

LOTTERIES COMMISSION OF SOUTH AUSTRALIA

ANNUAL REPORT 2014-15



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September 2015

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South Australia 2015

CORPORATE STRATEGIC INTENT

Our Mission

To regulate the promotion and conduct of lotteries in South Australia.

Our Values

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

Our Goals

1. To ensure the operation of lotteries in South Australia complies with all regulatory and legal arrangements.
2. To be a corporately responsible and respected organisation.
3. To ensure returns to the Government on behalf of the community of South Australia.

2014-15 HIGHLIGHTS

SA Lotteries' games generated \$441.7 million in revenue in 2014-15, and contributed to the South Australian community via the distribution of:

- **\$268.21 million** in prize money to players of SA Lotteries' games;
- **\$73.71 million** to the Hospitals Fund for the provision, maintenance, development and improvement of public hospitals;
- **\$33.13 million** in commission earnings to retail agents; and
- **\$0.11 million** to the Recreation and Sport Fund for the support and development of recreational and sporting facilities and services.

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COMMISSIONER REPORT

The Honourable Tom Koutsantonis MP
Minister for Finance
Parliament House
ADELAIDE SA 5000

The Lotteries Commission of South Australia is responsible for the promotion and conduct of lotteries in South Australia in accordance with the provisions of the *State Lotteries Act 1966* (the Act).

Pursuant to section 18B of the Act, the Commission is pleased to present the Annual Report of the Lotteries Commission of South Australia (the Commission) for the year ended 30 June 2015.

In December 2012 Tatts Lotteries SA Pty Ltd (Tatts) was appointed as the exclusive Master Agent to operate SA Lotteries' products and brands for a term of 40 years. The Commission has retained full accountability under the Act for lotteries in South Australia and is required to account for all transactions through the Lotteries Fund including distributions to the Hospitals Fund and Recreation and Sport Fund, utilisation of the prize reserves/funds, the making of ex gratia payments from the Unclaimed Prizes Reserve, together with the consideration of applications for new or enhanced Rules for lottery games.

Following the conclusion of the transition period in June 2014, the Commission's focus became its regulatory functions including compliance monitoring and enforcement, the assessment and approval of new lottery products/enhancements, and consumer protection to ensure that Tatts, as the Master Agent, complies with its obligations under the transaction documents and enables the Commission to fulfil its obligations under the Act.

As the majority of the Commission's games are subject to a national prize pooling arrangement (Bloc), the Commission remains a signatory to the national Bloc agreements. Tatts is the Commission's representative at the Bloc meetings overseeing the Saturday X Lotto and Super 66, Monday and Wednesday X Lotto, Oz Lotto, Powerball and The Pools games. Additionally, Tatts sells the games of Keno and Instant Scratch-Its tickets on behalf of the Commission. As an agent of the Commission, Tatts receives a Master Agency fee.

In December 2014 Ministerial approval was received to introduce new rules under the Act for the proposed Bloc game called 'Set for Life'. The game subsequently commenced in August 2015.

In 2014-15 SA Lotteries' games sales reached \$441.7 million with \$268.2 million being paid in prizes to South Australian players.

As at 30 June 2015, the retail agency network comprised 616 agents selling SA Lotteries' games. Retail agents received a commission on sales, totalling \$33.1 million.

The return to the State Government includes Gambling tax (41% of net gambling revenue) and 50% of prizes forfeited. Gambling tax of \$71.1 million and unclaimed prizes of \$2.7 million were available for return to government.

The Master Agent fee (net of agent's commission) paid to Tatts was \$53.4 million.

Tatts holds and operates the Lotteries Fund for and on behalf of the Commission, however the control of the Fund is retained by the Commission. As at 30 June 2015, the Fund held \$49.7 million and included game related liabilities of \$33.3 million and the Unclaimed Prizes Reserve of \$11.8 million.

A further outcome of the completion of the transition of SA Lotteries' operations to Tatts was that members of the Commission were of the view that the requirement for a multi-member Commission to oversee the regulation and operation of lotteries in South Australia was reduced. Therefore, in line with the Government's initiative for the reformation of Government Boards and Committees, the Commission submitted itself for inclusion in the reform process.

In due course, the Government listed the Lotteries Commission of South Australia for abolition in its Interim and Final Reports: Boards and Committees in late 2014.

In early June 2015 the Statutes Amendment (Boards and Committees – Abolition and Reform) Act was passed by both Houses of Parliament and the omnibus legislation which affected a number of Boards and Committees was assented to by the Governor, gazetted and proclaimed with effect from 1 July 2015. From this date, the Commission will be constituted of a Commissioner appointed by the Governor. The Commission will continue to be subject to the direction and control of the Minister.

The amendments will assist responsiveness to Tatts' requirements as Master Agent and, in particular, provide a more timely, streamlined and efficient decision making process to enhance productivity and performance whilst retaining appropriate governance and accountability under the Act.

The Minister will retain all current powers such as:

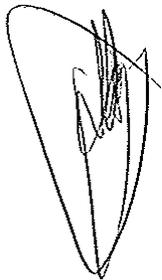
- declaring bodies that are 'Australian lotteries' and 'foreign lotteries';
- approving lotteries to be conducted jointly with a foreign lotteries body;
- directing the conduct of special lotteries;
- directing the conduct of special appeal lotteries and determining the beneficiary(s);
- approving payment of amounts for capital, administrative and operating expenses;
- approving game Rules; and
- directing and controlling the Commissioner and assigning additional functions.

As a result of the amendments to the Act, the terms of the Presiding Member Wayne Jackson and Commission Members Andrew Cadd and Linda Hart ended on 30 June 2015. I would like to thank each of the Members for their valuable contribution to the operation of the Commission.

It is also appropriate to acknowledge the long term contribution of June Roache to the Commission in both her capacity as Chief Executive for 20 years and as a Commission Member since April 2013. June vacated both roles on 31 December 2014. On behalf of staff, both past and present, I thank her for her leadership and guidance throughout that period.

A review of the Commission's structure and operations under the appointment of a Commissioner will take place at the beginning of the 2015-16 financial year.

I acknowledge the continued outstanding contribution and efforts of employees in 2014-15 during a time of continued change for the organisation and look forward to their ongoing input to the organisation under the revised operating structure.

A handwritten signature in black ink, appearing to read 'D Hardy', enclosed within a hand-drawn, irregular oval shape.

David Hardy
Commissioner

26 September 2015

FIVE YEAR FINANCIAL SUMMARY

YEAR ENDED 30 JUNE	2015	2014	2013	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000
GROSS SALES					
Saturday X Lotto	147,855	142,132	144,643	153,216	137,897
Monday and Wednesday X Lotto	33,776	35,812	36,483	37,422	34,684
Oz Lotto	45,012	52,534	67,383	46,695	36,871
Powerball	72,005	57,496	68,027	44,347	42,740
Keno	109,183	103,336	104,922	99,407	95,866
Instant Scratch-Its tickets	32,382	35,667	38,506	40,737	39,113
Super 66	938	1,288	1,489	1,114	1,138
The Pools	507	595	692	694	631
TOTAL GROSS SALES	441,658	428,860	462,145	423,632	388,940
COST OF SALES					
Agents' commission	33,132	31,919	34,233	31,538	29,010
% of gross sales	7.5%	7.4%	7.4%	7.4%	7.5%
Prizes	268,206	257,226	278,721	257,120	235,412
% of gross sales	60.7%	60.0%	60.3%	60.7%	60.5%
Gambling tax on NGR	71,115	70,372	75,202	68,270	62,946
% of gross sales	16.1%	16.4%	16.3%	16.1%	16.2%
GST on NGR	15,768	15,604	16,690	15,138	13,957
% of gross sales	3.6%	3.6%	3.6%	3.6%	3.6%
TOTAL COST OF SALES	388,221	375,121	404,846	372,066	341,325
GROSS MARGIN	53,437	53,739	57,299	51,566	47,615
Other revenue	3,347	11,785	18,342	7,570	7,141
TOTAL INCOME	56,784	65,524	75,641	59,136	54,756
Operating expenses					
Master Agent fee ⁽¹⁾	53,437	53,739	30,826	-	-
Other Expenses	2,323	17,063	25,119	27,369	25,294
	55,760	70,802	55,945	27,369	25,294
% of gross sales	12.6%	16.5%	12.1%	6.5%	6.5%
PROFIT BEFORE INCOME TAX EQUIVALENT	1024	(5,278)	19,696	31,767	29,462
% of gross sales	0.2%	-1.2%	4.3%	7.5%	7.6%
OTHER COMPREHENSIVE INCOME					
Remeasurement of Defined Benefit Plan	-	532	-	-	-
TOTAL COMPREHENSIVE RESULT	1,024	(4,746)	19,696	31,767	29,462
RETURN TO GOVERNMENT					
Gambling tax	71,115	70,372	75,197	68,294	63,018
Income tax equivalent ⁽²⁾	-	-	5,568	9,530	8,839
Dividend ⁽²⁾	-	-	15,918	23,265	20,298
Special Dividend ⁽²⁾	-	-	14,954	-	-
Unclaimed prizes	2,705	2,256	2,550	1,829	2,041
	73,820	72,628	114,187	102,918	94,196
% of gross sales	16.7%	16.9%	24.7%	24.3%	24.2%
GST on NGR	15,768	15,604	16,690	15,138	13,957
TOTAL RETURN TO GOVERNMENT	89,588	88,232	130,877	118,056	108,153
% of gross sales	20.3%	20.6%	28.3%	27.9%	27.8%

⁽¹⁾ Master Agent Fee paid effective from 11 December 2012 and is net of Agent's commissions (refer Note 7 to the Annual Financial Statements).

⁽²⁾ Income Tax Equivalent, Dividends and Special Dividends have not been payable since Tatts was appointed the Master Agent in December 2012.

CORPORATE GOVERNANCE

The Lotteries Commission of South Australia (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.

The Shareholder

SA Lotteries' shareholder is the Government of South Australia (the Government). The Honourable Tom Koutsantonis MP was the Minister responsible for SA Lotteries for the period 1 July 2014 to 30 June 2015 as part of the Finance portfolio.

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. No Ministerial directions were issued during 2014-15.

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 2015 comprised:

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

Name: Andrew J Cadd, BAcc, AdvDipBA, MBA(Adv)
Position: Member
Expertise: Finance

Name: Linda C Hart, BEc (Hons), GradDipAppFin(SecInst), GAICD

Position: Member

Expertise: Economics

Commission member appointment terms during 2014-15 and meetings attended are recorded below.

	Position	Appointment date	Commission meetings attended
Wayne R Jackson	Presiding Member	10 July 2014 to 31 December 2014 15 January 2015 to 30 June 2015	9 (9)*
June R Roache	Member	10 July 2014 to 31 December 2014	4 (4)*
Andrew J Cadd	Member	10 July 2014 to 31 December 2014 15 January 2015 to 30 June 2015	9 (9)*
Linda C Hart	Member	15 January 2015 to 30 June 2015	5 (5)*
* number of meetings held during appointed term			

Remuneration for the Presiding Member was \$37 148 per annum. All other Members were South Australian government employees and did not receive remuneration. Further detail of members' remuneration payments is set out in Note 5 to the Annual Financial Statements.

All Commission members' terms expired on 30 June 2015. As a result of the passing of the *Statutes Amendment (Boards and Committees – Abolition and Reform) Act 2015*, no further Commission members will be appointed.

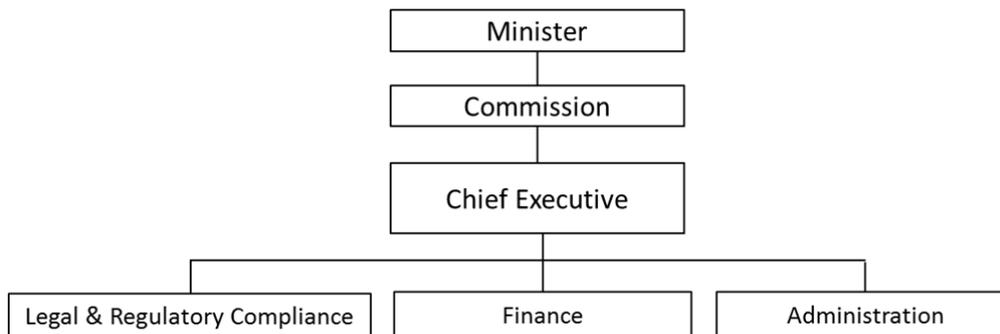
Master Agent arrangement

SA Lotteries' exclusive Master Agent continued to operate SA Lotteries' products and brands throughout 2014-15 in accordance with the terms of its 40 year licence, expiring on 10 December 2052.

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.

Organisation structure as at 30 June 2015



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, currently comprising 26 policies. Policies are reviewed on at least an annual basis and approved by the Commission. As a result of the new business model, all corporate policies, procedures and guidelines have been reviewed.

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 three areas:

- Operational controls
Financial controls and procedures are in place. A Commission Questionnaire details compliance with these controls and procedures to ensure sound principles of corporate governance and accountability.
- 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. SA Lotteries' Ethics and Culture Guideline defines core ethical standards in order to build integrity and trust and ensure the successful operation of SA Lotteries.

Risk management

Risk assessments are undertaken by SA Lotteries on an ongoing basis to include any new identified corporate risks. Risks in relation to SA Lotteries' relationship with the Master Agent were assessed during the year. A risk management workshop was conducted by SA Lotteries' internal auditors, BDO Advisory (SA) Pty Ltd in October 2014 to consider the business risks and a proposed recalibration of the risk matrix to reflect best practice.

Protective security and information security

SA Lotteries has a comprehensive Protective Security Policy which seeks to identify all aspects of security which 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.

SA Lotteries conducts its business in accordance with the principles in the Information Security Standard AS/NZS ISO/IEC 27001.

Intellectual assets management

SA Lotteries maintains a register of all trademarks and domain names registered by, or in which SA Lotteries has an interest. This register includes intellectual assets under Trade Mark Management Agreements and Trade Mark Licence Agreements which SA Lotteries has entered into with interstate lottery operators.

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.

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. No 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)* (the Act). SA Lotteries' Human Resources Coordinator was the designated officer to receive all disclosures of public interest information for the purposes of the Act pursuant to section 7 of the *Public Sector Act 2009*. No disclosures were made to the designated officer in 2014-15.

Public complaints

During 2014-15, SA Lotteries did not receive any complaints from the public in relation to the activities which it undertakes on a continuing basis.

For complaints received by Tatts, please refer to 'Compliance with Master agent arrangement obligations' on page 13.

REGULATORY AND COMPLIANCE

Regulation of lotteries in South Australia

In the Gambling Codes of Practice prescribed by the Independent Gambling Authority (IGA), the onus of compliance is placed on the gambling provider, which is the Commission. As the Commission provides lotteries via Tatts as Master Agent, the Commission is required to ensure that the actions of Tatts conform with the Gambling Codes of Practice.

Tatts is obliged to notify the Commission of any notice or correspondence that may be exchanged between it and the IGA, and the Commission provides notification to Tatts of any such exchanges it may have with the IGA.

All lottery games conducted by Tatts are regulated by both a specified set of Game Rules and Rules of general application. The Commission's approval must be sought by Tatts to introduce a new Game or Game Amendment. Each submission must include a description of the new Game or Game Amendment and its impact on the Gambling Codes of Practice, evidence of compliance with the *State Lotteries Act 1966* and other relevant laws and a financial analysis of the expected impact on amounts payable to the Lotteries Fund.

In 2014-15 the Commission assessed and approved the Lotteries (Set for Life) Rules, in readiness for the game's commencement in 2015-16.

The use of funds in the Unclaimed Prizes Reserve and the Prize Reserve Fund by Tatts is subject to the prior approval of the Commission before any draw down of funds is made. Following the completion of the relevant activity/promotion supporting the approved usage of funds, Tatts reports on the actual amount drawn down.

Compliance with Master Agent arrangement obligations

To enable the Commission to review Tatts' compliance with the existing contractual arrangements, the Commission has received:

- reports outlining the status of Tatts' compliance with the provisions of the contractual arrangements at each of its meetings;
- an Annual Compliance Plan from Tatts for the financial year ending 30 June 2015; and
- an Annual Compliance Report from Tatts for the financial year ending 30 June 2015.

To ensure that issues relating to the Master Agent arising under the contractual arrangements are reported to the Commission and actioned, the Commission has received:

- reports notifying it of Master Agent issues at each of its meetings; and
- reports of the action taken by management to deal with Master Agent issues as they arise.

An annual summary of player complaints is required to be provided by Tatts to the Commission summarising:

- all player complaints received;
- Tatts' response to the complaints and the timeframe in which it was actioned; and
- any appeals by the player.

A report was received covering the period 1 July 2014 to 30 June 2015.

The Commission is required to carry out testing and investigation into the financial and operational capability of Tatts and establish whether all personnel with a relevant financial interest, or in a position to exercise any directorial, management or executive decision in Tatts, are suitable persons. In 2014-15 the Commission undertook suitability testing on two Tatts' close associates. The Commission approved both close associates.

Effective communication and processes between the Master Agent and the Commission

With its appointment as exclusive Master Agent, Tatts undertakes, to the exclusion of the Commission as principal, to:

- sell entries into all lottery games operated by the Commission and pay the prizes associated with those entries;
- appoint retail agents to sell entries on behalf of Tatts; and
- authorise the premises at which retail agents sell entries;

in a manner that is consistent with the contractual arrangements and which enables the Commission to comply with its obligations as Principal under the *State Lotteries Act 1966* and all other applicable laws.

The Commission retains the obligation to establish and report on the Lotteries Fund which holds all money received by Tatts on account of selling entries into lottery games in South Australia. As a result, Tatts provides monthly trading summaries and reconciliations. The requisite information was provided throughout the financial year.

The Commission remains the owner, licensee and authorised user of certain identified Intellectual Property. Tatts has a sole and exclusive royalty-free licence to use, reproduce, modify, adapt, exploit and commercialise this Intellectual Property. Tatts is required to seek the Commission's approval to abandon the use of any such Intellectual Property. In 2014-15 no applications for abandonment were received by the Commission.

PEOPLE

SA Lotteries' employees demonstrated the highest professional standards and commitment to the achievement of corporate goals in 2014-15.

SA Lotteries' Enterprise Agreement expired on 30 September 2014 and following the end of the transition period in June 2014 resulting in a reduced staff complement, the Commission made the decision to participate in negotiations for the new South Australian Public Sector Wages Parity Agreement. This Agreement came into operation on 4 December 2014 and ensures the protection of wages and conditions for employees.

Further human resources information for SA Lotteries is available from the Commissioner for Public Sector Employment (www.publicsector.sa.gov.au).

Employee overview as at 30 June 2015

Employee overview	
Persons	10
Full-Time Equivalent employee numbers	9.2
Persons separated from SA Lotteries during the 2014-15 financial year	3
Persons recruited to SA Lotteries during the 2014-15 financial year	-
Persons on leave without pay	-
Male employees	2
Female employees	8

Workforce Diversity: Age and Gender Profile

Employees by age bracket and gender					
Age bracket	Male	Female	Total	Percentage of total	Workforce benchmark*
15-19	-	-	-	-	5.5%
20-24	-	-	-	-	9.7%
25-29	-	-	-	-	11.2%
30-34	-	3	3	30%	10.7%
35-39	-	2	2	20%	9.6%
40-44	-	2	2	20%	11.4%
45-49	-	1	1	10%	11.1%
50-54	1	-	1	10%	11.4%
55-59	-	-	-	-	9.1%
60-64	1	-	1	10%	6.7%
65+	-	-	-	-	3.6%
Total	2	8	10	100%	100%

*Source: Australian Bureau of Statistics Australian Demographic Statistics, 6291.0.55.001 Labour Force Status (ST LM8) by sex, age, state, marital status – employed – total from Feb78 Supertable, South Australia at November 2013.

Workforce Diversity: Disability

Total number of employees with disabilities (according to Commonwealth DDA definition)			
Male	Female	Total	% of Agency
-	-	-	-

Equal opportunity

SA Lotteries is an equal opportunity employer, ensuring that all persons in or 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 people with a disability in their interactions with SA Lotteries and recommends strategies for eliminating those barriers. In 2015-16, SA Lotteries will be working with the Department for Communities and Social Inclusion, through Disability SA, to develop a Disability Access and Inclusion Plan (DAIP). This will aim to improve the participation and outcomes for people with disability across a range of policy, program and service areas. Development of a DAIP aligns with current SA Government directions, the National Disability Strategy and the United Nations Convention on the Rights of Persons with Disability. In the interim, SA Lotteries' existing Plan will remain in place.

As at 30 June 2015 there were no employees with disabilities requiring workplace adaptation.

Executives

Executives by gender, classification and status										
Classification	Term Tenured		Term Untenured		Total					
	Male	Female	Male	Female	Male	%	Female	%	Total	Total %
Level A	-	-	1	-	1	100%	-	-	1	100%
Total	-	-	1	-	1	100%	-	-	1	100%

Leave Management

Average leave days per full-time equivalent employee				
Leave	2011-12	2012-13	2013-14	2014-15
Sick leave*	7.2	6.7	9.3	5.0
Family carer's leave	1.6	1.5	2.1	1.5
Special leave with pay	0.5	0.4	0.3	0.8

*Figures do not include unpaid leave

Leadership Training and Management Development

Total training and development costs amounted to 1.64 per cent of total remuneration expenditure and resulted in 236.25 hours of training being undertaken by employees during the year.

SA Lotteries also offered 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**	\$23 934	1.64%
Total leadership and management development expenditure**	\$3 122	0.21%
*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.		

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 work health and safety activities took place:

- a work health and safety inspection of premises;
- ergonomic assessments of employee workstations as required;
- First Aid and Warden training for relevant employees;
- employee participation in the Bocce challenge, a *Life Be In It* activity promoting wellbeing and team building;
- work health and safety as an agenda item at monthly staff and management meetings and discussed at Commission meetings; and
- a review of all work health and safety policies, guidelines and procedures.

In 2014-15 SA Lotteries recorded no workers' compensation claims.

International associations

In 2014-15, SA Lotteries maintained its membership of the World Lottery Association and the Asia Pacific Lottery Association.

Work Health and Safety (WHS) management	2014-15	2013-14	2012-13
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	Nil	Nil	3
Number of employees rehabilitated and reassigned to alternative duties	Nil	Nil	1
Number of employees rehabilitated back to their original work	Nil	Nil	2
Number of open claims (as at 30 June 2013)	Nil	Nil	Nil
Percentage of workers' compensation expenditure over gross remuneration	Nil	0.003%	1.7%
Number of claims			
Number of new workers' compensation claims	Nil	Nil	3
Number of fatalities	Nil	Nil	Nil
Number of lost time injuries	Nil	Nil	2
Number of medical treatment only	Nil	Nil	1
Total number of whole working days lost	Nil	Nil	81.3
Cost of workers' compensation			
Cost of new claims for financial year	Nil	Nil	\$139 849
Cost of all claims excluding lump sum payments	Nil	\$251	\$141 162
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	\$17 967	\$45 203	\$77 191
Trends			
Injury frequency rate for new lost-time injury/disease for each million hours worked	Nil	Nil	Nil
Most frequent cause (mechanism) of injury	Nil	Nil	Repetitive strain
Most expensive cause (mechanism) of injury	Nil	Nil	Psychological

CONSULTANTS

In 2014-15 there were two consultancies engaged, as detailed within the below table:

Consultants			
Consultant	Purpose of consultancy	Number of consultancies	Value in \$A
Value below \$10 000			
Aktis Performance Management	HR advice	1	\$825
Value \$10 000 - \$50 000			
Nil	Nil	0	Nil
Value above \$50 000			
Mercer Consulting	Lotteries Commission of South Australia Superannuation Plan strategy and advice	1	\$51 156

OVERSEAS TRAVEL

Overseas travel by SA Lotteries employees			
Destination	Reason for travel	Number of employees	Total cost*
Rome, Italy	World Lottery Summit 2014	1	3 592
<i>*Total cost includes airfares and, as applicable, accommodation, meals and registration fees. It does not include any salary or salary-related costs.</i>			

DISTRIBUTION NETWORK

SA Lotteries' games are available for purchase from 616 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 with SA Lotteries' Keno game also available at selected SA TAB agencies.

From 2013-14 to 2014-15 the distribution network increased by 19 agencies as follows:

Distribution network	2014-15		2013-14	
Business type	Number	Percentage of total	Number	Percentage of total
Newsagencies	194	31.5%	193	32.3%
Hotels and clubs	209	33.9%	215	36.0%
Petrol stations and convenience outlets	110	17.9%	83	13.9%
Supermarkets	41	6.6%	41	6.9%
Other	62	10.1%	65	10.9%
Total	616	100%	597	100%

For the 2014-15 year, system availability was 99.98% and the average number of transactions between terminal failures was 418,609.

GAME PERFORMANCE

Multi-jurisdictional (Bloc) games

SA Lotteries continued its participation in Bloc arrangements in 2014-15 with Tattersall's Sweeps Pty Ltd, Golden Casket Lottery 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.

The Master Agent acted as the appointed representative of SA Lotteries at Bloc meetings. SA Lotteries' games subject to Bloc arrangements are:

- Saturday X Lotto
- Monday and Wednesday X Lotto
- Oz Lotto
- Powerball
- The Pools
- Super 66.

Together with Keno and Instant Scratch-Its tickets, SA Lotteries' eight lottery games provide South Australian players with a choice of purchase price, play options and prize offers. In 2014-15 game sales were \$441.7 million, representing a 3.0 per cent increase from the previous year.

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. Saturday X Lotto offers players Australia-wide the chance to share in an estimated Division One prize pool of \$4 million, with regular Superdraws and Megadraws throughout the year offering \$20 million and over.

2014-15 Sales	Percentage of total sales	2013-14 comparison	Value of prizes won	Highlights
\$147.9 million	33.5%	Increase of \$5.7 million or 4.0%	\$99 million	<ul style="list-style-type: none"> • 37 SA Division 1 prize winners

- **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 Australia-wide.

2014-15 Sales	Percentage of total sales	2013-14 comparison	Value of prizes won	Highlights
\$33.8 million	7.6%	Decrease of \$2.0 million or 5.7%	\$19.1 million	<ul style="list-style-type: none"> • Eight SA Division 1 winners

- **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.

2014-15 Sales	Percentage of total sales	2013-14 comparison	Value of prizes won	Highlights
\$45.0 million	10.2%	Decrease of \$7.5 million or 14.3%	\$44.3 million	<ul style="list-style-type: none"> • Two SA \$15 million Division 1 winners

- **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.

2014-15 Sales	Percentage of total sales	2013-14 comparison	Value of prizes won	Highlights
\$72.0 million	16.3%	Increase of \$14.5 million or 25.2%	\$22.3 million	<ul style="list-style-type: none"> • \$70 million jackpot offered in August 2014

- **The Pools**

In the Australia-wide game The Pools, six winning numbers and one supplementary number are determined by the results of a pre-determined list of 38 soccer matches played in either the Northern or Southern hemisphere.

2014-15 Sales	Percentage of total sales	2013-14 comparison	Value of prizes won	Highlights
\$0.5 million	0.1%	Decrease of \$0.088 million or 14.8%	\$0.09 million	<ul style="list-style-type: none"> • Triple dividends offered in May 2015

- **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.

2014-15 Sales	Percentage of total sales	2013-14 comparison	Value of prizes won	Highlights
\$0.9 million	0.2%	Decrease of \$0.35 million or 27.1%	\$0.6 million	<ul style="list-style-type: none"> • January: a Division 1 prize pool of \$1 million offered which jackpotted for five consecutive draws

South Australia based games

- **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 a minimum of \$1 million, which jackpots if not won.

2014-15 Sales	Percentage of total sales	2013-14 comparison	Value of prizes won	Highlights
\$109.2 million	24.7%	Increase of \$5.8 million or 5.7%	\$74.4 million	<ul style="list-style-type: none"> • Two largest Spot 10 jackpots won for \$2.31 million and \$2.28 million

- **Instant Scratch-Its tickets**

Instant Scratch-Its ticket games are a series of themed tickets that provide the opportunity to win instant prizes.

2014-15 Sales	Percentage of total sales	2013-14 comparison	Value of prizes won	Highlights
\$32.4 million	7.3%	Decrease of \$3.3 million or 9.2%	\$18.5 million	<ul style="list-style-type: none"> • Instant Scratch-Its 'Scratch eClub' launched in late 2014

Tickets sold

During the year, 48.6 million tickets in SA Lotteries' games were sold.

Customer service

All customer and agent telephone enquiries are managed by the Tatts Lotteries Contact Centre based in Brisbane. More than 150 000 Easisplay Club members were active during the year.

CORPORATE SOCIAL RESPONSIBILITY

Responsible gambling

The Gambling Code of Practice Notice 2013 (the Gambling Codes) is a mandatory code that prescribes advertising and responsible gambling codes of practice to apply to all forms of lawful commercial gambling offered to South Australians, including lotteries.

SA Lotteries, as a defined gambling provider, is to ensure that its Master Agent and the retail agent network conform to the Gambling Codes as though the Master Agent is a gambling provider.

SA Lotteries continued to consult with the Independent Gambling Authority (IGA) and monitor the Master Agent's compliance with the Gambling Codes, to ensure a safe and responsible gambling environment for players.

- **Codes of practice**

Following the commencement of operation of the Gambling Codes on 1 March 2014, the Gambling Codes of Practice (In-Venue Messaging) variation was implemented, effective from 1 July 2014.

- **Compliance program**

An audit of all agencies was completed by the Master Agent during the year, against pre-determined checks of compliance with the Gambling Codes. Of the 690 audits conducted, 89.9 per cent of agents were compliant. In instances of non-compliance, agencies were assisted to ensure issues were adequately addressed to achieve compliance at subsequent re-audits.

During the year the Commission conducted three internal audits that, inter alia, considered the Master Agent's agency audit and compliance processes and provided an assurance on the effectiveness of compliance with relevant rules, codes and regulations. No significant issues were highlighted.

- **Responsible gambling training**

All SA Lotteries agents and their employees must complete responsible gambling training prior to operating a lottery terminal, and complete a refresher training module every two years. In 2014-15, 57 agents and 173 agency employees attended training.

- **Problem gambling reports**

All agents and their 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. Two problem gambling reports were received in 2014-15.

- **Barring arrangements**

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 2015, 18 SA Lotteries' agencies had arrangements in place to facilitate barring from the service of lottery products for six self-identified problem gamblers.

Environmental responsibility

SA Lotteries continued to embrace business practices to reduce the impact its operations have on the environment. SA Lotteries' office accommodation has a five star green energy rating.

Performance against annual energy efficiency targets		
Year	Energy Use (GJ)	Greenhouse Gas Emissions (KgCO ²)
2013-14	2 458	553 930
2014-15	57.87	17 330

SA Lotteries' energy use in 2014-15 represents a 98 per cent reduction from 2013-14 levels which can be attributed to a move in office accommodation to smaller premises.

FINANCIAL STATEMENTS

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STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2015

	Note	2015 \$'000	2014 \$'000
Expenses			
Employee benefits expenses	4	1 617	7 258
Supplies and services	6	676	4 040
Master Agent fee	7	53 437	53 739
Depreciation and amortisation expense	8	30	2 859
Net loss from the disposal of non-current assets	9	-	2 906
Total expenses		55 760	70 802
Income			
Sales revenue	11	441 658	428 860
Cost of sales	12	388 221	375 121
Gross margin		53 437	53 739
Other revenues	13	47	7 425
Total income		53 484	61 164
Net cost of providing services		2 276	9 638
Revenues from SA Government			
Revenues from SA Government	14	3 300	4 360
Net result		1 024	(5 278)
Other comprehensive income			
Items that will not be reclassified to net result			
Remeasurements of Defined Benefit Plan		-	532
Total other comprehensive income		-	532
Total comprehensive result		1 024	(4 746)

The net result 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 2015

	Note	2015 \$'000	2014 \$'000
Current assets			
Cash and cash equivalents	15	51 842	46 563
Receivables	16	5 391	4 053
Total current assets		57 233	50 616
Non-current assets			
Property, plant and equipment	17	152	182
Total non-current assets		152	182
Total assets		57 385	50 798
Current liabilities			
Payables	18	25 466	20 173
Employee benefits	19	319	625
Other current liabilities	20	17 132	17 709
Total current liabilities		42 917	38 507
Non-current liabilities			
Payables	18	901	1 134
Employee benefits	19	13	95
Other non-current liabilities	20	11 786	10 318
Total non-current liabilities		12 700	11 547
Total liabilities		55 617	50 054
Net assets		1 768	744
Equity			
Retained earnings		1 768	744
Total equity		1 768	744

The total equity is attributable to the SA Government as owner.

Unrecognised contractual commitments	21
Contingent assets and liabilities	22

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

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2015

	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2013	5 490	5 490
Net Result for 2013-14	(5 278)	(5 278)
Remeasurements of Defined Benefit Plan	532	532
Total comprehensive result for 2013-14	(4 746)	(4 746)
Balance at 30 June 2014	744	744
Net result for 2014-15	1 024	1 024
Total comprehensive result for 2014-15	1 024	1 024
Balance at 30 June 2015	1 768	1 768

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 2015

	Note	2015 \$'000	2014 \$'000
Cash flows from operating activities			
Cash outflows			
Prizes paid		(262 082)	(253 814)
Payments to suppliers and employees		(3 105)	(14 023)
Master Agent fee payments		(62 204)	(62 320)
GST paid to the Australian Taxation Office		(7 105)	(7 236)
Payments for paid parental leave		(12)	-
Distribution to the Hospitals Fund and Recreation and Sport Fund			
• Gambling tax	23	(71 894)	(70 627)
• Dividend		-	(112)
• Unclaimed prizes	23	(2 696)	(2 443)
Distribution to the Hospitals Fund for income tax equivalent	23	-	(48)
Cash used in operations		(409 098)	(410 623)
Cash inflows			
Receipts from customers		411 065	406 120
SA Government subsidy		3 300	4 680
Receipts for paid parental leave		12	-
Cash generated from operations		414 377	410 800
Net cash provided by (used in) operating activities	24	5 279	177
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		-	(190)
Net cash provided by (used in) investing activities		-	(190)
Net increase (decrease) in cash and cash equivalents		5 279	(13)
Cash and cash equivalents at the beginning of the financial year		46 563	46 576
Cash and cash equivalents at the end of the financial year	15	51 842	46 563

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), was established under the *State Lotteries Act 1966*, with the primary function of promoting and conducting lotteries in South Australia.

Tatts Lotteries SA Pty Ltd (Tatts) operates the Commission's brands and products, as the appointed Master Agent for a term expiring in December 2052. It is required to provide the Commission with all information relevant to its performance as Master Agent under the Transaction Documents and for the proper operation of the agency arrangement.

The Commission, in its capacity as principal, monitors Tatts' compliance with the Transaction Documents and retains the power to instruct Tatts to comply with its obligations under the Transaction Documents.

The terms and conditions of the appointment and on-going operation are governed by a number of Transaction Documents.

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 not-for-profit entities, as the Commission is a not-for-profit entity.

Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Commission for the reporting period ending 30 June 2015 (refer to Note 3).

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires 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 which 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 6). (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 12 month period and are presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2015 and the comparative information presented.

(c) Reporting entity

The reporting entity comprises all activities of the Commission. This includes all transactions processed through the Lotteries Fund which is established under section 16(1) of the *State Lotteries Act 1966*. 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 accounting policy statements have required a change.

Where presentation or classification of items in the financial statements have 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 profit method. This required that the corporate income tax rate be applied to net profit. Following the appointment of Tatts as Master Agent, no payments are required or have been made under the tax equivalent regime.

The Commission is not subject to income tax. The Commission is liable for payroll tax, fringe benefits tax and goods and services tax (GST).

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 Australian Taxation Office (ATO). The GST on NGR is treated as a cost of sales.

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

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

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

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

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

(g) Income

Income is recognised to the extent that it is probable that the flow of economic benefits to 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 27 discloses income where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

The following are specific recognition criteria:

- Sales revenue for Saturday X Lotto, Monday and 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 Scratch tickets is recognised as tickets are sold.
- 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 to 31 July 2014 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 27 discloses expenses where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

The following are specific recognition criteria:

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, non-monetary benefits and leave entitlements. These are recognised when incurred.

Superannuation

Superannuation expenses charged to the Statement of Comprehensive Income represent:

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

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 as appropriate, 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.

(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 12 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 12 months after the reporting date, have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Where assets and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the Commission has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

(j) Assets

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

Note 27 discloses 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 the Commonwealth Bank of Australia 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.

All game related receivables are administered by Tatts on behalf of the Commission.

Sundry receivables

Sundry receivables are generally receivable within 14 -30 days and are carried at amounts due.

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

Prize settlements receivable from Blocs

Saturday X Lotto, Monday and 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.

All game related prize settlements receivable from Blocs are administered by Tatts on behalf of the Commission.

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 formed part of the aggregate consideration paid by Tatts for the rights to operate SA Lotteries' brands and products.

Assets related to the Online Lotteries System were transferred to Tatts when the GTECH agreement was novated in favour of Tatts in November 2013.

Revaluation of non-current assets

All non-current tangible assets are valued at fair value and revaluation of non-current assets is only performed when their fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years. The Commission does not currently have any assets that meet this revaluation criteria.

Impairment

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

(k) Liabilities

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

Note 27 discloses 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, GST payable, employment on-costs and Paid Parental Leave Scheme payable.

All game related payables are 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.

The Paid Parental Leave Scheme payable represents amounts which the Commission has received from the Commonwealth Government to forward on to eligible employees via the Commission's payroll process. That is, the Commission is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

All payables are measured at their nominal amount, are unsecured 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 Scratch tickets and minor Keno prizes, on the date of sale or draw. Division 1 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 Scratch tickets 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.

All prizes payable are 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.

The Commission makes contributions to the State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes.

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 12 months and are measured at the undiscounted amount expected to be paid.

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.

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 portion of the long service leave liability classified as current represents the amount that is 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.

The Unclaimed Prizes Reserve is administered by Tatts on behalf of the Commission and must only be disbursed in accordance with approvals given by 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.

Gambling tax is paid from the Lotteries Fund by Tatts on behalf of the Commission to the State.

As detailed in note 2(f), the Commission was required prior to the commencement of the Transaction Documents 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 was 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.

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

(l) Special Appeal Lotteries

Section 13AB of the *State Lotteries Act 1966* enables 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 office. In respect of this operating lease, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased asset.

The Commission is responsible for maintaining any improvements that it makes and repairing any damage to the premises caused by staff, customers, contractors or visitors.

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 had 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 provided lump sum benefits on retirement, death, disablement and withdrawal. During the 2013-14 financial year the Commission determined to wind up the Plan in 2014-15. The Plan was terminated effective 30 September 2014 with all defined benefit liabilities in the Plan crystallised at this date and employees' entitlements transferred to an accumulation fund of their choice.

The calculation for the expense for the 2014-15 year for the defined benefit section of the Plan has been determined via an actuarial valuation by Stuart Mules, FIAA (Mercer Investment Nominees Limited). The report was dated 19 June 2015.

Actuarial gains and losses are recognised in full, in the period in which they occur, and are recognised in Other 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 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) Reserves*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. 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.

The Spot 10 \$1M guaranteed amount and the accrued jackpot amount is held for, and on behalf of the Commission, by Tatts.

(p) Unrecognised contractual commitments and contingent assets and liabilities

Commitments include operating expenditures arising from contractual sources and are disclosed at their nominal value.

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

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 Australian Taxation Office, the commitments and contingencies are disclosed on a gross basis.

(q) Insurance

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

(r) **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 2014-15.

Accounting Policy Framework

In accordance with amendments to Accounting Policy Statement II *General Purpose Financial Statements Framework*, effective for the year ended 30 June 2015, the Commission is no longer considered a for-profit entity. Accordingly the 2014-15 Financial Statements have been prepared on a not-for-profit basis (refer note 2(a)).

Accounting Standards

Australian Accounting Standards and interpretations that have recently been issued or amended, but are not yet effective, have not been adopted by the Commission for the reporting period ended 30 June 2015.

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. Employee benefits expenses

	2015 \$'000	2014 \$'000
Salaries	964	3 218
TVSPs (refer below)	-	3 195
Annual leave	124	388
Long service leave	80	(266)
Skills and experience retention leave	4	(3)
Commission members' fees	37	62
Employment on-costs - other	47	205
Employment on-costs - superannuation contributions	90	269
Contributions to defined benefit plan	271	190
Total employee benefits expenses	1 617	7 258

Targeted voluntary separation packages (TVSPs)	2015 \$'000	2014 \$'000
Amounts paid during the reporting period to separated employees:		
TVSPs	-	3 195
Annual leave, long service leave and skills and experience retention leave paid to those employees	-	906
	-	4 101
Recovery received from the Department of Treasury and Finance (DTF)	-	2 522
Net cost to the Commission	-	1 579

The number of employees who received TVSPs during the reporting period was zero (35).

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, TVSP payments, 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 by these employees for the year was \$0.651 million (\$1.995 million).

	2015 No.	2014 No.
The number of employees whose remuneration received or receivable falls within the following bands:		
\$161 500 - \$171 499	-	1
\$181 500 - \$191 499	1	-
\$251 500 - \$261 499	-	1
\$281 500 - \$291 499	-	1
\$291 500 - \$301 499	-	1
\$301 500 - \$311 499	-	1
\$331 500 - \$341 499	-	1
\$351 500 - \$361 499	-	1
\$461 500 - \$471 499	1	-
Total number of employees	2	7

5. Key management personnel

(a) Commission members

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

W R Jackson, BEc, FASA Presiding Member (10 July 2014 to 31 December 2014, 15 January 2015 to 30 June 2015)

J R Roache BAcc, GradCertMgt (Monash) FAICD, FCPA, FAIM (10 July 2014 to 31 December 2014)*

A Cadd B.Acc, AdvDipBA, MBA(Adv) (10 July 2014 to 31 December 2014, 15 January 2015 to 30 June 2015)*

L Hart BEc (Hons), GradDipAppFin(SecInst), GAICD (15 January 2015 to 30 June 2015)*

Commission Member terms expired on 30 June 2015 and were not renewed after the *Statutes Amendment (Boards and Committees - Abolition and Reform) Act 2015* abolished the Commission effective from 1 July 2015. A single Commissioner was appointed on 23 July 2015.

Unless otherwise disclosed, transactions between Commission members and the Commission were on conditions no more favourable than those it is reasonable to expect the Commission would have adopted if dealing with the related party at arm's length in the same circumstances.

(b) Commission members' remuneration

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

	2015 No.	2014 No.
The number of Commission members whose remuneration received or receivable falls within the following bands:		
\$0 to \$9 999	3	1
\$10 000 to \$19 999	-	-
\$20 000 to \$29 999	-	1
\$30 000 to \$39 999	-	-
\$40 000 to \$49 999	1	1
Total number of Commission members	4	3
	2015	2014
	\$'000	\$'000
The total remuneration received or receivable by Commission members was:	42	69

* In accordance with Department of Premier and Cabinet Circular 16, State Government employees did not receive any remuneration for Commission duties during the financial year.

(c) Other key management personnel

The key management personnel are the Commission members and the senior management team (including the Chief Executive) who have responsibility for the direction and management of the Commission.

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 - Chief Executive (1 July 2014 to 31 December 2014)

D G Hardy LLB, BA GDLP - Chief Executive (1 January 2015 to 30 June 2015)

D G Hardy LLB, BA GDLP - Director Legal and Regulatory Compliance (1 July 2014 to 31 December 2014)

P Marsden, BComm, CPA - Finance Manager

(d) Other key management personnel compensation

	2015 \$'000	2014 \$'000
The compensation of key management personnel included in employee benefits expenses (refer note 4) is as follows:		
Short-term employee benefits	707	854
Post-employment benefits	117	124
Long-term employee benefits	7	16
Total key management personnel compensation	831	994

6. Supplies and services

	2015 \$'000	2014 \$'000
External audit fees	135	185
Operating leases	150	1 162
Internal audit fees	131	171
Computer operations	82	1 686
Other	65	266
Consultancies	52	26
Other occupancy costs	34	466
Training costs	14	8
Marketing and promotions	13	14
Motor vehicle fleet costs	-	56
Total supplies and services	676	4 040

	2015 No.	2014 No.	2015 \$'000	2014 \$'000
Consultancies				
The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:				
Below \$10 000	1	-	1	-
\$10 000 to \$50 000	-	1	-	26
Above \$50 000	1	-	51	-
Total paid/payable to consultants engaged	2	1	52	26

7. Master Agent fee

	2015 \$'000	2014 \$'000
Gross sales	441 658	428 860
less prizes	268 206	257 226
less gambling tax on NGR	71 115	70 372
less GST on NGR	15 768	15 604
Gross Master Agent fee (including Agents' commissions)	86 569	85 658
less Agents' commissions	33 132	31 919
Net Master Agent fee	53 437	53 739

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 Agent fee less Agents' commissions to an account nominated by the Master Agent.

8. Depreciation and amortisation expense		
	2015	2014
	\$'000	\$'000
Depreciation		
Plant and equipment	-	77
Online lotteries system	-	2 365
Total depreciation	-	2 442
Amortisation		
Leasehold improvements	30	417
Total amortisation	30	417
Total depreciation and amortisation	30	2 859

9. Net gain (loss) from disposal of non-current assets		
	2015	2014
	\$'000	\$'000
Proceeds from disposal	-	-
Less: Net book value of assets disposed	-	2 906
Net gain (loss) from disposal of non-current assets	-	(2 906)

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

Former Wayville head office plant and equipment

Proceeds from disposal	-	-
Less: Net book value of assets disposed	-	5
Net gain (loss) from disposal of non-current assets	-	(5)

Sundry assets

Proceeds from disposal	-	-
Less: Net book value of assets disposed	-	5
Net gain (loss) from disposal of non-current assets	-	(5)

Assets transferred to Tatts

Proceeds from disposal	-	-
Less: Net book value of assets disposed	-	2 896
Net gain (loss) from disposal of non-current assets	-	(2 896)

10. Auditor's remuneration		
	2015	2014
	\$'000	\$'000
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	135	185
Total audit fees	135	185

The Auditor-General is the auditor of the Commission.

Other Services

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

11. Sales revenue		
	2015	2014
	\$'000	\$'000
Saturday X Lotto	147 855	142 132
Keno	109 183	103 336
Powerball	72 005	57 496
Oz Lotto	45 012	52 534
Monday and Wednesday X Lotto	33 776	35 812
Instant Scratch tickets	32 382	35 667
Super 66	938	1 288
The Pools	507	595
Total sales revenue	441 658	428 860

Sales revenue includes Agents' commissions.

12. Cost of sales		
	2015	2014
	\$'000	\$'000
Prizes	268 206	257 226
Gambling tax on net gambling revenue	71 115	70 372
Agents' commissions	33 132	31 919
GST on net gambling revenue paid to the ATO	15 768	15 604
Total cost of sales	388 221	375 121

13. Other revenues		
	2015	2014
	\$'000	\$'000
Reimbursements from Master Agent	21	4 835
TVSP's recovered from DTF (refer note 4)	-	2 522
Sundry	26	68
Total other revenues	47	7 425

14. Revenues from SA Government		
	2015	2014
	\$'000	\$'000
Revenues from SA Government	3 300	4 360
Total revenues from SA Government	3 300	4 360

The Commission is funded by a subsidy from the SA Government.

15. Cash and cash equivalents

	2015 \$'000	2014 \$'000
Deposits held at call and cash on hand	2 163	1 652
Funds held by the Master Agent	49 679	44 911
Total cash and cash equivalents	51 842	46 563

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 rights, 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

Deposits held at call and cash on hand are non-interest bearing. The carrying amount of cash and cash equivalents represents fair value.

16. Receivables

	2015 \$'000	2014 \$'000
Current		
Prize settlements receivable from Blocs	4 226	837
Agent debtors	623	2 416
Sundry receivables	538	795
Prepayments	4	5
Total current receivables	5 391	4 053

Ageing analysis of receivables

	Overdue for			TOTAL \$'000
	< 30 days \$'000	30 - 60 days \$'000	> 60 days \$'000	
Sundry receivables	-	-	-	-

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

	2015 \$'000	2014 \$'000
Plant and equipment		
Plant and equipment at cost (deemed fair value)	101	119
Accumulated depreciation	(101)	(119)
Total plant and equipment	-	-
Online lotteries system		
Online lotteries system at cost (deemed fair value)	-	-
Accumulated depreciation	-	-
Total online lotteries system	-	-
Work-in-progress		
Leasehold improvements at cost (deemed fair value)	-	182
Total work-in-progress	-	182
Leasehold improvements		
Leasehold improvements at cost (deemed fair value)	182	-
Accumulated amortisation	(30)	-
Total leasehold improvements	152	-
Total property, plant and equipment	152	182

Reconciliation of property, plant and equipment

The following table shows the movement of property, plant and equipment during 2014-15 and 2013-14.

	Plant & equip- ment \$'000	Online lotteries system \$'000	Work-in- progress \$'000	Leasehold improve- ments \$'000	Total \$'000
Carrying amount at 1 July 2014	-	-	182	-	182
Additions	-	-	-	-	-
Assets derecognised (including disposals)	-	-	-	-	-
Transfers	-	-	(182)	182	-
Depreciation and amortisation	-	-	-	(30)	(30)
Carrying amount at 30 June 2015	-	-	-	152	152
Carrying amount at 1 July 2013	82	5 149	109	417	5 757
Additions	-	1	189	-	190
Assets derecognised (including disposals)	(5)	(2 788)	(113)	-	(2 906)
Transfers	-	3	(3)	-	-
Depreciation and amortisation	(77)	(2 365)	-	(417)	(2 859)
Carrying amount at 30 June 2014	-	-	182	-	182

Impairment

There were no indications of impairment of property, plant and equipment assets at 30 June 2015.

18. Payables

	2015	2014
	\$'000	\$'000
Current		
Prizes payable	19 515	12 946
Undistributed funds (note 23)	5 277	6 047
GST payable	446	636
Creditors and accrued expenses	192	500
Employment on-costs	36	44
Total current payables	25 466	20 173
Non-current		
Prizes payable	900	1 125
Employment on-costs	1	9
Total non-current payables	901	1 134
Total payables	26 367	21 307

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 decreased from the 2014 rate of 40% to 37% and the rate for the calculation of employer superannuation on-costs remained at 10.3% in 2015. These rates are used in the employment on-cost calculation.

Interest rate and credit risk

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. Employment on-costs are settled when the respective employee benefit that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

19. Employee benefits

	2015	2014
	\$'000	\$'000
Current		
Annual leave	136	91
Long service leave	175	307
Skills and experience retention entitlement	1	3
Accrued salaries and wages	7	5
Defined benefit superannuation plan liability (note 26 (b))	-	219
Total current employee benefits	319	625
Non-Current		
Long service leave	13	95
Total non-current employee benefits	13	95
Total employee benefits	332	720

20. Other liabilities

	2015	2014
	\$'000	\$'000
Current		
Prize Reserve Funds (a)	10 821	8 162
Keno Prize Reserve (b)	3 500	4 692
Monday and Wednesday X Lotto Division 1 Prize Reserve (c)	894	3 365
Unearned revenue - sales in advance	1 917	1 490
Total current other liabilities	17 132	17 709
Non-current		
Unclaimed prizes reserve (d)	11 786	10 318
Total non-current other liabilities	11 786	10 318
Total other liabilities	28 918	28 027

(a) Prize Reserve Funds

Balance at 1 July	8 162	9 577
Allocated to prize reserve funds	13 270	11 563
Applied to additional or increased prizes	(10 611)	(12 978)
Balance at 30 June	10 821	8 162

An agreed proportion of the total amount of net sales (gross sales less Agents' commissions) for each of Saturday X Lotto, Monday and 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.

(b) Keno Prize Reserve

Opening balance	4 692	2 681
Allocated to prize reserve	3 405	3 751
Applied to prizes	(4 597)	(1 740)
Balance at 30 June	3 500	4 692

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 the Keno Spot 10 prize which comprises the guaranteed amount of \$1m and the jackpot amount.

(c) Monday and Wednesday X Lotto Division 1 Prize Reserve

Balance at 1 July	3 365	2 775
Allocated to prize reserve	5 689	7 599
Applied to prizes	(8 160)	(7 009)
Balance at 30 June	894	3 365

In accordance with the Game Rules, the Monday and Wednesday X Lotto Division 1 Prize Reserve was funded by 27% of net sales (gross sales less Agents' commissions) to meet the Division 1 prize until 18 December 2013. The percentage of net sales used to fund the reserve was 20% between 19 December 2013 and 30 April 2014. From 1 May 2014 until 4 February 17% was used, from 5 February onwards the percentage was 20%.

	2015 \$'000	2014 \$'000
(d) Unclaimed Prizes Reserve		
Balance at 1 July	10 318	8 615
Unclaimed monies forfeited	5 410	4 521
Balance before distributions	15 728	13 136
Monies provided for distribution to the Hospitals Fund	(2 704)	(2 255)
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	(1 237)	(562)
Balance at 30 June	11 786	10 318

21. Unrecognised contractual commitments

	2015 \$'000	2014 \$'000
Operating lease commitments		
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	151	146
Later than one year but not longer than five years	412	563
Total operating lease commitments	563	709
	2015 \$'000	2014 \$'000
<i>Representing:</i>		
Non-cancellable operating leases	563	709

The Commission's operating lease relates to office accommodation leased from the Department of Planning, Transport and Infrastructure - Building Management Accommodation and Property Services unit. The five year lease is non-cancellable with a five year right of renewal. Rental provisions within the lease agreement require future lease payments to be increased by 3.25% per annum. The initial lease term expires on 31 January 2019.

	2015 \$'000	2014 \$'000
Other commitments		
Other expenditure contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	200	66
Later than one year but not longer than five years	5	19
Total other commitments	205	85

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. The amount is paid on a monthly basis.

22. Contingent assets and liabilities

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

The Commission has made no guarantees.

23. Distribution of funds to SA Government

	Balance 1 July \$'000 Commi- ssion Agent	Balance 1 July \$'000 Master Agent	Distribution				Balance 30 June \$'000 Commi- ssion Agent	Balance 30 June \$'000 Master Agent
			Provided		(Paid)			
			\$'000 Commi- ssion	\$'000 Master Agent	\$'000 Commi- ssion	\$'000 Master Agent		
Gambling tax	-	5 922	-	71 115	-	(71 894)	-	5 143
Unclaimed prizes	-	125	-	2 705	-	(2 696)	-	134
Totals 2014-15	-	6 047	-	73 820	-	(74 590)	-	5 277
Totals 2013-14	291	6 358	-	72 628	(291)	(72 939)	-	6 047

Comprising:

Distribution to Hospitals Fund

Gambling tax	-	5 911	-	71 004	-	(71 785)	-	5 130
Unclaimed prizes	-	125	-	2 704	-	(2 695)	-	134
Totals	-	6 036	-	73 708	-	(74 480)	-	5 264

Distribution to Recreation and Sport Fund

Gambling tax	-	11	-	111	-	(109)	-	13
Unclaimed prizes	-	-	-	1	-	(1)	-	-
Totals	-	11	-	112	-	(110)	-	13

24. Cash flow reconciliation

	2015 \$'000	2014 \$'000
Reconciliation of cash and cash equivalents at the end of the reporting period:		
Cash and cash equivalents disclosed in the Statement of Financial Position	51 842	46 563
Balance as per the Statement of Cash Flows	51 842	46 563
Reconciliation of net cash provided by operating activities to net cost of providing services:		
Net cash provided by (used in) operating activities	5 279	177
Less: Revenues from SA Government	(3 300)	(4 360)
Less: Unclaimed prizes distribution provided	2 705	2 256
Add (less): non-cash items		
Depreciation and amortisation expense	(30)	(2 859)
Net (gain) loss on disposal of non-current assets	-	(2 906)
Increase (decrease) in carrying value of defined benefit superannuation plan net liability	219	(190)
Movement in assets / liabilities		
Increase(decrease) in receivables	1 333	(1 742)
(Increase)decrease in payables (including undistributed funds)	(5 055)	4 297
(Increase)decrease in employee benefits	169	1 469
(Increase)decrease in other liabilities	(3 596)	(5 780)
Net cost of providing services	(2 276)	(9 638)

25. 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 in more than 12 months.

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 Tatts as 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.

26. Superannuation**(a) Description of significant events**

The Plan was terminated effective 30 September 2014 with all defined benefit liabilities in the Plan crystallised at this date and the employee's entitlements transferred to an accumulation fund of their choice. This is considered a "settlement" under AASB 119.

The amount transferred for each member from the defined benefit assets to employees' accumulation account balances was the deferred leaving service benefit. As the transfer amount was equal to the present value of the defined benefit obligation, determined at 30 September 2014, the transfer has not resulted in any settlement gains or losses.

(b) Reconciliation of the net defined benefit (liability)/asset

	2015	2014
	\$'000	\$'000
Net defined benefit (liability)/asset at start of year	(219)	(561)
Current service cost	(115)	(269)
Net interest	-	(13)
Past service cost	-	(138)
Actual return on plan assets less interest income	(64)	430
Actuarial losses (gains) arising from changes in financial assumptions	-	142
Actuarial losses (gains) arising from liability experience	(118)	(40)
Employer contributions	516	230
Net defined benefit asset/(liability) at end of year	-	(219)

(c) Reconciliation of the fair value of plan assets

	2015 \$'000	2014 \$'000
Fair value of plan assets at beginning of financial year	4 106	7 670
Interest income	19	183
Actual return on Plan assets less interest income	(64)	430
Employer contributions	516	230
Contributions by plan participants	9	80
Benefits paid	-	(4 357)
Taxes, premiums and expenses paid	(181)	(131)
Transfers in	-	1
Settlements	(4 405)	-
Fair value of plan assets at end of financial year	-	4 106

(d) Reconciliation of the defined benefit obligation

	2015 \$'000	2014 \$'000
Present value of defined benefit obligation at beginning of financial year	4 325	8 231
Current service cost	115	269
Interest cost	19	196
Contributions by plan participants	9	80
Actuarial losses (gains) arising from changes in financial assumptions	-	(142)
Actuarial losses (gains) arising from liability experience	118	40
Benefits paid	-	(4 357)
Taxes, premiums and expenses paid	(181)	(131)
Transfers in	-	1
Past service cost	-	138
Settlements	(4 405)	-
Present value of defined benefit obligation at end of financial year	-	4 325

(e) Significant actuarial assumptions at the reporting date

	2015	2014
Assumptions to determine defined benefit cost		
Discount rate	3.50% pa	3.50% pa
Expected salary increase rate	3.00% pa	3.50% pa
Assumptions to determine defined benefit obligation (DBO)		
Discount rate	n/a	3.50% pa
Expected salary increase rate	n/a	3.00% pa

27. 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	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
EXPENSES						
4. Employee benefits expenses	165	446	1 452	6 812	1 617	7 258
6. Supplies and services						
External audit fees	135	185	-	-	135	185
Operating leases	150	161	-	1 001	150	1 162
Internal audit fees	-	-	131	171	131	171
Computer operations	58	24	24	1 662	82	1 686
Other	17	25	48	241	65	266
Consultancies	-	-	52	26	52	26
Other occupancy costs	1	3	33	463	34	466
Training costs	1	1	13	7	14	8
Marketing and promotions	-	-	13	14	13	14
Motor vehicle fleet costs	-	56	-	-	-	56
Total supplies and services	362	455	314	3 585	676	4 040
7. Master Agent fee	-	-	53 437	53 739	53 437	53 739
TOTAL EXPENSES (excluding depreciation and amortisation and net loss from disposal of non-current assets)	527	901	55 203	64 136	55 730	65 037
INCOME						
11. Sales revenue	-	-	441 658	428 860	441 658	428 860
12. Cost of sales						
Prizes	-	-	(268 206)	(257 226)	(268 206)	(257 226)
Gambling tax on NGR	(71 115)	(70 372)	-	-	(71 115)	(70 372)
Agents' commissions	-	-	(33 132)	(31 919)	(33 132)	(31 919)
GST on NGR paid to the ATO	-	-	(15 768)	(15 604)	(15 768)	(15 604)
Total cost of sales	(71 115)	(70 372)	(317 106)	(304 749)	(388 221)	(375 121)
13. Other revenues	12	2 557	35	4 868	47	7 425
14. Revenues from SA Government	3 300	4 360	-	-	3 300	4 360
TOTAL INCOME (excluding net gain from disposal of non-current assets)	(67 803)	(63 455)	124 587	128 979	56 784	65 524
16. Receivables						
Current						
Prize settlements receivable from Blocs	-	-	4 226	837	4 226	837
Agent debtors	-	-	623	2 416	623	2 416
Sundry receivables	5	-	533	795	538	795
Prepayments	4	5	-	-	4	5
Total current receivables	9	5	5 382	4 048	5 391	4 053

Note	SA Government		Non-SA Government		Total	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
18. Payables						
Current						
Creditors and accrued expenses	141	372	51	128	192	500
Prizes payable	-	-	19 515	12 946	19 515	12 946
GST payable	-	-	446	636	446	636
Undistributed funds	5 277	6 047	-	-	5 277	6 047
Employment on-costs	30	23	6	21	36	44
Total current payables	5 448	6 442	20 018	13 731	25 466	20 173
Non-current						
Prizes payable	-	-	900	1 125	900	1 125
Employment on-costs	1	5	-	4	1	9
Total non-current payables	1	5	900	1 129	901	1 134
Total payables	5 449	6 447	20 918	14 860	26 367	21 307

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 2015 and the results of its operations and cash flows for the financial year.

We certify that 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.



David Hardy
Commissioner



Lesia Lum
Senior Management Accountant

18 September 2015

INDEPENDENT AUDITOR'S REPORT



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Auditor-General's Department

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**To the Commissioner
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 2015. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2015
- a Statement of Financial Position as at 30 June 2015
- a Statement of Changes in Equity for the year ended 30 June 2015
- a Statement of Cash Flows for the year ended 30 June 2015
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Commissioner and Senior Management Accountant.

The responsibility of the Commissioner for the Financial Report

The Commissioner is 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 Commissioner 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

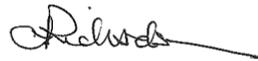
My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical 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 Commissioner, 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 2015, 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.



Andrew Richardson
Auditor-General
18 September 2015