee overview	
Persons	71
Full-Time Equivalent employee numbers	68.06
Persons separated from SA Lotteries during the 2012-13 financial year	19
Persons recruited to SA Lotteries during the 2012-13 financial year	4
Persons on leave without pay	0
Male employees	50.7%
Female employees	49.3%

Employee salary range			
Salary bracket	Male	Female	Total
\$0 - \$53 199	4	6	10
\$53 200 - \$67 699	16	13	29
\$67 700 - \$86 599	7	9	16
\$86 600 - \$109 299	7	6	13
\$109 300 +	2	1	3
Total	36	35	71

Part-time employees reflected as what they would earn if they worked full-time.

Executives by gender, classification and status							
Classification	Contract tenured		Contract untenured		Total		
	Male	Female	Male	Female	Male	Female	Total
Level D	0	0	0	1	0	1	1
Level B	0	0	0	0	0	0	0
Level A	0	0	2	0	2	0	2
Total	0	0	2	1	2	1	3

Status of employees in current position (Full-time equivalents as at 30 June 2013)					
Full-time equivalents	Ongoing	Short-term contract	Long-term contract	Other (casual)	Total
Male	31.00	4	1	0	36.00
Female	30.06	2	0	0	32.06
Total	61.06	6	1	0	68.06

Status of employees in current position (Persons as at 30 June 2013)					
Persons	Ongoing	Short-term contract	Long-term contract	Other (casual)	Total
Male	31	4	1	0	36
Female	33	2	0	0	35
Total	64	6	1	0	71

Number of Aboriginal and/or Torres Strait Islander employees					
Persons	Male	Female	Total	Percentage of total	Target *
Aboriginal/ Torres Strait Islander	0	0	0	0%	2.0%

* Target from South Australia's Strategic Plan.

Cultural and linguistic diversity					
Persons	Male	Female	Total	Percentage of total	SA community*
Employees born overseas	7	10	17	23.94%	22.1%
Employees who speak language(s) other than English at home	2	4	6	8.45%	14.4%

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

Employees by age bracket and gender					
Age bracket	Male	Female	Total	Percentage of total	Workforce benchmark*
15-19	0	0	0	0%	6.2%
20-24	2	1	3	4.23%	9.7%
25-29	3	5	8	11.27%	10.9%
30-34	3	3	6	8.45%	9.8%
35-39	6	5	11	15.49%	10.1%
40-44	6	3	9	12.68%	11.8%
45-49	4	8	12	16.90%	11.2%
50-54	4	4	8	11.27%	11.3%
55-59	6	2	8	11.27%	9.0%
60-64	1	2	3	4.23%	6.1%
65+	1	2	3	4.23%	3.7%
Total	36	35	71	100%	100%

**Source: Australian Bureau of Statistics Australian Demographic Statistics, 6291.0.55.001 Labour Force Status (ST LMB) by sex, age, state, marital status – employed – total from Feb78 Supertable, South Australia at February 2013.*

Training and development

Total training and development costs amounted to 3.04 per cent of base salary costs during the year, with 94.3 per cent of employees participating in training courses. This resulted in more than 1 846 hours of training being undertaken by employees, which is an average of 27.5 hours for every full-time equivalent member of SA Lotteries' workforce.

SA Lotteries also offers fee and study leave support, allowing employees to undertake further education or specialised training related to their field of work, depending on business needs.

Leadership and management training expenditure		
Expenditure type	Total cost	Percentage of total remuneration expenditure*
Total training and development expenditure**	\$239 696	2.68%
Total leadership and management development expenditure	\$53 699	0.60%

**Total remuneration expenditure is based on gross salaries plus employer superannuation and payroll tax. ** Total training and development expenditure is based on course fees plus all associated costs.*

Employee graduate program

In August 2012, a marketing graduate from the University of South Australia commenced an internship within SA Lotteries' marketing department. The four-month placement provided the graduate with a range of marketing and administrative support skills to assist with their future career.

Recognising achievement

SA Lotteries' performance development process provides employees with regular recognition and feedback. Facilitated by an online performance management system, the process ensures employees are aware of the expectations of their role and their contribution toward the achievement of corporate goals.

Performance development	
Employees with:	Percentage of total workforce
a plan and/or performance review within the past 12 months	89%

SA Lotteries also formally recognises service longevity. In 2012-13, 14 employees achieved service milestones:

- 5 years – 5 employees
- 10 years – 4 employees
- 15 years – 1 employee
- 25 years – 3 employees
- 40 years – 1 employee

A healthy balance

SA Lotteries continues to provide a flexible working environment to assist employees with balancing work and family responsibilities. During the year, 22.5 per cent of employees benefited from a voluntary flexible working arrangement.

To further support work-life balance and effective workplace practices, all employees are encouraged to take their entitlement of 20 days' annual leave each financial year. Employees also have access to First Aid training and discounted corporate health premiums.

Voluntary flexible working arrangements			
Arrangement	Male	Female	Total
Purchased leave	0	0	0
Flexible hours	3	3	6
Compressed weeks	0	1	1
Part-time	0	9	9
Job share	0	0	0
Working from home	0	0	0

Average leave days taken per full-time equivalent employee				
Leave	2009-10	2010-11	2011-12	2012-13
Sick leave taken*	6.6	6.4	7.2	6.7
Family carer's leave taken	1.3	1.4	1.6	1.5
Miscellaneous special leave	0.3	0.3	0.5	0.4
<i>*Figures do not include unpaid leave</i>				

Equal opportunity

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

SA Lotteries has an established Disability Discrimination Action Plan (the Plan), which identifies barriers for employees with a disability and recommends strategies for eliminating those barriers. The Plan is accessible via SA Lotteries' corporate website. A review in 2012-13 confirmed that the Plan continues to meet all legislative requirements.

Types of employee disabilities				
Disability	Male	Female	Total	Percentage of total
Disability Requiring Workplace Adaptation	0	1	1	1.41%
Physical	0	0	0	0%
Intellectual	0	0	0	0%
Sensory	0	0	0	0%
Psychological/ Psychiatric	0	0	0	0%
Other	0	0	0	0%
Total	0	1	1	1.41%

Enterprise bargaining

To ensure protection of employee wages and conditions, SA Lotteries has an Enterprise Bargaining Agreement that allows for the negotiation of workplace conditions. SA Lotteries successfully negotiated the terms of its Enterprise Bargaining Agreement in October 2012. The Agreement expires on 30 September 2014.

Work health and safety

SA Lotteries is committed to ensuring, as far as reasonably practicable, that all employees are safe from injury and risk to health while at work. This is achieved through continually improving work health and safety systems and practices.

During the year, the following health and safety activities took place:

- an external audit of SA Lotteries' work health and safety governance program to ensure compliance with the *Work Health and Safety Act 2012* (SA);
- a work health and safety inspection of premises;
- ergonomic assessments of new employee workstations;
- First Aid training for relevant employees;
- quarterly work health and safety committee meetings; and
- a review of all work health and safety policies, guidelines and procedures.

In 2012-13, SA Lotteries had three workers' compensation claims, and maintained its WorkCover levy rate.

Work Health and Safety (WHS) management	2012-13	2011-12	2010-11
Legislative requirements			
Number of notifiable occurrences pursuant to WHS Act 2012 Part 3	Nil	Nil	Nil
Number of notifiable injuries pursuant to WHS Act 2012 s90, s191 and s195	Nil	Nil	Nil
Injury management legislative requirements			
Number of employees who participated in the rehabilitation program	3	Nil	Nil
Number of employees rehabilitated and reassigned to alternative duties	1	Nil	Nil
Number of employees rehabilitated back to their original work	2	Nil	Nil
Number of open claims (as at 30 June 2013)	Nil	Nil	Nil
Percentage of workers' compensation expenditure over gross remuneration	1.7%	0.03%	0.03%
Number of claims			
Number of new workers' compensation claims	3	1	Nil
Number of fatalities	Nil	Nil	Nil
Number of lost time injuries	2	1	Nil
Number of medical treatment only	1	Nil	Nil
Total number of whole working days lost	81.3	6	Nil
Cost of workers' compensation			
Cost of new claims for financial year	\$139 849	\$2 174	Nil
Cost of all claims excluding lump sum payments	\$141 162	\$2 174	\$2 074
Amount paid for lump sum payments on the settlement of a claim (s42, s43, s44)	Nil	Nil	Nil
Total amount recovered from external sources (s54) including from a negligent third party	Nil	Nil	Nil
Budget allocation for workers' compensation	\$77 191	\$92 582	\$89 036
Trends			
Injury frequency rate for new lost-time injury/disease for each million hours worked	Nil	Nil	Nil
Most frequent cause (mechanism) of injury	Repetitive strain	Repetitive strain	Repetitive strain
Most expensive cause (mechanism) of injury	Psychological	Repetitive strain	Repetitive strain

BUSINESS PARTNERS

Agent network

SA Lotteries' games are available for purchase from more than 580 agencies throughout South Australia. A variety of business types such as newsagencies, kiosks, convenience outlets, supermarkets, chemists, hotels and clubs are represented in the network and SA Lotteries' Keno game is also available at selected SA TAB agencies.

In September 2012, SA Lotteries commenced selling its games, except Keno and Instant Scratchies, online through an alliance with the operator of www.ozlotteries.com.

Agent network composition		
Agency type	Number	Percentage of total
Newsagencies	190	32.4%
Hotels and Clubs	217	37.0%
Petrol stations and convenience outlets	43	7.3%
Supermarkets	37	6.3%
Deli's	35	6.0%
Other	65	11.1%
Total	587	100%

Tatts Lotteries SA Pty Ltd commenced its Master Agency responsibilities on 11 December 2012, including providing marketing and sales support, facilitating agent training and conducting compliance audits. At the time of the Master Agent's appointment, the Government committed to:

- all agent agreements being reset to five years from 11 December 2012 to 10 December 2017;
- agents having an option to extend their agent agreement for an additional five years from 11 December 2017, if the terms and conditions of the agreement have been met;
- the maintenance of commission rates currently paid;
- agency fees being kept stable; and
- SA Lotteries corporate branding and product branding remaining to protect agents' investment in infrastructure.

The Master Agent agreed to accept the novation of agent agreements from SA Lotteries on these terms.

Industry Focus Group

The Industry Focus Group was established in August 2011 to ensure the interests of SA Lotteries agents could be represented and direct connection with the Government maintained throughout the process of appointing a private sector operator to manage SA Lotteries' products and brands.

SA Lotteries' Chief Executive, June Roache, chaired the meetings attended by a Government representative, SA Lotteries management and representatives of the Australian Newsagents' Federation, Clubs SA and Pharmacy Guild of Australia industry groups.

During 2012-13, the Group met on three occasions and put forward the views and concerns of agents and a strong case for stability and consistency, which is reflected in the Government's stated commitments.

The Industry Focus Group lapsed in December 2012, following the appointment of the Master Agent.

Agent Reference Group

SA Lotteries established the Agent Reference Group (ARG) in 1996 to strengthen its relationship with the agency network. During the year, the ARG continued to provide valuable input and feedback on business policy and procedure changes, as well as game promotions and concepts.

SA Lotteries acknowledges the following ARG members for their contribution in 2012-13:

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

Lottery industry

Multi-jurisdictional (Bloc) arrangements

SA Lotteries contributed to, and participated in, Bloc arrangements in 2012-13 with Tattersall's Sweeps Pty Ltd, Golden Casket Corporation Limited, NSW Lotteries Corporation Pty Ltd, Tatts NT Lotteries Pty Ltd and the Lotteries Commission of Western Australia.

Bloc arrangements allow the various lottery organisations throughout Australia to pool money to provide larger prizes to players. The licensing structure and operations of each lottery operator remains independent and autonomous.

From 11 December 2012, the Master Agent was appointed as a representative of SA Lotteries at Bloc meetings and as Game Administrator for the Australian Soccer Pools Bloc.

International associations

Membership of international lottery industry associations provides valuable opportunities for an exchange of information and networking with operators from around the world. In 2012-13, SA Lotteries benefitted from membership of the following two key international lottery associations:

- **World Lottery Association (WLA)**

The WLA is a global professional association of lottery and gambling organisations from more than 80 countries on six continents. SA Lotteries' Chief Executive, June Roache, was elected as Vice President of the WLA in September 2012.

SA Lotteries is also represented on the WLA Legal Network Committee by SA Lotteries' General Manager-Legal and Compliance, David Hardy, and Customer Relations Manager, Lauren Halliday, represented the Asia Pacific region on the WLA Responsible Gaming Working Group.

- **Asia Pacific Lottery Association (APLA)**

As one of five regional lottery industry associations worldwide, APLA represents 25 lottery organisations from 10 countries within the Asia Pacific region. SA Lotteries' Chief Executive, June Roache, completed a four-year period as Chairman of APLA in September 2012 and currently holds the position of Immediate Past Chairman of the Association.

Overseas travel by SA Lotteries employees			
Destination	Reason for travel	Number of employees	Total cost*
Montreal, Canada	World Lottery Association Executive Committee meetings and World Lottery Summit 2012	1	\$13 466
*Total cost includes airfares and, as applicable, accommodation, meals and registration fees. It does not include any salary or salary-related costs.			

Sponsorships

SA Lotteries' mission to benefit the community of South Australia was further realised in 2012-13 through a range of sponsorship activities.

Adelaide Symphony Orchestra

SA Lotteries and the Adelaide Symphony Orchestra continued to promote the positive effect of music on the wellbeing of South Australians with *SA Lotteries Symphony Sessions*.

Throughout the year, eight ensemble performances were conducted by Adelaide Symphony Orchestra musicians in wards at the Royal Adelaide Hospital. Patients also received an *SA Lotteries Symphony Sessions* CD to inspire the healing process beyond the in-hospital performance.

State Theatre Company of South Australia

SA Lotteries' partnership with the State Theatre Company of South Australia, as Vision Impaired and Captioned Performances Partner, enabled theatre patrons with a vision or hearing impairment to attend live performances.

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

Adelaide Fringe

SA Lotteries partnership with the Adelaide Fringe in 2012 brought *Hospital Hilarity* to South Australians not well enough to attend the arts festival. As part of the Adelaide Fringe program, patients at the Women's and Children's Hospital, Flinders Medical Centre and Port Augusta Hospital enjoyed live performances from comedy artists and a musician.

South Australian National Football League

SA Lotteries again partnered with the South Australian National Football League to offer *SA Lotteries Footy Express*. The free bus service provides thousands of South Australians transport to and from AAMI Stadium for Adelaide Crows and Port Adelaide Power Australian Football League matches. From 11 December 2012, the *SA Lotteries Footy Express* partnership has been managed by the Master Agent.

St John Ambulance

SA Lotteries' partnership with St John Ambulance Australia (SA) Inc assisted St John volunteers in providing First Aid assistance to thousands of attendees at major and local events such as Clipsal 500, Santos Tour Down Under and the Big Day Out music festival.

Industry sponsorship

Sponsorship support was provided to SA Lotteries' industry partners, the Australian Newsagents' Federation (SA branch), Australian Hotels Association (SA) and Clubs SA.

Minor sponsorship

The Flinders Medical Centre Foundation, Women's & Children's Hospital Foundation and Starlight Children's Foundation received support from SA Lotteries through minor sponsorship initiatives.

Suppliers

During the year, SA Lotteries spent \$12.9 million sourcing goods or services, with a total of 263 suppliers. Businesses based in South Australia represented 69 per cent of total suppliers, and collectively earned \$7.4 million in exchange for goods and services.

Account payment performance				
Classification	Number of accounts paid	Percentage of accounts paid (by number)	Value \$A of accounts paid	Percentage of accounts paid (by value)
Paid by due date	2 256	99.73%	\$12 257 841	99.98%
Paid late but paid within 30 days of the due date	5	0.22%	\$2 288	0.02%
Paid more than 30 days from due date	1	0.04%	\$554	0.00%

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

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

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

In 2012-13, there were no contractual arrangements entered into with a total value exceeding \$4 million (inclusive of GST). There was one consultancy engagement, as detailed within the below table.

Consultants			
Consultant	Purpose of consultancy	Number of consultancies	Value in \$A
Value \$10 000 - \$50 000			
BMM Australia Pty Ltd	Due diligence audit of SA Lotteries' online play facility via www.ozlotteries.com	1	\$18 292

GAME PERFORMANCE

SA Lotteries' eight lottery games provide South Australian players with a choice of purchase price, play option and prize offer. In 2012-13, game sales were a record \$462.1 million, representing a 9.1 per cent increase over the previous year.

While Saturday X Lotto remains the flagship game, representing 31.3 per cent of sales, Oz Lotto and Powerball generated significant player interest due to delivering more jackpots beyond \$15 million compared to 2011-12. This jackpot activity, along with the implementation of various promotional initiatives, resulted in a sales increase of 44.3 per cent for Oz Lotto and 53.4 per cent for Powerball, over the previous year.

Changes to Powerball were introduced in March 2013 following the completion of an extensive game review by the Australian Powerball Bloc. The enhancements included:

- a game matrix change from drawing five numbers from one barrel of 45 numbers and one Powerball number from a separate barrel of 45 numbers to drawing six numbers from one barrel of 40 numbers and one Powerball number from a separate barrel of 20 numbers;
- the addition of an eighth prize division;
- the introduction of a Power20 entry type, to replace the previous Power45 entry; and
- an increase in the cost per entry from 75 cents to 85 cents.

Any amendments to the Rules governing SA Lotteries' games must be approved by the Commission and the responsible Minister, in accordance with the *State Lotteries Act 1966* (as amended).

Saturday X Lotto

In Saturday X Lotto, six numbers and two supplementary numbers are randomly drawn from a barrel of 45 numbers every Saturday. Saturday X Lotto offers players Australia-wide the chance to share in an estimated Division One prize pool of \$4 million.

Saturday X Lotto 2012-13 performance				
Sales	Percentage of total sales	2011-12 comparison	Value of prizes won	Highlights
\$144.6 million	31.3%	Decrease of \$8.6 million or 5.6%	\$85.1 million	<ul style="list-style-type: none"> • Eight Megadraw prize pools of \$20 million or more offered throughout the year.

Monday and Wednesday X Lotto

In Monday and Wednesday X Lotto, six numbers and two supplementary numbers are randomly drawn from a barrel of 45 numbers. Monday and Wednesday X Lotto is offered in all Australian States and Territories, except Queensland. The guaranteed Division One prize offered every Monday and Wednesday is \$1 million, or an equal share of \$2 million if there are two or more winners in any one draw.

Monday and Wednesday X Lotto 2012-13 performance				
Sales	Percentage of total sales	2011-12 comparison	Value of prizes won	Highlights
\$36.5 million	7.9%	Decrease of \$0.9 million or 2.5%	\$20.4 million	<ul style="list-style-type: none"> October and February: Double dividends offered for all prize divisions in selected draws.

Oz Lotto

In Oz Lotto, seven numbers and two supplementary numbers are randomly drawn from a barrel of 45 numbers every Tuesday. Each week, Oz Lotto offers players Australia-wide the chance to share in a multi-million dollar prize pool, which jackpots if not won.

Oz Lotto 2012-13 performance				
Sales	Percentage of total sales	2011-12 comparison	Value of prizes won	Highlights
\$67.4 million	14.6%	Increase of \$20.7 million or 44.3%	\$21.0 million	<ul style="list-style-type: none"> November: Record \$100 million Oz Lotto jackpot. January: 'Win a car or cash' promotion.

Powerball

In Powerball, six numbers are randomly drawn from one barrel of 40 numbers, and a seventh Powerball number is drawn from a separate barrel of 20 numbers, every Thursday. Each week, Powerball offers players Australia-wide the chance to share in a multi-million dollar prize pool, which jackpots if not won.

Powerball 2012-13 performance				
Sales	Percentage of total sales	2011-12 comparison	Value of prizes won	Highlights
\$68.0 million	14.7%	Increase of \$23.7 million or 53.4%	\$73.2 million	<ul style="list-style-type: none"> August: A South Australian man wins a \$50 million prize. March: Powerball game changes introduced.

Keno

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

Keno 2012-13 performance				
Sales	Percentage of total sales	2011-12 comparison	Value of prizes won	Highlight
\$104.9 million	22.7%	Increase of \$5.5 million or 5.5%	\$79.1 million	<ul style="list-style-type: none"> November: A man wins a record \$2.15 million Keno Spot 10 prize.

Instant Scratchies

Instant Scratchies games are a series of themed tickets that provide South Australians the opportunity to win instant prizes of up to \$300 000. Instant Scratchies games are either Fast Play or Extended Play.

Instant Scratchies 2012-13 performance				
Sales	Percentage of total sales	2011-12 comparison	Value of prizes won	Highlights
\$38.5 million	8.3%	Decrease of \$2.2 million or 5.5%	\$22.5 million	<ul style="list-style-type: none"> Successful gift-giving campaigns for Father's Day and Christmas.

Super 66

In Super 66, six numbered balls are randomly drawn from six separate compartments that each contains 10 balls numbered zero to nine. Each week, Super 66 offers players in all Australian States and Territories, except New South Wales, the chance to win a guaranteed Division One prize of \$16 666, which jackpots if not won.

Super 66 2012-13 performance				
Sales	Percentage of total sales	2011-12 comparison	Value of prizes won	Highlight
\$1.5 million	0.3%	Increase of \$0.4 million or 33.7%	\$1.6 million	<ul style="list-style-type: none"> April: A couple win a \$1 million Super 66 prize.

The Pools

In The Pools, six winning numbers and one supplementary number are determined by the results of a pre-determined list of 38 soccer matches. Each week, The Pools offers players Australia-wide the chance to win an estimated Division One prize pool of \$65 000, which jackpots if not won.

The Pools 2012-13 performance				
Sales	Percentage of total sales	2011-12 comparison	Value of prizes won	Highlight
\$0.7 million	0.1%	Decrease of \$0.002 million or 0.3%	\$0.1 million	<ul style="list-style-type: none"> June: Quadruple dividends offered for all prize divisions, except Division One, in a selected draw.

SERVICES AND SECURITY

During the year, 52.8 million tickets in SA Lotteries games were sold and players claimed prizes won on 11.6 million tickets. Customers benefited from a reliable service delivery, with the lotteries system being available to agents 99.99 per cent of the time.

Agent training

Tailored training programs were conducted by an accredited training provider, Business SA, throughout the year to equip agents and agency employees with knowledge on the operation of the lotteries terminal, compliance requirements, equipment maintenance and general business management. There were 608 agency employees and 123 agency managers or owners who successfully completed training.

Security and integrity

Protecting the rights of players and ensuring the secure payment of prizes is of paramount importance to SA Lotteries. The following checklist details a range of measures applied in 2012-13 to ensure business processes remained transparent, secure and reliable.

Prize claims	
✓	Full-colour customer display screens at point of sale, showing prize validation information.
✓	Self-service ticket checking devices at all agencies allowing for players to check their own tickets prior to terminal validation.
✓	Validation slips provided to players to confirm status of ticket.
✓	Non-winning tickets returned to customers.
✓	Easiplay Club registered tickets unable to be validated without the originating membership card.
✓	Easiplay Club registered tickets bear the primary member's name.
✓	Ex gratia prize claims process for lost or damaged unregistered tickets.
✓	Secure prize payment, such as electronic funds transfer, available to players.

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

Agent integrity and security	
✓	Prize claims greater than \$5 000 (at SA Lotteries Head Office) required a signed Statutory Declaration if the prize claimant was an SA Lotteries employee, agent, agent employee or relative of an agent or employee.
✓	Prizes greater than \$5 000 won by agents, agency employees and their relatives were monitored. In 2012-13, the rate of wins for this group was 3.1 per cent of total wins over \$5 000.
✓	Agents were required to obtain a prescribed range of business insurances.
✓	Agents were regularly reminded to return non-winning tickets, validation slips and sales summary slips to players.
✓	All applicants for an agency underwent national police checks.
✓	Agents were encouraged to notify SA Lotteries of any suggested improvements to security procedures.
✓	Incidents of suspected fraud were investigated and, if necessary, referred to SA Police.
✓	Disciplinary process applied to agents or agency employees in breach of security policies.
✓	Regular, random and comprehensive compliance audits conducted at all agencies at least once a year.
✓	Dedicated player security website page encourages reports of agency deficiencies.
✓	A defined customer complaints process to allow for the identification and notice of escalation of security-based issues.
✓	A confidential questionnaire, 'Can We Help You?' available at all agencies for customers to provide feedback on agent service and integrity.
✓	SA Lotteries senior management position responsible for security-based issues.
✓	Monthly reviews undertaken to ensure that responses to, and investigations of, customer complaints were conducted in a timely manner.

Website

SA Lotteries' player website, www.salotteries.com.au, attracted approximately 427 000 visitors each month during 2012-13, amounting to 5.1 million visits in total.

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

Customer service

Providing quality customer service is a priority for SA Lotteries. Responses to more than 1 000 customer enquiries were provided within an average time of 4.78 working days.

More than 200 000 players also availed themselves of the benefits of Easiplay Club membership, representing approximately 15 per cent of the South Australian adult population. Throughout the year, Easiplay Club members received \$6.4 million in uncollected prize money via cheque or direct bank deposit.

On 27 May 2013, SA Lotteries' customer relations function, including the Easiplay Club membership service, was transitioned to the Master Agent.

Agent service

During the year, SA Lotteries' warehouse employees provided a reliable service to the agent network through the efficient distribution of materials and prompt management of order enquiries. The distribution function was transitioned to the Master Agent on 10 June 2013.

SA Lotteries' Information and Communication Technology employees maintained the reliability of the lotteries system throughout 2012-13, and provided technical support to the agent network as and when required. This function is expected to transition to the Master Agent mid-2014.

RESPONSIBLE GAMBLING

The State Lotteries Responsible Gambling Code of Practice and the State Lotteries Advertising Code of Practice (the Codes of Practice) provide a framework for the responsible promotion and conduct of SA Lotteries' games.

SA Lotteries, as the gambling provider, is to ensure that its Master Agent and agency network conforms to the Codes of Practice as though the Master Agent is the gambling provider.

SA Lotteries will continue to consult with the Independent Gambling Authority (the Authority) and monitor the Master Agent's compliance with the Codes of Practice, to ensure a safe and responsible playing environment for customers.

Codes of Practice review

The Authority released six issues papers throughout the year regarding its review of the various Codes of Practice applicable to gambling providers in South Australia.

SA Lotteries responded to three of the six issues papers through a formal submission to the Authority. The overall intent of the review is supported by SA Lotteries to ensure the regulation of the gambling industry is continually strengthened and the Codes of Practice are consistently applied.

The Authority has released draft Codes of Practice for consideration by all gambling providers prior to their implementation from 1 December 2013. SA Lotteries will ensure through the Master Agent that all members of the agent network are aware of the terms of the revised Codes of Practice.

Compliance program

An annual audit of all SA Lotteries agencies was completed during the year, against 28 checks of compliance with the Codes of Practice. Of the audits conducted, 94.7 per cent found agents to be compliant. In instances of non-compliance, agencies were assisted to ensure issues were adequately addressed to achieve compliance at subsequent re-audits.

Responsible gambling training

All SA Lotteries agents and agency employees must complete responsible gambling training prior to operating the lottery terminal, and complete a refresher training module every two years. For agency employees aged less than 18 years, a tailored responsible gambling training module is offered to ensure that younger individuals are prepared for their role in a responsible gambling environment. During the year, 76 agents and agency employees attended responsible gambling training conducted by accredited training provider, Business SA.

SA Lotteries also requires all new employees to undertake training in responsible gambling upon commencement of employment. In 2012-13, four SA Lotteries employees completed training.

Problem gambling reports

All agents and employees are trained to identify problem gambling behaviours among players, and to provide appropriate referral advice. During the year, agents were required to immediately report all instances of customer contact in relation to problem gambling to SA Lotteries or to the Master Agent from 27 May 2013. There were a total of four problem gambling reports received during 2012-13.

Barring arrangements are also available upon direct request from a person at risk or via a gambling help service representative on their behalf. As at 30 June 2013, 28 SA Lotteries agencies had arrangements in place to facilitate barring from the service of lottery products for seven self-identified problem gamblers.

SA Lotteries' Internal Problem Gambling Report Group continued to meet throughout the year to assess problem gambling reports and ensure the best course of action was taken for the benefit of lottery players and the agent network.

Online measures

SA Lotteries' appointment of the operator of www.ozlotteries.com to sell its games from September 2012 required a range of specific responsible gambling provisions to be implemented. These include:

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

CORPORATE SOCIAL RESPONSIBILITY

Community involvement

SA Lotteries' Corporate Social Responsibility Program continued in 2012-13, demonstrating further commitment to benefiting the local community.

SA Lotteries' employees held various fundraising initiatives throughout the year, donating their own money toward two nominated charities – RSPCA SA and the NeuroSurgical Research Foundation. SA Lotteries matched selected contributions dollar-for-dollar, which amounted to \$1 443 being raised.

Christmas provided another opportunity to embrace the spirit of giving and help those less fortunate. For the second year, SA Lotteries, along with The Advertiser and Sunday Mail, gave South Australians the opportunity to 'pay it forward' in December.

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

The charities nominated by the winners were Juvenile Diabetes Research Foundation, Motor Neurone Disease Association of SA, Make a Wish Australia, Royal Society for the Blind, The Kids' Cancer Project, the Community Accommodation and Respite Agency (CARA), Can Do Hearing, the Salvation Army, Ronald McDonald House Adelaide and Cancer Council SA.

SA Lotteries' employees continued to extend support to the Smith Family's Wishing Tree project by donating 38 presents, including new books and toys, as Christmas gifts for South Australians in need.

A Workplace Giving Program is coordinated by SA Lotteries, allowing employees to make regular donations to nominated charities. One day of full pay per year is also available to employees to provide the opportunity to participate in volunteering initiatives.

In 2012-13, SA Lotteries funded entry fees for seven employees participating in community-based fundraising events including fun runs and walks, and employees donated blood to the Australian Red Cross Blood service as part of SA Lotteries' Corporate Blood Donor Program.

SA Lotteries' association with The Rotary Club of Adelaide also continued to enable divisional executives to attend regular networking functions and participate in community initiatives.

Environmental responsibility

SA Lotteries continues to embrace business practices to reduce the impact that its operations have on the environment.

A target for energy consumption is detailed in South Australia's Strategic Plan. The goal is to improve the energy efficiency of government buildings by 30 per cent from 2001 to 2020, with a 25 per cent reduction milestone set for 2014.

Energy and greenhouse gas emissions		
Year	Energy Consumption (kWhrs)	Greenhouse Gas Emissions (KgCO²)
Base year 2000-01	1 065 036	1 181 764
2011-12	826 686	733 833
2012-13	840 782	746 345

SA Lotteries' energy consumption in 2012-13 represents a 21.1 per cent reduction from 2000-01 levels, and a 1.7 per cent increase on 2011-12 levels. This increase was primarily due to Master Agent employees located at SA Lotteries Head Office to manage the transition of operations to the Master Agent.

Throughout the year, sensor lighting at SA Lotteries' Head Office and warehouse continued to assist with managing energy consumption, and greenhouse gas emissions were minimised through the maintenance of emission friendly and fuel efficient fleet vehicles.

SA Lotteries' Recyclable Waste Program also resulted in the diversion of 100 per cent of waste from landfill, equating to a reduction of 424 tonnes of greenhouse gases and the saving of 405m³ in landfill.

Where possible, SA Lotteries used recyclable products and materials obtained from renewable sources. Point of sale material was printed on recyclable material and featured the recycling symbol, a '100% recyclable' logo was printed on terminal-generated tickets and a message promoting the responsible disposal of tickets was included on Instant Scratchies tickets and game coupons.

ANNUAL FINANCIAL STATEMENTS

**Statement of Comprehensive Income
for the year ended 30 June 2013**

	Note	2013 \$'000	2012 \$'000
Income			
Sales revenue	5	462 145	423 632
Cost of sales	6	404 846	372 066
Gross Margin		57 299	51 566
Interest revenue		1 024	2 460
Revenues from SA Government	7	7 526	-
Other revenues	8	9 760	5 110
Net gain from disposal of non-current assets	13	32	-
Total Income		75 641	59 136
Expenses			
Employee benefits expenses	9	8 129	9 552
Supplies and services	10	12 334	15 427
Master Agent Fee	11	30 826	-
Depreciation and amortisation expense	12	4 656	2 386
Net loss from disposal of non-current assets	13	-	4
Total Expenses		55 945	27 369
Profit before income tax equivalent		19 696	31 767
Income tax equivalent expense		5 568	9 530
Profit after income tax equivalent		14 128	22 237
Total Comprehensive Result		14 128	22 237

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

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

Statement of Financial Position
as at 30 June 2013

	Note	2013 \$'000	2012 \$'000
Current Assets			
Cash and cash equivalents	15	46 576	53 480
Receivables	16	5 685	21 849
Inventories		-	571
Total Current Assets		52 261	75 900
Non-Current Assets			
Receivables	16	-	136
Property, plant and equipment	17	5 764	11 841
Total Non-Current Assets		5 764	11 977
Total Assets		58 025	87 877
Current Liabilities			
Payables	18	24 142	41 592
Employee benefits	19	1 867	716
Other current liabilities	20	15 888	11 135
Total Current Liabilities		41 897	53 443
Non-Current Liabilities			
Payables	18	1 360	1 711
Employee benefits	19	757	2 902
Other non-current liabilities	20	8 615	6 603
Total Non-Current Liabilities		10 732	11 216
Total Liabilities		52 629	64 659
Net Assets		5 396	23 218
Equity			
Retained Earnings		5 396	-
Funds retained for capital purposes		-	636
Asset revaluation surplus		-	1 151
Reserves		-	21 431
Total Equity		5 396	23 218

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

Unrecognised contractual commitments 22

Contingent assets and liabilities 23

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

Statement of Changes in Equity
for the year ended 30 June 2013

	Funds Retained for Capital Purposes \$'000	Asset Reval- uation Surplus \$'000	Building Maint- enance Reserve \$'000	Capital Asset Reserve (Note 21) \$'000	Keno Prize Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2011	636	1 151	41	17 557	4 861	-	24 246
Profit after income tax equivalent for 2011-12	-	-	-	-	-	22 237	22 237
Total comprehensive result for 2011-12	-	-	-	-	-	22 237	22 237
Transfers:							
• from Retained earnings	-	-	-	2 000	2 565	(4 565)	-
• to Retained earnings	-	-	-	(2 340)	(3 253)	5 593	-
Dividend contribution to SA Government	-	-	-	-	-	(23 265)	(23 265)
Balance at 30 June 2012	636	1 151	41	17 217	4 173	-	23 218
Profit after income tax equivalent for 2012-13	-	-	-	-	-	14 128	14 128
Total comprehensive result for 2012-13	-	-	-	-	-	14 128	14 128
Transfers:							
• from Retained earnings	-	-	-	887	1 212	(2 099)	-
• to Retained earnings	(636)	(1 151)	(41)	(18 104)	(4 307)	24 239	-
Reserve paid to Master Agent	-	-	-	-	(1 078)	-	(1 078)
Dividend contribution to SA Government	-	-	-	-	-	(15 918)	(15 918)
Special Dividend contribution to SA Government	-	-	-	-	-	(14 954)	(14 954)
Balance at 30 June 2013	-	-	-	-	-	5 396	5 396

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

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

Statement of Cash Flows
for the year ended 30 June 2013

	Note	2013 \$'000	2012 \$'000
Cash Flows from Operating Activities			
Cash Inflows			
Receipts from customers		435 413	388 275
SA Government Subsidy	7	7 526	-
Interest received		1 192	2 454
GST received from the Australian Taxation Office		7 263	4 862
Cash generated from operations		451 394	395 591
Cash Outflows			
Prizes paid		(270 510)	(249 711)
Payments to suppliers and employees		(25 798)	(25 445)
Master Agent Fee payments		(30 826)	-
GST paid to the Australian Taxation Office		(17 619)	(15 611)
Distribution to the Hospitals Fund and Recreation and Sport Fund			
• Gambling tax	24	(74 872)	(68 141)
• Dividend	24	(16 616)	(24 019)
• Special Dividend	24	(14 954)	-
• Unclaimed prizes	24	(2 582)	(1 599)
Distribution to the Hospitals Fund for income tax equivalent	24	(5 975)	(9 788)
Cash used in operations		(459 752)	(394 314)
Net cash provided by (used in) operating activities	25	(8 358)	1 277
Cash Flows from Investing Activities			
Cash Inflows			
Proceeds from sale of property, plant and equipment		1 662	-
Cash Outflows			
Purchase of property, plant and equipment		(208)	(343)
Net cash provided by (used in) investing activities		1 454	(343)
Net Increase (Decrease) in Cash and Cash Equivalents		(6 904)	934
Cash and Cash Equivalents at the beginning of the financial year		53 480	52 546
Cash and Cash Equivalents at the end of the financial year	25	46 576	53 480

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

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Notes to the Financial Statements

1. Establishment and Function of the Lotteries Commission of South Australia

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

On 26 November 2012 the State appointed Tatts Lotteries SA Pty Ltd (Tatts) as its exclusive Master Agent to operate SA Lotteries' brands and products for a term of 40 years, commencing 11 December 2012.

The terms and conditions of the appointment and on-going operation are governed by the Transaction Documents. The Transaction Documents comprise the following:

1. Executed between the Treasurer and Tatts:
 - Implementation Deed
 - Treasurer's Agency Fees Guarantee and Payment Deed
2. Executed between the Commission and Tatts:
 - Master Agency Agreement
 - Intellectual Property Licence Deed
 - Business Assets Sale Deed
 - Operations Deed

In addition, the Commission and Tatts have executed the Transitional Services Agreement for the eighteen month period commencing 11 December 2012.

2. Summary of Significant Accounting Policies

(a) Statement of Compliance

The Commission has prepared these financial statements in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The Commission has applied Australian Accounting Standards that are applicable to for-profit entities, as the Commission is a for-profit entity.

Australian accounting standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted for the reporting period ended 30 June 2013. Refer to Note 3.

(b) Basis of Preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and management to exercise its judgement in the process of applying the Commission's accounting policies. The areas involving a higher

degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes;

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

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

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

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

The accounting policies set out below have been applied consistently in preparing the financial statements for the year ended 30 June 2013 and the comparative information presented.

(c) Reporting Entity

The reporting entity comprises all activities of the Commission. This includes the Lotteries Fund established under section 16(1) of the *State Lotteries Act 1966*. From 11 December 2012, Tatts holds and operates the Lotteries Fund for and on behalf of the Commission.

(d) Comparative Information

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

Where presentation or classification of items in the financial statements has been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

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

(e) Rounding

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

(f) Taxation

Tax Equivalent Regime

In accordance with Treasurer's Instruction 22 Tax Equivalent Payments, the Commission was required to pay to the State Government an income tax equivalent. The income tax liability was based on the State Taxation Equivalent Regime which applied the accounting profits method. This required that the corporate income tax rate be applied to net profit. Following the appointment of Tatts as Master Agent on 11 December 2012, no payments have been made under the tax equivalent regime.

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

Goods and Services Tax (GST)

The Commission, in accordance with section 16(3)(b) of the *State Lotteries Act 1966*, is required to pay GST of one eleventh of net gambling revenue (NGR), being gross sales less total prizes paid, direct to the ATO. The GST on NGR is treated as a cost of sales.

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

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

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

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

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

(g) Income

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

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

Note 28 discloses income where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

The following are specific recognition criteria:

- Sales revenue for Saturday X Lotto, Monday & Wednesday X Lotto, Oz Lotto, Powerball, Keno, Super 66 and The Pools is recognised as at the date of the draw. For these games, sales revenue as at 30 June for draws or competitions subsequent to that date are treated as sales in advance. Sales revenue for Instant Scratchies is recognised as tickets are sold.
- Interest revenue is recognised on a time proportionate basis as it accrues, taking into account the effective yield on the financial asset.
- Revenues from SA Government are recognised as income when the Commission obtains control of the subsidy and the income recognition criteria are met (i.e. the amount can be reliably measured and the flow of resources is probable).
- Revenues from fees and charges are derived from the provision of goods and services. This revenue is recognised upon delivery of the goods or services to the recipients. From 11 December 2012, the costs and disbursements incurred by the Commission in providing agreed services to Tatts have been recovered from Tatts, in accordance with an agreed formula contained in the Transitional Services Agreement.

(h) Expenses

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

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

Note 28 discloses expenses where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

The following are specific recognition criteria:

Cost of Sales Expenses

Cost of sales expenses include actual prizes paid, gambling tax on net gambling revenue, agents' commission and GST on net gambling revenue, and are recognised in the reporting period in which the sales revenue is recognised.

Employee Benefits Expenses

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

Superannuation expenses charged in the Statement of Comprehensive Income represent:

- Contributions made by the Commission to the superannuation plans in respect of current employees; and
- Defined benefits accrued during the reporting period.

Note 2(n) provides further details.

Supplies and Services

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

Depreciation and Amortisation of Non-Current Assets

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

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

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

The value of leasehold improvements is amortised over the estimated remaining useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter.

Land is not depreciated.

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

<u>Class of Assets</u>	<u>Estimated Remaining Useful Life</u>
Plant and Equipment	2 years
Online lotteries system	2 years
Leasehold Improvements	2 years

(i) Current and Non-Current Classification

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

(j) Assets

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

Note 28 discloses receivables where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position and the Statement of Cash Flows includes the Commission's cash on hand and deposits held at call, and cash held by Tatts on behalf of the Commission for game related obligations. These are subject to insignificant risk of changes in value and are used in the cash management function on a day-to-day basis.

The Commission's bank account is held with Westpac Banking Corporation in an At Call Deposit account. Cash held by Tatts for game related obligations, on behalf of the Commission, is held with Westpac Banking Corporation.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Cash is measured at nominal value.

Receivables

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

From 11 December 2012, all game related receivables have been administered by Tatts on behalf of the Commission.

Sundry Receivables

Sundry receivables are generally receivable within 14 days and are carried at amounts due.

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

Prize Settlements Receivable from Blocs

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

From 11 December 2012, all game related prize settlements receivable from Blocs have been administered by Tatts on behalf of the Commission.

Inventories

Ownership of all game related inventories was transferred to Tatts as part of the aggregate consideration paid for the rights to operate SA Lotteries' brands and products.

Non-Current Asset Acquisition, Recognition and Disposal

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

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

Assets listed in the Business Assets Sales Deed were purchased by Tatts. The consideration paid for these assets forms part of the aggregate consideration paid by Tatts for the rights to operate SA Lotteries' brands and products.

As at 30 June 2013, assets related to the Online Lotteries System had not transferred to Tatts, as the GTECH agreement had not novated in favour of Tatts.

Revaluation of Non-Current Assets

All non-current tangible assets are valued at written down current cost (a proxy for fair value).

Revaluation of non-current assets is only performed when their fair value is greater than \$1 million and estimated useful life is greater than three years.

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

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

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

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

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

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

Impairment

All non-current tangible and intangible assets are tested for indications of impairment at each reporting date. If there was an indication of impairment, the recoverable amount would be

estimated. An amount by which the asset's carrying amount exceeds the recoverable amount would be recorded as an impairment loss. For revalued assets, an impairment loss would be offset against the asset revaluation surplus.

(k) Liabilities

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

Note 28 discloses payables where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Payables

Payables include creditors, accrued expenses, prizes payable, and employment on-costs.

From 11 December 2012, all game related payables have been administered by Tatts on behalf of the Commission.

Creditors and Accrued Expenses

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

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

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

Prizes Payable

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

Amounts payable for prizes won in South Australia are generally available for payment the day following the draw, or in the case of Instant Scratchies and minor Keno prizes, on the date of sale or draw. Division 1 and 2 prizes for lotto matrix type games are normally paid 14 days after the date of draw in accordance with the Lotteries Rules. Amounts payable to Blocs represent monies due to other lottery operators for prizes won in interstate jurisdictions. Settlement of amounts payable to Bloc members are normally due 14 days after the date of the draw.

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

From 11 December 2012, all prizes payable have been administered by Tatts on behalf of the Commission.

Employment On-Costs

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

Employee Benefits

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

Salaries, Annual Leave, Skills and Experience Retention Entitlement and Sick Leave

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

The annual leave liability and the skills and experience retention entitlement liability are expected to be payable within twelve months and are measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages, annual leave and skills and experience retention entitlement liability are payable later than 12 months, the liability will be measured at present value.

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

Long Service Leave

The liability for long service leave is measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for long service leave is based on actuarial assumptions over expected future salary levels, experience of employee departures and periods of service. The assumptions are based on employee data over SA Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with duration that match as closely as possible the estimated future cash outflows.

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

Unclaimed Prizes Reserve

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

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

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

The *State Lotteries Act 1966* provides for an ex gratia payment to a person who satisfies the Commission that they are 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 the period of notice of a claim for the prize has expired.

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

From 11 December 2012, the Unclaimed Prizes Reserve has been administered by Tatts on behalf of the Commission.

Distribution of Funds to Government

In accordance with subsection 16(3) of the *State Lotteries Act 1966*, the Commission is required to pay to the Hospitals Fund the balance of surplus funds remaining after:

- payment of gambling tax and GST on NGR;
- making allowances for operating and capital expenses;
- applying the net proceeds and gambling tax of The Pools to the Recreation and Sport Fund;
- in respect of Special Appeal Lotteries (note 2(l)), applying the net proceeds and unclaimed prizes less the GST on NGR to the beneficiary(s) of those lotteries; and
- retaining funds for certain designated purposes.

From 11 December 2012, gambling tax is paid by Tatts on behalf of the Commission to the State.

As detailed in note 2(f), the Commission is required to make tax equivalent payments as a result of the application of the tax equivalent regime. In accordance with the provisions of the *State Lotteries Act 1966* and Treasurer's Instruction 22 Tax Equivalent Payments, the transfer of funds to the Hospitals Fund is reflected in the financial statements in the form of:

- (i) a gambling tax of 41 per cent on NGR in respect of all lotteries conducted by the Commission except sports lotteries, special lotteries and special appeal lotteries;
- (ii) an income tax equivalent payment (calculated on the accounting profits method), recorded as an expense item in the Statement of Comprehensive Income;
- (iii) a dividend, represented by net profit after income tax equivalent payment and increased/decreased by funds retained for certain designated purposes; and
- (iv) unclaimed prizes.

In addition, as at 10 December 2012, surplus cash over and above Game Related Liabilities held in the Lotteries Fund of the Commission, was paid to the State in accordance with the Implementation Deed.

The composition of all amounts due and payable to Government on account of the Hospitals Fund and Recreation and Sport Fund is detailed in note 24.

(l) Special Appeal Lotteries

Section 13AB of the *State Lotteries Act 1966* enables the Commission to conduct Special Appeal Lotteries. Tatts is to do all things necessary to assist the Commission to conduct Special Appeal Lotteries and will receive compensation in accordance with the Master Agency Agreement and the Treasurer's Agency Fees Guarantee and Payment Deed.

No Special Appeal Lotteries were conducted during the financial year.

(m) Operating Leases

The Commission has an accommodation lease agreement for its Head Office and an operating lease for the Remote Computer Site. In respect of these operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased assets.

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

(n) Superannuation

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

The liability for the defined benefit section of the Plan has been determined via an actuarial valuation by Stuart Mules, FIAA (Mercer Investment Nominees Limited) using the projected unit credit method. The report was dated 5 July 2013.

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

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

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

The Commission also contributes to other externally managed superannuation plans. These contributions are expensed when they fall due and the Commission's obligation is limited to these contributions.

(o) Funds Retained for Capital Purposes

The Commission's funds retained for capital purposes which represented the historical cost of the investment in land and buildings at 24-26 Payneham Road, Stepney (Warehouse) were paid to the SA Government following the sale of the property on 2 July 2012.

(p) Asset Revaluation Surplus

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

(q) Reserves*Building Maintenance Reserve*

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

Capital Asset Reserve

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

Cash to support this reserve, as at 10 December 2012, was transferred to the State prior to completion in accordance with the Implementation Deed.

Keno Prize Reserve

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

From 11 December 2012, the Spot 10 \$1M guaranteed amount and the accrued jackpot amount was paid to, and is held for and on behalf of the Commission, by Tatts.

(r) Unrecognised Contractual Commitments

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

(s) Insurance

The Commission has arranged, through the SA Government Captive Insurance Corporation (SAICORP), to insure all major risks of the organisation. The excess payable under this arrangement varies depending on each class of insurance held.

(t) Events after the reporting period

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

3. New and Revised Accounting Standards and Policies

The Commission did not voluntarily change any of its accounting policies in 2012-13.

Australian Accounting Standards and interpretations that have recently been issued or amended, but are not yet effective, have not been adopted for the reporting period ended 30 June 2013. The Commission has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Commission.

4. Related Party

The Commission is controlled by the SA Government. Transactions and balances between the Commission and related parties (ie other SA Government controlled entities) are disclosed in Note 28.

5. Sales Revenue

	2013	2012
	\$'000	\$'000
Saturday X Lotto	144 643	153 216
Monday/Wednesday X Lotto	36 483	37 422
Oz Lotto	67 383	46 695
Powerball	68 027	44 347
Keno	104 922	99 407
Instant Scratchies	38 506	40 737
Super 66	1 489	1 114
The Pools	692	694
Total sales revenue	462 145	423 632

Sales revenue includes Agents' commissions.

6. Cost of Sales

	2013	2012
	\$'000	\$'000
Prizes	278 721	257 120
Gambling tax on net gambling revenue	75 202	68 270
Agents' commissions	34 233	31 538
GST on net gambling revenue paid to the ATO	16 690	15 138
Total cost of sales	404 846	372 066

7. Revenues from SA Government

	2013	2012
	\$'000	\$'000
Revenues from SA Government	7 526	-
Total revenues from SA Government	7 526	-

Following the appointment of Tatts as the Commission's exclusive Master Agent to operate SA Lotteries' brands and products, effective from 11 December 2012, the Commission is now funded by a subsidy from the SA Government.

8. Other Revenues

	2013	2012
	\$'000	\$'000
Agents' fees and charges	1 934	3 922
Easiplay Club service fees	276	590
Reimbursements from Master Agent	6 945	-
Sundry	605	598
Total other revenues	9 760	5 110

9. Employee Benefits Expenses

	2013	2012
	\$'000	\$'000
Salaries (including annual leave)	7 349	6 375
TVSPs (refer below)	357	-
Long service leave	31	468
Skills and experience retention entitlement	26	-
Employment on-costs - superannuation contributions (note 27(j))	689	916
Increase / Decrease in carrying value of defined benefit superannuation plan liability (note 27(e))	(948)	1 181
Employment on-costs - other	527	486
Commission Members' fees	98	126
Total employee benefits expenses	8 129	9 552

Remuneration of employees

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, retention payments, superannuation contributions, salary sacrifice benefits, fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received or receivable by these employees for the year was \$2.104 million (\$1.093 million).

	2013	2012
	No.	No.
The number of employees whose remuneration received or receivable falls within the following bands:		
\$148 000 to \$157 999	-	1
\$168 000 to \$177 999	-	1
\$178 000 to \$187 999	-	1
\$238 000 to \$247 999	-	1
\$278 000 to \$287 999	1	-
\$298 000 to \$307 999	1	-
\$318 000 to \$327 999	1	-
\$328 000 to \$337 999	1	1
\$868 000 to \$877 999	1	-
Total Number of Employees	5	5

Key Management Personnel Compensation

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

Commission Members

The following persons held the position of Member of the Commission:

H J Ohff, PhD, BA (Hons), FIEAust, CPEng Presiding Member 1 July 2012 to 31 March 2013
 W R Jackson, BEc, FASA 1 July 2012 to 31 March 2013; Presiding Member 1 April 2013 to 30 June 2013
 S J Mackenzie, B Comm (Accounting), LLB (Hons) 1 July 2012 to 30 June 2013
 A E Lindsay, BA (Hons), LLB (Hons) 1 July 2012 to 21 March 2013
 A E Heyworth, BA (Acc), MBA (AGSM), SF Fin, FAICD 1 July 2012 to 7 February 2013 *
 J R Roache 1 April 2013 to 30 June 2013 *

Commission Members' remuneration

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

	2013	2012
	No.	No.
The number of Commission Members whose remuneration received or receivable falls within the following bands:		
\$0 to \$9 999	2	1
\$10 000 to \$19 999	1	-
\$20 000 to \$29 999	1	1
\$30 000 to \$39 999	2	2
\$40 000 to \$49 999	-	1
Total number of Commission Members	6	5
	2013	2012
	\$'000	\$'000
The total remuneration received or receivable by Commission Members	115	152

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

No Commission Member has entered into a contract with the Commission since the end of the previous financial year. The Commission's agent training agreement which expired on 30 June 2013 was entered into with the South Australian Employer's Chamber of Commerce and Industry Inc trading as Business SA. The Chief Executive/Commission Member J R Roache is a member of the Board of Business SA and was absent at all times the agreement was under consideration.

Senior Management Team

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

- J R Roache BAcc, GradCertMgt (Monash) FAICD, FCPA, FAIM, CPMgr - Chief Executive
- C I McSporran BEc - Chief Financial Officer 1 July 2012 to 10 May 2013
- C M Mulvihill BComm, CPA, MBA - General Manager-Marketing and Sales 1 July 2012 to 10 June 2013
- J F Favretto BA - General Manager - Information and Communications Technology and Transition
- D G Hardy LLB, BA GDLP - General Manager - Legal and Compliance
- C J Yeeles BComm, CPA - Finance Manager 11 May 2013 to 30 June 2013

	2013	2012
	\$'000	\$'000
The compensation of key management personnel included in Employee Benefits Expenses is as follows:		
Short-term employee benefits	2 025	1 046
Post-employment benefits **	190	202
Long-term employee benefits	14	19
Total key management personnel compensation	2 229	1 267

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

Targeted Voluntary Separation Packages (TVSPs)

	2013	2012
	\$'000	\$'000
Amounts paid/payable during the reporting period to separated employees:		
TVSPs	357	-
Annual leave and long service leave	70	-
	<u>427</u>	<u>-</u>
less recovery received/receivable from Department of Treasury and Finance	357	-
Net cost to the Commission	<u>70</u>	<u>-</u>

The number of employees to whom TVSPs were paid/payable during the reporting period was 6 (0).

10. Supplies and Services

	2013	2012
	\$'000	\$'000
Marketing and promotions	4 037	6 837
Computer operations	3 344	3 043
Tickets, coupons, terminal rolls and ribbons	1 748	1 883
Operating leases	882	662
Other occupancy costs	582	584
Distribution and freight to Agents	128	261
Motor vehicle fleet costs	166	216
Internal audit fees	97	166
External audit fees	160	150
Training costs	148	109
Insurance	39	57
Temporary staff and contractors	59	67
Gambling tax - other	(5)	23
Consultancies	18	5
Bad Debts	5	-
Other	926	1 364
Total Supplies and Services	12 334	15 427

	2013	2012	2013	2012
	No.	No.	\$'000	\$'000
Consultancies				
The number and dollar amount of consultancies paid/payable (included in Supplies and Services) that fell within the following bands:				
Below \$10 000	-	2	-	5
\$10 000 to \$50 000	1	-	18	-
Above \$50 000	-	-	-	-
Total paid/payable to consultants engaged	1	2	18	5

11. Master Agent Fee

	2013	2012
	\$'000	\$'000
Gross Sales	247 103	-
less Prizes	148 700	-
less Gambling Tax on NGR	40 345	-
less GST on NGR	8 945	-
Gross Master Agent Fee (including Agents' commissions)	49 113	-
less Agents' commissions	18 287	-
Net Master Agent Fee	30 826	-

The Master Agent Fee is payable to Tatts as the Commission's exclusive Master Agent for operating SA Lotteries' brands and products.

Under Clause 8.3 of the Master Agency Agreement, the Master Agent remits the amount of the Master Agency Fee less Agents' commissions to an account nominated by the Master Agent.

12. Depreciation and Amortisation Expense

	2013	2012
	\$'000	\$'000
Depreciation		
Buildings	-	45
Plant and equipment	122	215
Online lotteries system	4 216	1 869
Total depreciation	4 338	2 129
Amortisation		
Leasehold improvements	318	257
Total amortisation	318	257
Total depreciation and amortisation	4 656	2 386

During the year, the Commission reassessed the useful life of the online lotteries system, resulting in a reduction in the estimated useful life. This has resulted in an increase of \$2.349M in the amount of depreciation calculated on these assets in the 2012-13 financial year relative to the amount that would have been expensed based on the previous estimate of the useful life. The higher depreciation expense will also be reflected in 2013-14.

During the year, the Commission reassessed the useful life of the leasehold improvements, resulting in a reduction in the estimated useful life. This has resulted in an increase of \$0.065M in the amount of amortisation calculated on these assets in the 2012-13 financial year relative to the amount that would have been expensed based on the previous estimate of the useful life. The higher amortisation expense will also be reflected in 2013-14.

13. Net Gain (Loss) from Disposal of Non-current Assets

	2013	2012
	\$'000	\$'000
Proceeds from disposal	1 662	21
Less: Net book value of assets disposed	1 630	25
Net gain (loss) from disposal of non-current assets	32	(4)
Assets are derecognised on disposal or when no future economic benefits are expected from the asset's use or disposal.		
<u>Warehouse property</u>		
Proceeds from disposal	1 660	-
Less: Net book value of assets disposed	1 455	-
Net gain (loss) from disposal of non-current assets	205	-
<u>Sundry Assets</u>		
Proceeds from disposal	2	21
Less: Net book value of assets disposed	62	25
Net gain (loss) from disposal of non-current assets	(60)	(4)
<u>Assets transferred to Tatts</u>		
Proceeds from disposal	-	-
Less: Net book value of assets disposed	113	-
Net gain (loss) from disposal of non-current assets	(113)	-

The proceeds from disposal of the assets transferred to Tatts on 11 December 2012 forms part of the aggregate consideration paid by Tatts to the State for the right to operate SA Lotteries' brands and products.

14. Auditor's Remuneration

	2013	2012
	\$'000	\$'000
Audit Services		
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	160	150
Total audit fees	160	150

The Auditor-General is the auditor of the Commission.

Other Services

No other services were provided by the Auditor-General.

15. Cash and Cash Equivalents

	2013	2012
	\$'000	\$'000
Bank balance and cash on hand	1 567	8 980
Short-term deposits	-	44 500
Funds held by the Master Agent	45 009	-
Total cash and cash equivalents	46 576	53 480

In accordance with clause 7 of the Master Agency Agreement, Tatts hold and operate the Lotteries Fund for and on behalf of the Commission. The Commission assigned all of its right, title and interest to future interest earnings on the Lotteries Fund to the Master Agent. The consideration for the assignment of interest was included in the aggregate consideration paid by Tatts for the transaction to the State.

Interest Rate Risk

Cash on hand is non-interest bearing. For the period 1 July 2012 to 10 December 2012, the bank balance earned a floating interest rate based on daily bank deposit rates. The weighted average interest rate earned was 3.62 per cent (2012: 4.61 per cent).

From 11 December 2012, the bank balance is non-interest bearing.

Net Fair Values

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

16. Receivables

	2013	2012
	\$'000	\$'000
Current		
Agent debtors	2 133	3 756
Prize settlements receivable from Blocs	1 108	17 433
Sundry receivables	2 436	446
Prepayments	8	214
Total current receivables	5 685	21 849
Non-current		
Prepayments	-	136
Total non-current receivables	-	136
Total receivables	5 685	21 985

Ageing Analysis of Receivables

	Overdue for			TOTAL \$'000
	< 30 days \$'000	30 - 60 days \$'000	> 60 days \$'000	
Sundry receivables	2	4	3	9

Interest Rate Risk

All receivables are non-interest bearing.

Credit Risk

Credit risk represents the loss that would be recognised if parties owing monies to the Commission at the reporting date fail to honour their obligations. It is not anticipated that parties will fail to discharge their obligations. The major portion of monies owing relates to the operation of SA Lotteries' brands and products by the Master Agent.

Net Fair Values

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

17. Property, Plant and Equipment

	2013	2012
	\$'000	\$'000
Land and buildings		
Land at fair value	-	920
Buildings at fair value	-	580
Accumulated depreciation	-	(45)
Total land and buildings	-	1 455
Plant and equipment		
Plant and equipment at cost (deemed fair value)	310	2 160
Accumulated depreciation	(228)	(1 786)
Total plant and equipment	82	374
Online lotteries system		
Online lotteries system at cost (deemed fair value)	13 395	13 214
Accumulated depreciation	(8 246)	(4 032)
Total online lotteries system	5 149	9 182
Work-in-progress		
Leasehold improvements at cost (deemed fair value)	-	-
Online lotteries system at cost (deemed fair value)	116	93
Total work-in-progress	116	93
Leasehold improvements		
Leasehold improvements at cost (deemed fair value)	2 465	2 475
Accumulated amortisation	(2 048)	(1 738)
Total leasehold improvements	417	737
Total property, plant and equipment	5 764	11 841

Reconciliation of Property, Plant and Equipment

The following table shows the movement of Property, Plant and Equipment during 2012-13 and 2011-12.

	Land	Buildings	Plant & Equipment	Online Lotteries System	Work-in-Progress	Leasehold Improvements	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2012	920	535	374	9 182	93	737	11 841
Additions	-	-	-	2	207	-	209
Assets derecognised (including disposals)	(920)	(535)	(170)	(3)	-	(2)	(1 630)
Transfers	-	-	-	184	(184)	-	-
Depreciation and amortisation	-	-	(122)	(4 216)	-	(318)	(4 656)
Carrying amount at 30 June 2013	-	-	82	5 149	116	417	5 764
Carrying amount at 1 July 2011	920	580	505	10 836	39	1 008	13 888
Additions	-	-	89	179	93	3	364
Assets derecognised (including disposals)	-	-	(5)	(2)	-	(18)	(25)
Transfers	-	-	-	38	(39)	1	-
Depreciation and amortisation	-	(45)	(215)	(1 869)	-	(257)	(2 386)
Carrying amount at 30 June 2012	920	535	374	9 182	93	737	11 841

Land and Buildings assets were comprised entirely of the Stepney Warehouse.

Valuation of property, plant and equipment

The valuation of the Warehouse was performed by Simon Hickin AAPI, Certified Practising Valuer, an independent valuer from Jones Lang LaSalle, as at 30 June 2011. The valuer arrived at fair value based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use and was determined on an in-use value, assuming a fully tenanted (subject to a notional five plus five year lease back) basis. The property was sold on 2 July 2012 (refer note 13).

	2013	2012
	\$'000	\$'000
The carrying amount of property, plant and equipment that would have been recognised if these assets were stated at cost is:		
Land and buildings	-	324
Plant and equipment	82	374
Online lotteries system	5 149	9 182
Work-in-Progress	116	93
Leasehold improvements	417	737
Total carrying amount of property, plant and equipment that would have been recognised if these assets were stated at cost	5 764	10 710

Impairment

There were no indications of impairment of plant and equipment assets at 30 June 2013.

18. Payables

	2013	2012
	\$'000	\$'000
Current		
Creditors and accrued expenses	821	1 738
Prizes payable	15 793	31 277
GST payable	653	1 010
Undistributed funds (note 24)	6 649	7 461
Employment on-costs	226	106
Total current payables	24 142	41 592
Non-current		
Prizes payable	1 350	1 575
Employment on-costs	10	136
Total non-current payables	1 360	1 711
Total payables	25 502	43 303

Based on an actuarial assessment performed by the Department of Treasury and Finance, the percentage of long service leave expected to be taken as leave has remained at 40%. This rate is used in the calculation of employment on-costs.

Interest Rate Risk

All payables are non-interest bearing.

Net Fair Values

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

19. Employee Benefits

	2013	2012
	\$'000	\$'000
Current		
Annual Leave	496	541
Long Service Leave	1 345	175
Skills and Experience Retention Entitlement	26	-
Total current employee benefits	1 867	716
Non-Current		
Long Service Leave	103	1 300
Defined benefit superannuation plan liability (note 27(d))	654	1 602
Total non-current employee benefits	757	2 902
Total employee benefits	2 624	3 618
The total current and non-current employee liability (ie total employee benefits) plus employment on-costs (note 18) is:	2 860	3 860

AASB 119 contains the calculation methodology for long service leave liability. This year the actuarial assessment performed by the Department of Treasury and Finance has provided a set level of liability rather than a benchmark for the measurement of long service leave. The effect of the change relating to the current period is immaterial.

20. Other Liabilities

	2013	2012
	\$'000	\$'000
Current		
Prize reserve funds (a)	9 577	8 659
Keno Prize Reserve (b)	1 612	-
Monday & Wednesday X Lotto Division 1 Prize Reserve (c)	2 775	1 194
Unearned revenue - sales in advance	1 924	1 282
Total current other liabilities	15 888	11 135
Non-current		
Unclaimed prizes reserve (d)	8 615	6 603
Total non-current other liabilities	8 615	6 603
Total other liabilities	24 503	17 738
(a) Prize Reserve Funds		
Balance at 1 July	8 659	8 349
Allocated to prize reserve fund	11 418	14 681
Applied to additional or increased prizes	(10 500)	(14 371)
Balance at 30 June	9 577	8 659
<p>An agreed proportion of the total amount of net sales (gross sales less Agents' commissions) for each of Saturday X Lotto, Monday & Wednesday X Lotto, Oz Lotto, Powerball, Super 66 and The Pools is set aside to accumulate as the Prize Reserve Fund for each game in accordance with the respective Game Rules. These funds are applied from time to time for the payment of additional or increased prizes in subsequent lotteries or prizes in respect of missed prize entries for previous lottery draws.</p>		
(b) Keno Prize Reserve		
Balance at 11 December	1 078	-
Allocated to prize reserve	534	-
Balance at 30 June	1 612	-

In accordance with the Game Rules, the Keno Prize Reserve is funded by 32.967% of Keno Spot 10 net sales (gross sales less Agents' commissions) to meet Keno Spot 10 prizes.

	2013	2012
	\$'000	\$'000
(c) Monday & Wednesday X Lotto Division 1 Prize Reserve		
Balance at 1 July	1 194	-
Allocated to prize reserve	9 148	3 874
Applied to prizes	(7 567)	(2 680)
Balance at 30 June	2 775	1 194

In accordance with the Game Rules, the Monday and Wednesday X Lotto Division 1 Prize Reserve is funded by 27% of net sales (gross sales less Agents' commissions).

(d) Unclaimed Prizes Reserve		
Balance at 1 July	6 603	6 939
Unclaimed monies forfeited	5 099	3 870
Balance before distributions	11 702	10 809
Monies provided for distribution to the Hospitals Fund	(2 549)	(1 828)
Monies provided for distribution to the Recreation and Sport Fund	(1)	(1)
Applied to additional or increased prizes in subsequent lottery draws, prizes in promotional lotteries or ex gratia payments	(537)	(2 377)
Balance at 30 June	8 615	6 603

21. Capital Asset Reserve

	2013	2012
	\$'000	\$'000
Capital asset reserve comprises:		
• Capital fund account	-	6 032
• Capital fund assets (at written down value)	-	11 185
	-	17 217
Capital fund account		
Balance at 1 July	6 032	4 396
Transfer from retained earnings	887	2 000
Transfer to SA Government	(6 710)	-
Assets financed	(209)	(364)
Balance at 30 June	-	6 032
Capital fund assets		
Written down value at 1 July	11 185	13 161
Assets financed	209	364
Depreciation	(1 085)	(2 315)
Transfer to SA Government	(6 048)	-
Transfer to retained earnings	(4 086)	-
Written down value of assets disposed of	(175)	(25)
Written down value at 30 June	-	11 185

The cash balance of the capital asset reserve was transferred to SA Government Consolidated Account as part of the special dividend.

22. Unrecognised Contractual Commitments

	2013	2012
	\$'000	\$'000
Capital commitments		
Capital expenditure contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	-	167
Total capital commitments	-	167
Operating lease commitments		
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	677	879
Later than one year but not longer than five years	-	776
Later than five years	-	-
Total operating lease commitments	677	1 655
<i>Representing:</i>		
Non-cancellable operating leases	579	1 360

The 10-year accommodation operating lease at Head Office is non-cancellable with rent payable monthly in advance. Rental provisions within the lease agreement require future lease payments to be increased by 3% per annum. The lease term expires on 3 May 2014.

Commencing 2 July 2012, the Commission entered into a 12 month lease with no extension options for the Warehouse at 24-26 Payneham Road, Stepney. Rent is payable monthly in advance.

The Commission's Remote Computer Site is occupied with the consent of the Office of the Chief Information Officer. This operating lease is cancellable.

	2013	2012
	\$'000	\$'000
Other Commitments		
Other expenditure contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	1 749	2 900
Later than one year but not longer than five years	1 650	3 294
Total other commitments	3 399	6 194

The Commission's other commitments are for existing agreements relating to online lotteries system software, hardware, communication and associated services and other fixed services.

Master Agent Fee

The Commission's commitments include a monthly Master Agent fee payable to Tatts for a term of 40 years commencing 11 December 2012. No amounts payable by the Commission to the Master Agent are disclosed as the fee is based on a formula which is contingent on gross sales, prizes, gambling tax on net gambling revenue, Agents' commissions and GST on net gambling revenue for each month.

23. Contingent Assets and Liabilities

The Commission is not aware of any contingent assets or contingent liabilities.

The Commission has made no guarantees.

24. Distribution of Funds to SA Government

	Balance 1 July \$'000 Commission	Distribution				Balance 30 June \$'000 Commission	Balance 30 June \$'000 Master Agent
		Provided		(Paid)			
		\$'000 Commission	\$'000 Master Agent	\$'000 Commission	\$'000 Master Agent		
Gambling tax (notes 6 and 10)	5 852	34 852	40 345	(40 573)	(34 299)	131	6 046
Income tax equivalent	455	5 568	-	(5 975)	-	48	-
Dividend	810	15 918	-	(16 616)	-	112	-
Special Dividend	-	14 954	-	(14 954)	-	-	-
Unclaimed prizes	344	1 111	1 439	(1 456)	(1 126)	-	312
Totals 2012-13	7 461	72 403	41 784	(79 574)	(35 425)	291	6 358
Totals 2011-12	8 090	102 918	-	(103 547)	-	7 461	-

Comprising:

Distribution to Hospitals Fund

Gambling tax	5 823	34 789	40 241	(40 481)	(34 207)	131	6 034
Income tax equivalent	455	5 568	-	(5 975)	-	48	-
Dividend	789	15 875	-	(16 552)	-	112	-
Special Dividend	-	12 770	-	(12 770)	-	-	-
Unclaimed prizes	344	1 110	1 439	(1 454)	(1 127)	-	312
Totals	7 411	70 112	41 680	(77 232)	(35 334)	291	6 346

Distribution to Recreation and Sport Fund

Gambling tax	29	63	104	(92)	(92)	-	12
Dividend	21	43	-	(64)	-	-	-
Unclaimed prizes	-	1	-	(2)	1	-	-
Totals	50	107	104	(158)	(91)	-	12

Distribution to SA Government Consolidated Account

Special Dividend	-	2 184	-	(2 184)	-	-	-
Totals	-	2 184	-	(2 184)	-	-	-

In 2012-13, distribution of income tax equivalent, dividend and special dividend applies to the period 1 July 2012 to 10 December 2012 only.

25. Cash Flow Reconciliation

	2013	2012
	\$'000	\$'000
Reconciliation of cash and cash equivalents		
Statement of Financial Position	46 576	53 480
Statement of Cash Flows	46 576	53 480
Reconciliation of Net Profit after income tax equivalent to Net Cash provided by (used in) Operating Activities:		
Profit after income tax equivalent	14 128	22 237
Less: Dividend contribution provided	(15 918)	(23 265)
Less: Special Dividend contribution provided	(14 954)	-
Less: Keno Prize Reserve paid to Master Agent	(1 078)	-
Less: Unclaimed prizes distribution provided	(2 550)	(1 829)
Add (less): Non-cash items		
Depreciation and amortisation expense	4 656	2 386
Net (gain) loss on disposal of non-current assets	(32)	4
Increase (Decrease) in carrying value of defined benefit superannuation plan net liability	(948)	1 181
Changes in Assets / Liabilities		
(Increase)Decrease in Receivables	15 832	(18 899)
Decrease in Inventories	571	64
Increase(Decrease) in Payables (including Undistributed funds)	(17 454)	16 737
Increase(Decrease) in Employee benefits	(46)	430
Increase in Other liabilities	9 435	2 231
Net cash provided by (used in) operating activities	(8 358)	1 277

26. Financial Risk Management

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

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

The Commission has non-interest bearing assets (cash at bank, cash on hand and receivables) and liabilities (payables and other liabilities). The maturity of financial assets and liabilities are disclosed separately in the relevant notes: current items mature in less than 12 months; non-current items mature between one and ten years.

The Commission's exposure to cash flow interest risk is minimal.

The Commission's exposure to credit risk is minimal. The major portion of monies owing relates to the operation of SA Lotteries' brands and products by the Master Agent. It is not anticipated that parties will fail to discharge their obligations. The Commission has policies and procedures in place to ensure that transactions occur with parties with appropriate credit history.

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

27. Superannuation

	2013	2012
	\$'000	\$'000
(a) Expense (Income) Recognised in the Statement of Comprehensive Income		
Amounts recognised as expense (income) in respect of the defined benefit superannuation plan are as follows:		
Current service cost	333	292
Interest cost	209	299
Expected return on plan assets	(367)	(400)
Actuarial loss (gain)	(698)	1 499
Effect of curtailments/settlements	(105)	-
Superannuation expense (income)	(628)	1 690
The expense (income) is recognised in the following item in the Statement of Comprehensive Income:		
• Employee benefits expenses (note 27(e))	(628)	1 690
(b) Reconciliation of the Present Value of the Defined Benefit Obligation		
Present value of defined benefit obligation at beginning of financial year	7 981	6 641
Current service cost	333	292
Interest cost	209	299
Contributions by plan participants	162	184
Actuarial losses (gains)	(167)	1 087
Benefits paid	(302)	(388)
Taxes, premiums and expenses paid	(122)	(134)
Transfers in	335	-
Curtailments	(105)	-
Present value of defined benefit obligation at end of financial year	8 324	7 981
(c) Reconciliation of the Fair value of Defined Benefit Plan Assets		
Fair value of plan assets at beginning of financial year	6 379	6 220
Expected return on plan assets	367	400
Actuarial gains (losses)	531	(412)
Employer contributions	320	509
Contributions by plan participants	162	184
Benefits paid	(302)	(388)
Taxes, premiums and expenses paid	(122)	(134)
Transfers in	335	-
Fair value of plan assets at end of financial year	7 670	6 379

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

- any of the Commission's own financial instruments; or
- any property occupied by, or other assets used by, the Commission.

	2013	2012
	\$'000	\$'000
(d) Reconciliation of the Asset (Liability) Recognised in the Statement of Financial Position		
Defined benefit obligation	8 324	7 981
Fair value of plan assets	7 670	6 379
Surplus (Deficit)	(654)	(1 602)
Net superannuation asset (liability)	(654)	(1 602)

The amount included in the Statement of Financial Position arising from the Commission's net superannuation asset/liability in respect of its defined benefit plan is shown in Note 19: Employee Benefits (Non-current) - Defined benefit superannuation plan liability

654	1 602
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(e) Movement in Asset (Liability) Recognised in the Statement of Financial Position		
Net superannuation asset (liability) at beginning of financial year	(1 602)	(421)
Income (expense) recognised in Statement of Comprehensive Income	628	(1 690)
Employer contributions	320	509
Net movement	948	(1 181)
Net superannuation asset (liability) at end of financial year	(654)	(1 602)

(f) Plan Assets

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

	Percentage Invested *		Plan Assets	
	2013	2012	2013	2012
			\$'000	\$'000
Australian equity	24%	26%	1 841	1 659
International equity	34%	29%	2 608	1 818
Fixed interest and bonds	19%	17%	1 457	1 084
Property	5%	7%	384	447
Alternative assets **	14%	14%	1 074	893
Cash	4%	7%	306	478
Total Plan Assets	100%	100%	7 670	6 379

* The asset allocation at 31 May 2013 has been used as an approximation of the allocation as at the reporting date.

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

(g) Expected Rate of Return on Plan Assets

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

	Expected Rate of Return	
	2013	2012
The expected rate of return for each asset class at the end of the financial year is as follows:		
Australian equity	7.4%	7.5%
International equity	6.9%	6.7%
Fixed interest and bonds	4.3%	4.7%
Property	6.7%	6.1%
Alternative assets	5.7%	5.7%
Cash	4.0%	3.8%
Weighted average expected return	6.30%	6.75%

(h) Actual Return on Plan Assets

	2013	2012
	\$'000	\$'000
Actual return on plan assets	898	(12)

(i) Principal Actuarial Assumptions

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

	2013	2012
Discount rate (active members)	2.60% pa	2.60% pa
Expected rate of return on plan assets (active members)	6.30% pa	6.30% pa
Expected salary increase rate	3.50% pa	3.50% commencing 2012-13
	2013	2012
	\$'000	\$'000

(j) Contributions

Contributions paid/payable by the Commission to superannuation plans:

Defined benefit members	280	485
Defined contribution (accumulation) members	406	427
Private funds	3	4
Total contributions	689	916

(k) Expected Employer Contributions

The estimated employer contributions expected to be paid to the plan during the year beginning after the reporting date:

242	266
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The estimated employer contributions are based on a contribution rate of 14.4% of defined benefit members' salaries (see note 27(m)(ii)).

	2013	2012	2011	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000
(l) Historical Information					
Present value of defined benefit obligation	8 324	7 981	6 641	6 588	5 717
Fair value of plan assets	7 670	6 379	6 220	6 160	5 391
Surplus (deficit) in plan	(654)	(1 602)	(421)	(428)	(326)
Experience adjustments - gain/(loss):					
• plan assets	531	(412)	58	75	(1 220)
• plan liabilities	34	(33)	(188)	(86)	379

(m) Funding Arrangements for Employer Contributions**(i) Surplus/Deficit**

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

as at 30 June 2012

\$'000

Defined benefit members:

Accrued benefits	5 735
Net market value of plan assets	5 601
Net surplus (deficit)	(134)

Accumulation members and additional accumulation accounts for defined benefit members:

Assets and benefits	3 826
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(The Plan is subject to a triennial review and is externally managed. The last full actuarial investigation was conducted as at 30 June 2012 by Stuart Mules, FIAA, of Mercer (Australia) Pty Limited. The report was dated 11 April 2013.)

(ii) Current Contribution Rates

As at 30 June 2013, the current contribution rates, in accordance with actuarial advice and Commission endorsement, are:

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

(iii) Future Contribution Rates

As at 30 June 2013, contribution rates from 1 July 2013, in accordance with actuarial advice and Commission endorsement are:

- 17.0% of defined benefit members' salaries
- at the Superannuation Guarantee rate of 9.25% of accumulation members' salaries.

(iv) *Funding Method*

The method used to determine the employer contribution recommendations at the last actuarial review was the "target" funding method.

Under the "target" funding method, the employer contribution rate is determined with the aim of maintaining the value of the Plan's assets at least equal to:

- 105% of Vested Benefits for defined benefit members over the period to the next investigation, plus
- 100% of accumulation account balances.

(v) *Economic Assumptions*

The long-term economic assumptions adopted for the last triennial actuarial review of the Plan as at 30 June 2012 were:

	<i>Weighted-Average Assumptions</i>
• Investment returns (after tax, asset-based administration fees and investment fees)	6.00% per year
• Expected salary increase rate	4.0% per year

(n) **Nature of Asset/Liability**

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

28. Transactions with SA Government

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

Note	SA Government		Non-SA Government		Total		
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	
INCOME							
5.	Sales Revenue	-	-	462 145	423 632	462 145	423 632
6.	Cost of Sales						
	Prizes	-	-	(278 721)	(257 120)	(278 721)	(257 120)
	Gambling tax on NGR	(75 202)	(68 270)	-	-	(75 202)	(68 270)
	Agents' commissions	-	-	(34 233)	(31 538)	(34 233)	(31 538)
	GST on NGR paid to the ATO	-	-	(16 690)	(15 138)	(16 690)	(15 138)
	Total cost of sales	(75 202)	(68 270)	(329 644)	(303 796)	(404 846)	(372 066)
7.	Interest Revenue	817	2 022	207	438	1 024	2 460
	Revenues from SA Government	7 526	-	-	-	7 526	-
8.	Other Revenues	362	20	9 398	5 090	9 760	5 110
	TOTAL INCOME (excluding Net Gain from Disposal of Non-Current Assets)	(66 497)	(66 228)	142 106	125 364	75 609	59 136
EXPENSES							
9.	Employee Benefits Expenses	467	428	7 662	9 124	8 129	9 552
10.	Supplies and Services						
	Marketing and promotions	-	-	4 037	6 837	4 037	6 837
	Computer operations	26	48	3 318	2 995	3 344	3 043
	Tickets, coupons, terminal rolls and ribbons	-	-	1 748	1 883	1 748	1 883
	Operating leases	105	28	777	634	882	662
	Other occupancy costs	9	22	573	562	582	584
	Distribution and freight to Agents	-	-	128	261	128	261
	Motor vehicle fleet costs	166	214	-	2	166	216
	Internal audit fees	-	-	97	166	97	166
	External audit fees	160	150	-	-	160	150
	Training costs	-	-	148	109	148	109
	Insurance	38	57	1	-	39	57
	Temporary staff and contractors	-	-	59	67	59	67
	Gambling tax - other	17	51	(22)	(28)	(5)	23
	Consultancies	-	-	18	5	18	5
	Bad Debts	-	1	5	(1)	5	-
	Other	2	14	924	1 350	926	1 364
	Total Supplies and Services	523	585	11 811	14 842	12 334	15 427

Note	SA Government		Non-SA Government		Total	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
11. Master Agent Fee	-	-	30 826	-	30 826	-
TOTAL EXPENSES (excluding Depreciation and Amortisation and Net Loss from Disposal of Non-Current Assets)	990	1 013	50 299	23 966	51 289	24 979
16. Receivables						
Current						
Agent debtors	-	-	2 133	3 756	2 133	3 756
Prize settlements receivable from Blocs	-	-	1 108	17 433	1 108	17 433
Sundry receivables	110	168	2 326	278	2 436	446
Prepayments	-	-	8	214	8	214
Total current receivables	110	168	5 575	21 681	5 685	21 849
Non-current						
Prepayments	-	-	-	136	-	136
Total non-current receivables	-	-	-	136	-	136
Total receivables	110	168	5 575	21 817	5 685	21 985
18. Payables						
Current						
Creditors and accrued expenses	247	263	574	1 475	821	1 738
Prizes payable	-	-	15 793	31 277	15 793	31 277
GST payable	-	-	653	1 010	653	1 010
Undistributed funds	6 649	7 461	-	-	6 649	7 461
Employment on-costs	110	45	116	61	226	106
Total current payables	7 006	7 769	17 136	33 823	24 142	41 592
Non-current						
Prizes payable	-	-	1 350	1 575	1 350	1 575
Employment on-costs	5	73	5	63	10	136
Total non-current payables	5	73	1 355	1 638	1 360	1 711
Total payables	7 011	7 842	18 491	35 461	25 502	43 303

29. Additional Disclosure - Sales, Cost of Sales, Receivables and Payables

Disclosure of the Commission and Master Agent Sales, Cost of Sales, Receivables and Payables.

Note	2013	2013	2013
	\$'000	\$'000	\$'000
	Commission	Master Agent	Total
5. Sales Revenue	215 042	247 103	462 145
6. Cost of Sales			
Prizes	(130 021)	(148 700)	(278 721)
Gambling tax on NGR	(34 857)	(40 345)	(75 202)
Agents' commissions	(15 946)	(18 287)	(34 233)
GST on NGR paid to the ATO	(7 745)	(8 945)	(16 690)
Total cost of sales	(188 569)	(216 277)	(404 846)
16. Receivables			
Current			
Agent debtors	-	2 133	2 133
Prize settlements receivable from Blocs	-	1 108	1 108
Sundry receivables	2 436	-	2 436
Prepayments	8	-	8
Total current receivables	2 444	3 241	5 685
Non-current			
Prepayments	-	-	-
Total non-current receivables	-	-	-
Total receivables	2 444	3 241	5 685
18. Payables			
Current			
Creditors and accrued expenses	821	-	821
Prizes payable	-	15 793	15 793
GST payable	653	-	653
Undistributed funds	291	6 358	6 649
Employment on-costs	226	-	226
Total current payables	1 991	22 151	24 142
Non-current			
Prizes payable	-	1 350	1 350
Employment on-costs	10	-	10
Total non-current payables	10	1 350	1 360
Total payables	2 001	23 501	25 502

Certification of the Financial Statements

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

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987* and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the Lotteries Commission of South Australia; and
- present a true and fair view of the financial position of the Lotteries Commission of South Australia as at 30 June 2013 and the results of its operations and cash flows for the financial year.

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

Signed in accordance with a resolution of the Commission.

Wayne R Jackson
Presiding Member

June Roache
Chief Executive

Colin Yeeles
Finance Manager

5 September 2013

INDEPENDENT AUDITOR'S REPORT

Government of South Australia
Auditor-General's Department

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

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 18A(2) of the *State Lotteries Act 1966*, I have audited the accompanying financial report of the Lotteries Commission of South Australia for the financial year ended 30 June 2013. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2013
- a Statement of Financial Position as at 30 June 2013
- a Statement of Changes in Equity for the year ended 30 June 2013
- a Statement of Cash Flows for the year ended 30 June 2013
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Presiding Member, the Chief Executive and the Finance Manager.

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

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial report gives a true and fair view of the financial position of the Lotteries Commission of South Australia as at 30 June 2013, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

S O'Neill
AUDITOR-GENERAL
23 September 2013

GLOSSARY

Agency: Distribution outlet selling SA Lotteries' games.

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

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

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

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

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

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

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

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

Jackpot: Occurs when there are no Division One winning entries recorded for a draw, resulting in the Division One prize pool being included in the Division One prize offering for the next draw.

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

Lucky SA Lottery: A traditional raffle-style lottery with tickets generated via SA Lotteries' online terminal.

Master Agent: An entity appointed by SA Lotteries, in accordance with the *State Lotteries Act 1966* (as amended), to promote and conduct lotteries in South Australia and appoint agents on behalf of SA Lotteries.

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

Monday and Wednesday X Lotto: A game of chance in which six numbered balls and two supplementary balls are randomly drawn from a barrel of 45 every Monday and Wednesday.

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

Online Lotteries System: The central computer system operating SA Lotteries' games, which is connected to a state-wide network of approximately 700 Point of Sale terminals.

Oz Lotto: A game of chance in which seven numbered balls and two supplementary balls are randomly drawn from a barrel of 45 balls every Tuesday.

Powerball: Prior to 1 March 2013, Powerball was a game of chance in which five numbered balls were randomly drawn from one barrel of 45 balls, and one numbered ball (the Powerball) was drawn from a second barrel of 45 balls. Powerball changed from 1 March 2013 to a game of chance in which six numbered balls are randomly drawn from one barrel of 40 balls, and one numbered ball (the Powerball) is drawn from a second barrel of 20 balls.

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

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

SA TAB: South Australian Totalisator Agency Board.

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

Shareholder: The Government of South Australia, on behalf of the community of South Australia.

Spot 10: A Keno play option whereby a player selects ten numbers from a possible 80 numbers. Each draw, Keno offers a guaranteed Spot 10 prize of \$1 million, which jackpots if not won.

State Lotteries Codes of Practice: Mandatory codes for responsible gambling and advertising approved by the Independent Gambling Authority.

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

The Pools: A game of chance in which the winning numbers are based on the results of soccer matches played in either the Northern Hemisphere or Southern Hemisphere.

TVSP: Targeted Voluntary Separation Package.

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