

Lotteries Commission of South Australia

Financial report
for the year ended
30 June 2021



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To the Commissioner Lotteries Commission of South Australia

Opinion

I have audited the financial report of the Lotteries Commission of South Australia for the financial year ended 30 June 2021.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Lotteries Commission of South Australia at 30 June 2021, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2021
- a Statement of Financial Position as at 30 June 2021
- a Statement of Changes in Equity for the year ended 30 June 2021
- a Statement of Cash Flows for the year ended 30 June 2021
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Commissioner and Director, Financial Services, Department of Treasury and Finance.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Lotteries Commission of South Australia. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* have been met.

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

Responsibilities 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 relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Commissioner is responsible for assessing the entity's ability to continue as a going concern, taking into account any policy or funding decisions the government has made which affect the continued existence of the entity. The Commissioner is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's responsibilities for the audit of the financial report

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 financial report of the Lotteries Commission of South Australia for the financial year ended 30 June 2021.

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

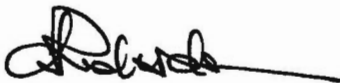
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Lotteries Commission of South Australia's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioner
- conclude on the appropriateness of the Commissioner's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Commissioner about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

Auditor-General

30 September 2021

Lotteries Commission of South Australia

STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Income			
Sales revenue	8	607 622	552 218
Cost of sales	9	532 394	482 983
Gross margin		75 228	69 235
Resources received free of charge	10	333	144
Revenues from SA Government	11	-	582
Other revenues		-	2
Total income		75 561	69 963
Expenses			
Employee benefits expenses	4	-	241
Supplies and services	6	334	438
Master Agent fee	7	75 228	69 235
Amortisation expense		-	5
Total expenses		75 562	69 919
Net result		(1)	44
Total comprehensive result		(1)	44

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.

Lotteries Commission of South Australia

STATEMENT OF FINANCIAL POSITION as at 30 June 2021

	Note	2021 \$'000	2020 \$'000
Current assets			
Cash and cash equivalents	12	86 859	74 285
Receivables	13	9 206	4 117
Total current assets		96 065	78 402
Non-current assets			
Receivables	13	2 120	1 717
Total non-current assets		2 120	1 717
Total assets		98 185	80 119
Current liabilities			
Payables	14	34 776	28 281
Game related liabilities	16	26 556	22 056
Total current liabilities		61 332	50 337
Non-current liabilities			
Payables	14	27 870	20 354
Game related liabilities	16	8 736	9 180
Total non-current liabilities		36 606	29 534
Total liabilities		97 938	79 871
Net assets		247	248
Equity			
Retained earnings		247	248
Total equity		247	248

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

Contingent assets and liabilities

17

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

Lotteries Commission of South Australia

STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2021

	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2019	135	135
Net Result for 2019-20	44	44
Total comprehensive result for 2019-20	44	44
Liabilities transferred as a result of an administrative restructure	69	69
Balance at 30 June 2020	248	248
Net result for 2020-21	(1)	(1)
Total comprehensive result for 2020-21	(1)	(1)
Balance at 30 June 2021	247	247

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

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

Lotteries Commission of South Australia

STATEMENT OF CASH FLOWS for the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Cash flows from operating activities			
<i>Cash outflows</i>			
Prizes paid		(352 073)	(325 624)
Payments to suppliers and employees		(194)	(1 435)
Master Agent fee payments		(87 358)	(80 392)
GST paid to the Australian Taxation Office		(9 799)	(8 957)
Distribution of funds to SA Government	15	(101 260)	(93 194)
Cash used in operations		(550 684)	(509 602)
<i>Cash inflows</i>			
Receipts from customers		563 258	513 141
SA Government subsidy	11	-	582
Cash generated from operations		563 258	513 723
Net cash provided by (used in) operating activities		12 574	4 121
Net increase (decrease) in cash and cash equivalents		12 574	4 121
Cash and cash equivalents at the beginning of the financial year		74 285	70 164
Cash and cash equivalents at the end of the financial year	12	86 859	74 285

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

Lotteries Commission of South Australia

INDEX TO NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Establishment and function of the Lotteries Commission of South Australia	Note 1
Basis of preparation	Note 2
New and revised accounting standards and policies	Note 3
Expense notes	
Employee benefits expenses	Note 4
Key management personnel	Note 5
Supplies and services	Note 6
Master Agent fee	Note 7
Income notes	
Sales revenue	Note 8
Cost of sales	Note 9
Resources received free of charge	Note 10
Revenues from SA Government	Note 11
Asset notes	
Cash and cash equivalents	Note 12
Receivables	Note 13
Liability notes	
Payables	Note 14
Distribution of funds to SA Government	Note 15
Game related liabilities	Note 16
Other notes	
Contingent assets and liabilities	Note 17
Financial risk management	Note 18

Lotteries Commission of South Australia

NOTES TO THE FINANCIAL STATEMENTS

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

The Lotteries Commission of South Australia (the Commission), is 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), as a subsidiary company of Tabcorp Holdings Limited, 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 and for the proper operation of the agency arrangement.

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

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 those documents.

From 1 April 2020 all office administration functions of the Commission were transferred to Department of Treasury and Finance (DTF).

2. Basis of preparation

The financial statements have been prepared based on a 12 month reporting period and are presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

The accounting policies set out in the notes have been applied in preparing the financial statements for the year ended 30 June 2021 and the comparative information presented.

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

Assets and Liabilities that are to be sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non current.

For the 2020-21 financial statements the Commissioner is required to comply with the new Treasurer's Instruction (Accounting Policy Statements) changes effective 30 June 2021.

(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 financial statements have been prepared in accordance with relevant Australian Accounting Standards with reduced disclosure requirements and comply with Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer 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.

(b) 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.

(c) 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.

Lotteries Commission of South Australia

(d) Taxation

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 Master Agent calculates and forwards the GST on a monthly basis for DTF to remit directly to the ATO on behalf of the Commission. The GST on NGR is treated as a cost of sales.

Other 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.

(e) 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.

(f) Events after the reporting period

There have been no events subsequent to 30 June 2021 that have had a material impact on the information disclosed in these financial statements.

(g) Continuity of operations

The SA Government is committed and has consistently demonstrated a commitment to the ongoing funding of the Commission to enable it to perform its functions.

3. New and revised Accounting Standards and policies

The Commission did not voluntarily change any of its accounting policies during 2020-2021.

Lotteries Commission of South Australia

4. Employee benefits expenses	2021 \$'000	2020 \$'000
Salaries	-	255
Annual leave	-	6
Long service leave	-	(34)
Skills and experience retention leave	-	1
Employment on-costs - other	-	3
Employment on-costs - superannuation contributions	-	10
Total employee benefits expenses	-	241

For the 2019-20 financial year employee benefit expenses are for the period 1 July 2019 until 27 March 2020. From 28 March 2020 all employees were transferred to DTF and therefore no employee benefit expenses incurred after this date are included in the Commission's financial statements.

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 million (\$0.290 million).

	2021 No.	2020 No.
The number of employees whose remuneration received or receivable falls within the following band:		
\$274 001 - \$294 000	-	1
Total number of employees	-	1

5. Key management personnel

The key management personnel are the Treasurer and the Commissioner who have responsibility for the direction and management of the Commission.

The key management personnel comprised the following persons for 2020-21 financial year unless otherwise stated:

Hon R Lucas MLC - Treasurer
H T Scott - Commissioner *

Total compensation for key management personnel was nil in 2020-21 (\$0.290 million in 2019-20).

*As an employee of the Department of Treasury and Finance. Ms Scott does not receive remuneration from the Commission for her duties as Commissioner.

Salaries and other benefits the Treasurer receives are excluded from the totals above. The Treasurer's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 of the *Parliamentary Remuneration Act 1990*.

Lotteries Commission of South Australia

6. Supplies and services	2021 \$'000	2020 \$'000
Accommodation lease	-	107
Internal audit fees	-	31
External audit fees	-	84
Computing and communications	1	25
Net loss on disposal of assets	-	16
Services paid by DTF	333	144
Other	-	14
Other occupancy costs	-	17
Total supplies and services	334	438

The Commission paid for all supplies and services incurred up to 31 March 2020. From 1 April 2020 DTF assumed responsibility for the payment of the Commission's supplies and services (excluding MYOB subscriptions fees and 2019-20 external audit fees). External Audit fees for the 2020-21 are included in Services paid by DTF.

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

The Commission receives services provided free of charge were \$0.333 million in 2020-21 (\$0.144 million in 2019-20), and were expensed at fair value. A corresponding resources received free of charge has been recognised as income. In 2020-21 additional expenditure related to 2019-20 was identified as services paid by DTF. The comparative has been adjusted to reflect the additional amount of \$0.090 million.

	2021 No.	2020 No.	2021 \$'000	2020 \$'000
Consultancies				
The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following band:				
Below \$10 000	-	1	-	4
Total paid/payable to consultants engaged	-	1	-	4

7. Master Agent fee	2021 \$'000	2020 \$'000
Gross sales	607 622	552 218
less prizes	365 312	331 051
less gambling tax on NGR	99 347	90 678
less GST on NGR	22 028	20 106
Gross Master Agent fee (including Agents' commissions)	120 935	110 383
less Agents' commissions	45 707	41 148
Net Master Agent fee	75 228	69 235

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.

Lotteries Commission of South Australia

8. Sales revenue	2021	2020
	\$'000	\$'000
Saturday X Lotto	158 599	133 843
Keno	146 024	115 803
Powerball	129 856	142 942
Oz Lotto	54 151	53 497
Monday and Wednesday X Lotto	42 242	38 059
Instant Scratch tickets	38 836	36 328
Set for Life	32 797	24 664
Lucky Lotteries - Super Jackpot	2 146	2 039
Lucky Lotteries - Mega Jackpot	1 883	3 585
Super 66	1 088	1 458
Total sales revenue	607 622	552 218

Sales revenue includes Agents' commissions.

Sales revenue for Saturday X Lotto, Monday and Wednesday X Lotto, Oz Lotto, Powerball, Keno, Super 66, Set for Life and Lucky Lotteries 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.

9. Cost of sales	2021	2020
	\$'000	\$'000
Prizes	365 312	331 051
Gambling tax on net gambling revenue	99 347	90 678
Agents' commissions	45 707	41 148
GST on net gambling revenue	22 028	20 106
Total cost of sales	532 394	482 983

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.

10. Resources received free of charge	2021	2020
	\$'000	\$'000
Services received free of charge - Department of Treasury and Finance	333	144
Total resources received free of charge	333	144

Resources received free of charge related to services being paid for by DTF. Contributions of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated. A corresponding Services paid by DTF has been recognised as expense. In 2020-21 additional resources received free of charge related to 2019-20 was identified and the comparative has been adjusted to reflect the additional amount of \$0.090 million.

11. Revenues from SA Government	2021	2020
	\$'000	\$'000
Revenues from SA Government	-	582
Total revenues from SA Government	-	582

The Commission no longer receives a subsidy from the SA Government.

The subsidy ceased 31 March 2020 on the transfer of the office administration functions to DTF.

Lotteries Commission of South Australia

12. Cash and cash equivalents	2021	2020
	\$'000	\$'000
Deposits with the Treasurer	247	332
Funds held by the Master Agent	86 612	73 953
Total cash and cash equivalents	86 859	74 285

In accordance with clause 7 of the Master Agency Agreement, Tatts holds and operates 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.

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 with the Treasurer, 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 the Westpac Banking Corporation.

Cash is measured at nominal value.

Deposits with the Treasurer

The Commission has one special deposit account with the Treasurer, a general operating account. The Commission does not earn interest on its deposits with the Treasurer.

13. Receivables	2021	2020
	\$'000	\$'000
Current		
Agent debtors	2 280	2 691
Prize settlements receivable from Blocs	6 926	1 426
Total current receivables	9 206	4 117
Non-current		
Receivable from Master Agent	2 120	1 717
Total non-current receivables	2 120	1 717
Total receivables	11 326	5 834

Receivables include amounts receivable from agents and other parties and prize settlements receivable from lottery operators in other States participating in inter-jurisdictional prize pooling arrangements. Receivables 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.

Prize settlements receivable from Blocs

Saturday X Lotto, Monday and Wednesday X Lotto, Oz Lotto, Powerball, Super 66, Set for Life, Lucky Lotteries and Instant Scratch-Its 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.

Lotteries Commission of South Australia

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. As at 30 June 2021 the major portion of monies owing relates to amounts receivable from Bloc members for monies due from other jurisdictions for prizes won in South Australia.

Net Fair Values

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

14. Payables	2021 \$'000	2020 \$'000
Current		
Prizes payable	23 668	16 734
Distribution of funds to SA Government payable (note 16)	9 244	9 537
GST payable	1 121	1 097
Agent commission payable	743	913
Total current payables	34 776	28 281
Non-current		
Prizes payable	27 870	20 354
Total non-current payables	27 870	20 354
Total payables	62 646	48 635

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

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 and Set for Life 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.

Interest rate and credit risk

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

Lotteries Commission of South Australia

15. Distribution of funds to SA Government

	Balance 1 July \$'000	Distribution		Balance 30 June \$'000
		Provided \$'000	(Paid) \$'000	
Distribution to Hospital Fund				
Gambling tax	9 391	99 399	(99 647)	9 143
Unclaimed prizes	146	1 568	(1 613)	101
Totals 2020-21	9 537	100 967	(101 260)	9 244
Totals 2019-20	10 364	92 367	(93 194)	9 537

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 Net Gambling Revenue (NGR);
- making allowances for operating and capital expenses;
- in respect of Special Appeal Lotteries (note 2(e)), 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.

In accordance with the provisions of the *State Lotteries Act 1966* 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) unclaimed prizes.

The composition of all amounts due and payable to Government on account of the Hospitals Fund are detailed in this note.

Lotteries Commission of South Australia

16. Game related liabilities	2021	2020
	\$'000	\$'000
Current		
Prize Reserve Funds (a)	14 602	13 783
Keno Prize Reserve (b)	3 985	3 499
Monday and Wednesday X Lotto Division 1 Prize Reserve (c)	1 411	456
Set for Life Division 1 Prize Reserve (d)	1 887	982
Unearned revenue - sales in advance	4 671	3 336
Total current game related liabilities	26 556	22 056
Non-current		
Unclaimed prizes reserve (e)	8 736	9 180
Total non-current game related liabilities	8 736	9 180
Total game related liabilities	35 292	31 236

(a) Prize Reserve Funds

Balance at 1 July	13 783	14 710
Allocated to prize reserve funds	16 851	15 111
Applied to additional or increased prizes	(16 032)	(16 038)
Balance at 30 June	14 602	13 783

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, Set for Life and Lucky Lotteries 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

Balance at 1 July	3 499	2 835
Allocated to prize reserve	106 109	84 125
Applied to prizes	(105 623)	(83 461)
Balance at 30 June	3 985	3 499

The Keno Prize Reserve is funded by a portion of net sales (gross sales less Agents' commissions) to meet the Keno prizes won.

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

Balance at 1 July	456	-
Allocated to prize reserve	8 192	7 664
Applied to prizes	(7 237)	(7 208)
Balance at 30 June	1 411	456

In accordance with the Game Rules, the Monday and Wednesday X Lotto Division 1 Prize Reserve was funded by 21% of net sales (gross sales less Agents' commissions) to meet Division 1 prizes until 19 May 2021. From 24 May 2021 onwards the percentage was 20%.

Lotteries Commission of South Australia

	2021	2020
	\$'000	\$'000
(d) Set for Life Division 1 Prize Reserve		
Balance at 1 July	982	324
Allocated to prize reserve	6 099	5 231
Applied to prizes	(5 194)	(4 573)
Balance at 30 June	1 887	982

In accordance with the Game Rules, the Set for Life 1st Prize Reserve was funded by a 20% contribution of net sales (gross sales less Agents' commissions) to meet the 1st prizes.

(e) Unclaimed Prizes Reserve		
Balance at 1 July	9 180	9 673
Unclaimed monies forfeited	3 137	3 183
Balance before distributions	12 317	12 856
Monies provided for distribution to the Hospitals Fund	(1 568)	(1 592)
Applied to additional or increased prizes in subsequent lottery draws, prizes in promotional lotteries or ex gratia payments	(2 013)	(2 084)
Balance at 30 June	8 736	9 180

Other than a prize in a Special Appeal Lottery (note 2(e)), 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 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.

There were no amounts derived from unclaimed prizes in sports lotteries or special lotteries during the financial year.

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.

Lotteries Commission of South Australia

17. Contingent assets and liabilities

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

The Commission has made no guarantees.

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.

18. Financial risk management

The Commission's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

Risk Management assessments are carried out by the Commission. Commission risk management policies have been established in accordance with the Risk Management Policy Statement issued by the Premier and Treasurer.

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.

Lotteries Commission of South Australia

Certification of the Financial Statements

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

- comply with relevant Treasurer's Instructions 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 the end of the financial year and the result of its operations and cash flows for the financial year.
- internal controls employed by the Lotteries Commission of South Australia for the financial year over its financial reporting and its preparation of financial statements have been effective.



Tracey Scott
Commissioner



Les Jones
Director, Financial Services, Department of Treasury and Finance

29 September 2021

Lotteries Commission of South Australia

Report of the Auditor-General

to be provided by Auditor-General's Department