

# Lotteries Commission of South Australia

Financial report  
for the year ended  
30 June 2018



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## INDEPENDENT AUDITOR'S REPORT

### To the Commissioner Lotteries Commission of South Australia

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Lotteries Commission of South Australia for the financial year ended 30 June 2018.

### Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Lotteries Commission of South Australia as at 30 June 2018, 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.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2018
- a Statement of Financial Position as at 30 June 2018
- a Statement of Changes in Equity for the year ended 30 June 2018
- a Statement of Cash Flows for the year ended 30 June 2018
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Commissioner and Senior Management Accountant.

### 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 have been met.

I believe that the audit evidence 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 the 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.

## **Auditor's responsibilities for the audit of the financial report**

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
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioner
- 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 regarding, 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**

21 September 2018

Lotteries Commission of South Australia

**STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
<b>Expenses</b>			
Employee benefits expenses	4	513	571
Supplies and services	6	412	491
Master Agent fee	7	56 152	54 624
Amortisation expense	13	44	43
<b>Total expenses</b>		<b>57 121</b>	<b>55 729</b>
<b>Income</b>			
Sales revenue	8	458 613	450 095
Cost of sales	9	402 461	395 471
<b>Gross margin</b>		<b>56 152</b>	<b>54 624</b>
Other revenues		2	9
<b>Total income</b>		<b>56 154</b>	<b>54 633</b>
<b>Net cost of providing services</b>		<b>967</b>	<b>1 096</b>
<b>Revenues from SA Government</b>			
Revenues from SA Government	10	927	777
<b>Net result</b>		<b>( 40)</b>	<b>( 319)</b>
<b>Total comprehensive result</b>		<b>( 40)</b>	<b>( 319)</b>

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 2018

	Note	2018 \$'000	2017 \$'000
<b>Current assets</b>			
Cash and cash equivalents	11	57 364	56 305
Receivables	12	3 714	2 811
<b>Total current assets</b>		<b>61 078</b>	<b>59 116</b>
<b>Non-current assets</b>			
Property, plant and equipment	13	25	69
Receivables	12	1 889	1 889
<b>Total non-current assets</b>		<b>1 914</b>	<b>1 958</b>
<b>Total assets</b>		<b>62 992</b>	<b>61 074</b>
<b>Current liabilities</b>			
Payables	14	22 520	21 373
Employee benefits	16	280	278
Other current liabilities	17	16 303	18 568
<b>Total current liabilities</b>		<b>39 103</b>	<b>40 219</b>
<b>Non-current liabilities</b>			
Payables	14	13 050	9 131
Employee benefits	16	3	13
Other non-current liabilities	17	10 855	11 690
<b>Total non-current liabilities</b>		<b>23 908</b>	<b>20 834</b>
<b>Total liabilities</b>		<b>63 011</b>	<b>61 053</b>
<b>Net assets</b>		<b>( 19)</b>	<b>21</b>
<b>Equity</b>			
Retained earnings		( 19)	21
<b>Total equity</b>		<b>( 19)</b>	<b>21</b>

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

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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 2018

	Retained Earnings \$'000	Total \$'000
<b>Balance at 30 June 2016</b>	340	340
Net Result for 2016-17	( 319)	( 319)
<b>Total comprehensive result for 2016-17</b>	<b>( 319)</b>	<b>( 319)</b>
<b>Balance at 30 June 2017</b>	<b>21</b>	<b>21</b>
Net result for 2017-18	( 40)	( 40)
<b>Total comprehensive result for 2017-18</b>	<b>( 40)</b>	<b>( 40)</b>
<b>Balance at 30 June 2018</b>	<b>( 19)</b>	<b>( 19)</b>

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 2018

	Note	2018 \$'000	2017 \$'000
<b>Cash flows from operating activities</b>			
<b>Cash outflows</b>			
Prizes paid		(273 752)	(267 352)
Payments to suppliers and employees		( 266)	(1 019)
Master Agent fee payments		(65 126)	(63 370)
GST paid to the Australian Taxation Office		(7 030)	(7 036)
Payments for paid parental leave		-	( 3)
Distribution to the Hospitals Fund and Recreation and Sport Fund			
▪ Gambling tax	15	(73 722)	(71 853)
▪ Unclaimed prizes	15	(1 831)	(1 662)
<b>Cash used in operations</b>		<b>(421 727)</b>	<b>(412 295)</b>
<b>Cash inflows</b>			
Receipts from customers		421 859	417 632
SA Government subsidy	10	927	777
<b>Cash generated from operations</b>		<b>422 786</b>	<b>418 409</b>
<b>Net cash provided by (used in) operating activities</b>	<b>20</b>	<b>1 059</b>	<b>6 114</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>1 059</b>	<b>6 114</b>
Cash and cash equivalents at the beginning of the financial year		56 305	50 191
<b>Cash and cash equivalents at the end of the financial year</b>	<b>11</b>	<b>57 364</b>	<b>56 305</b>

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

# Lotteries Commission of South Australia

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# 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.

### 2. 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.

#### (b) Basis of preparation

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 2018 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.

#### (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) 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).

# Lotteries Commission of South Australia

## *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 the Commission to remit directly to the ATO. The GST on NGR is treated as a cost of sales.

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

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

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

Cash flows are included in the Statement of Cash Flows on a gross basis.

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.

## **(f) Income**

### *Sales revenue*

Sales revenue for Saturday X Lotto, Monday and Wednesday X Lotto, Oz Lotto, Powerball, Keno, Super 66, The Pools, 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.

### *Revenues from SA Government*

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).

## **(g) Expenses**

### *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.

### *Master Agent Fee*

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.

## **(h) Assets**

### *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 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.

## Lotteries Commission of South Australia

### *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.

### *Prize settlements receivable from Blocs*

Saturday X Lotto, Monday and Wednesday X Lotto, Oz Lotto, Powerball, Super 66, The Pools, Set for Life and Lucky Lotteries 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.

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.

All non-current assets with a value of \$10,000 or more are capitalised.

## (i) Liabilities

### *Payables*

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

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

### *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 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.

### *Prize Reserve Funds*

The liability for prize reserve funds are amounts set aside from entry fees to fund future prizes and promotions for all draw based games. Refer Note 17 for individual game breakdown.

### *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 Net Gambling Revenue (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(j)), 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.

## Lotteries Commission of South Australia

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 and Recreation and Sport Fund is detailed in note 15.

### *Employee benefits*

These benefits accrue for employees as a result of services provided up to the reporting date that 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 and sick leave*

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

The annual leave liability is expected to be payable within 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 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.

### **(j) 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.

### **(k) Unrecognised contractual commitments and contingent assets and liabilities**

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

### **(l) Events after the reporting period**

There have been no events subsequent to 30 June 2018 that have had a material impact on the information disclosed in these financial statements.

### **(m) Continuity of operations**

The Commission holds a negative equity position of \$19,000 as at June 30 2018.

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.

## Lotteries Commission of South Australia

### 3. New and revised Accounting Standards and policies

The Commission did not voluntarily change any of its accounting policies during 2017-18

#### 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 period ending 30 June 2018. 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, except as outlined below.

Reference	Title and date of Standard application	Summary	Impact on financial statements	Application date for the Commission
AASB 16	<i>Leases</i> 1 January 2019	<p>This new standard introduces a single accounting model for lessees.</p> <p>The standard requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.</p> <p>A lessee is required to recognise a right-to-use asset representing its right to use the underlying leased asset, and a lease liability representing its obligations to make lease payments.</p> <p>In effect, the majority of leases currently classified as operating leases will be reported on the Statement of Financial Position.</p>	<p>This new standard is a significant departure from the past 30 years of accounting for leases.</p> <p>The Commission is currently assessing the impact of AASB 16 and believes there may be some impact to its financial statements in recognising some existing operating lease arrangements.</p> <p>The Commission will make a more detailed assessment of the impact over the next six months.</p>	1 July 2019
AASB 15	<i>Revenue from Contracts with Customers</i> 1 January 2019	<p>AASB 15 is the new standard for revenue recognition and replaces AASB 111 <i>Construction Contracts</i> and AASB 118 <i>Revenue</i>.</p> <p>It establishes a comprehensive framework for determining whether, how and when revenue is recognised.</p> <p>The principle in the new standard is 'when control of a good or service transfers to a customers' rather than 'when the risk and rewards of ownership reside'.</p>	<p>The Commission is currently assessing the impact of AASB 15.</p> <p>Presently, the Commission is unable to fully estimate the impact of AASB 15 on its financial statements. The Commission will make a more detailed assessment of the impact over the next six months.</p> <p>The Commission does note that Tatts is currently undertaking an analysis of the impact of the AASB 15 upon its business units, which includes its lotteries businesses. This analysis will be provided to the Commission for review when completed.</p>	1 July 2019

## Lotteries Commission of South Australia

Reference	Title and date of Standard application	Summary	Impact on Financial Statements	Application date for the Commission
AASB1058	<i>Income for Not-for-Profit Entities</i> 1 January 2019	<p>This Standard clarifies and simplifies the income recognition requirements that apply to not-for-profit entities in conjunction with AASB 15.</p> <p>AASB 15 and 1058 will supersede the majority of income recognition requirements relating to public sector not-for profit entities, previously in AASB 1004.</p> <p>The timing of income recognition depends on whether a transaction gives rise to a liability or other performance obligation or a contribution by owners related to an asset received by the entity,</p> <p>AASB 1058 applies when a not-for-profit entity receives volunteer services or enters into other transactions where the consideration to acquire the asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives.</p>	<p>The Commission is currently assessing the impact of AASB 1058.</p> <p>Presently, the Commission is unable to estimate the impact of AASB 1058 on its financial statements. The Commission will make a more detailed assessment of the impact over the next six months.</p>	1 July 2019
AASB 9	<i>Financial Instruments</i> 1 January 2018	<p>AASB 9 applies, with some exceptions, to all types of financial instruments and introduces a new classification model for financial assets that is more principles-based than the previous requirements in AASB 139.</p> <p>A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.</p>	<p>The Commission is currently assessing the impact of AASB 9 but does not expect this standard to have any material impact upon the classification and valuation of its financial instruments. The Commission will make a more detailed assessment of the impact over the next six months.</p>	1 July 2018

## Lotteries Commission of South Australia

4. Employee benefits expenses	2018 \$'000	2017 \$'000
Salaries	423	438
TVSPs (refer below)	-	41
Annual leave	47	39
Long service leave	( 5)	9
Skills and experience retention leave	1	-
Employment on-costs - other	3	-
Employment on-costs - superannuation contributions	44	44
<b>Total employee benefits expenses</b>	<b>513</b>	<b>571</b>

Targeted voluntary separation packages (TVSPs)	2018 \$'000	2017 \$'000
Amounts paid during the reporting period to separated employees:		
TVSPs	-	41
Annual leave, long service leave and skills and experience retention leave paid to those employees	-	18
<b>Cost to the Commission</b>	<b>-</b>	<b>59</b>

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

### 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 \$0.204 million (\$0.201 million).

	2018 No.	2017 No.
The number of employees whose remuneration received or receivable falls within the following band:		
\$189 001 - \$209 000	1	1
<b>Total number of employees</b>	<b>1</b>	<b>1</b>

## 5. Key management personnel

### (a) Key management personnel

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

The key management personnel comprised the following persons for the full financial year unless otherwise stated:

T Koutsantonis - Minister for Finance (1 July 2017 to 18 March 2018)  
Hon R Lucas MLC - Treasurer (19 March 2018 to current)  
D G Hardy, LLB, BA, GDLP - Commissioner

### (b) Key management personnel compensation

	2018 \$'000	2017 \$'000
The compensation of key management personnel included in employee benefits expenses (refer note 4) is as follows:		
Short-term employee benefits	186	197
Post-employment benefits	18	19
<b>Total key management personnel compensation</b>	<b>204</b>	<b>216</b>

## Lotteries Commission of South Australia

Salaries and other benefits the Minister for Finance and Treasurer receives are excluded from the totals above. The Minister's and 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*.

6. Supplies and services	2018	2017
	\$'000	\$'000
Operating leases	165	161
Internal audit fees	73	129
External audit fees	81	73
Computing and Communications	29	58
Other	35	36
Other occupancy costs	29	30
Consultancies	-	4
<b>Total supplies and services</b>	<b>412</b>	<b>491</b>

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.

Audit fees paid/payable to the Auditor-General's Department relating to work performed under the PFAA were \$81k (\$73k). No other services were provided by the Auditor-General's Department.

	2018	2017	2018	2017
	No.	No.	\$'000	\$'000
<b>Consultancies</b>				
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
<b>Total paid/payable to consultants engaged</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>4</b>

7. Master Agent fee	2018	2017
	\$'000	\$'000
Gross sales	458 613	450 095
less prizes	277 092	272 487
less gambling tax on NGR	74 424	72 819
less GST on NGR	16 502	16 146
<b>Gross Master Agent fee (including Agents' commissions)</b>	<b>90 595</b>	<b>88 643</b>
less Agents' commissions	34 443	34 019
<b>Net Master Agent fee</b>	<b>56 152</b>	<b>54 624</b>

## Lotteries Commission of South Australia

8. Sales revenue	2018	2017
	\$'000	\$'000
Saturday X Lotto	135 791	137 016
Keno	118 789	122 767
Powerball	61 797	58 076
Oz Lotto	54 999	45 332
Instant Scratch tickets	33 305	33 129
Monday and Wednesday X Lotto	31 866	31 655
Set for Life	18 621	19 803
Lucky Lotteries - Mega Jackpot	1 314	446
Super 66	765	750
The Pools	719	645
Lucky Lotteries - Super Jackpot	647	476
<b>Total sales revenue</b>	<b>458 613</b>	<b>450 095</b>

Sales revenue includes Agents' commissions.

9. Cost of sales	2018	2017
	\$'000	\$'000
Prizes	277 092	272 487
Gambling tax on net gambling revenue	74 424	72 819
Agents' commissions	34 443	34 019
GST on net gambling revenue	16 502	16 146
<b>Total cost of sales</b>	<b>402 461</b>	<b>395 471</b>

10. Revenues from SA Government	2018	2017
	\$'000	\$'000
Revenues from SA Government	927	777
<b>Total revenues from SA Government</b>	<b>927</b>	<b>777</b>

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

11. Cash and cash equivalents	2018	2017
	\$'000	\$'000
Deposits with the Treasurer	378	435
Funds held by the Master Agent	56 986	55 870
<b>Total cash and cash equivalents</b>	<b>57 364</b>	<b>56 305</b>

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.

### 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.

## Lotteries Commission of South Australia

12. Receivables	2018	2017
	\$'000	\$'000
<b>Current</b>		
Agent debtors	2 657	1 541
Prize settlements receivable from Blocs	1 056	1 264
Sundry receivables	-	4
Prepayments	1	2
<b>Total current receivables</b>	<b>3 714</b>	<b>2 811</b>
<b>Non-current</b>		
Receivable from Master Agent	1 889	1 889
<b>Total non-current receivables</b>	<b>1 889</b>	<b>1 889</b>
<b>Total receivables</b>	<b>5 603</b>	<b>4 700</b>

### *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.

13. Property, plant and equipment	2018	2017
	\$'000	\$'000
<b>Plant and equipment</b>		
Plant and equipment at cost (deemed fair value)	11	11
Accumulated depreciation	( 11)	( 11)
<b>Total plant and equipment</b>	<b>-</b>	<b>-</b>
<b>Leasehold improvements</b>		
Leasehold improvements at cost (deemed fair value)	185	185
Accumulated amortisation	( 160)	( 116)
<b>Total leasehold improvements</b>	<b>25</b>	<b>69</b>
<b>Total property, plant and equipment</b>	<b>25</b>	<b>69</b>

### **Reconciliation of property, plant and equipment**

The following table shows the movement of property, plant and equipment during 2017-18 and 2016-17.

	Leasehold improve- ments \$'000	Total \$'000
<b>Carrying amount at 1 July 2017</b>	69	69
Depreciation and amortisation	( 44)	( 44)
<b>Carrying amount at 30 June 2018</b>	<b>25</b>	<b>25</b>
<b>Carrying amount at 1 July 2016</b>	112	112
Depreciation and amortisation	( 43)	( 43)
<b>Carrying amount at 30 June 2017</b>	<b>69</b>	<b>69</b>

## Lotteries Commission of South Australia

14. Payables	2018	2017
	\$'000	\$'000
<b>Current</b>		
Prizes payable	12 818	13 382
Undistributed funds (note 15)	7 645	6 595
GST payable	880	779
Creditors and accrued expenses	1 151	591
Employment on-costs	26	26
<b>Total current payables</b>	<b>22 520</b>	<b>21 373</b>
<b>Non-current</b>		
Prizes payable	13 050	9 130
Employment on-costs	-	1
<b>Total non-current payables</b>	<b>13 050</b>	<b>9 131</b>
<b>Total payables</b>	<b>35 570</b>	<b>30 504</b>

Employment on-costs include payroll tax, WorkCover levies and superannuation contributions. The Commission makes contributions to one State Government superannuation scheme. 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 superannuation scheme.

*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.

### 15. Distribution of funds to SA Government

	Balance 1 July \$'000	Distribution		Balance 30 June \$'000
		Provided \$'000	(Paid) \$'000	
Gambling tax	6 286	74 928	(73 722)	7 492
Unclaimed prizes	309	1 675	(1 831)	153
<b>Totals 2017-18</b>	<b>6 595</b>	<b>76 603</b>	<b>(75 553)</b>	<b>7 645</b>
<b>Totals 2016-17</b>	<b>4 984</b>	<b>75 126</b>	<b>(73 515)</b>	<b>6 595</b>

*Comprising:*

**Distribution to Hospitals Fund**

Gambling tax	6 273	74 770	(73 563)	7 480
Unclaimed prizes	309	1 675	(1 831)	153
<b>Totals</b>	<b>6 582</b>	<b>76 445</b>	<b>(75 394)</b>	<b>7 633</b>

**Distribution to Recreation and Sport Fund**

Gambling tax	13	158	( 159)	12
Unclaimed prizes	-	-	-	-
<b>Totals</b>	<b>13</b>	<b>158</b>	<b>( 159)</b>	<b>12</b>

## Lotteries Commission of South Australia

16. Employee benefits	2018	2017
	\$'000	\$'000
<b>Current</b>		
Annual leave	122	129
Long service leave	146	141
Skills and Experience Retention	1	-
Accrued salaries and wages	11	8
<b>Total current employee benefits</b>	<b>280</b>	<b>278</b>
<b>Non-Current</b>		
Long service leave	3	13
<b>Total non-current employee benefits</b>	<b>3</b>	<b>13</b>
<b>Total employee benefits</b>	<b>283</b>	<b>291</b>

17. Other liabilities	2018	2017
	\$'000	\$'000
<b>Current</b>		
Prize Reserve Funds (a)	10 728	11 537
Keno Prize Reserve (b)	3 866	3 275
Monday and Wednesday X Lotto Division 1 Prize Reserve (c)	601	38
Set for Life Division 1 Prize Reserve (d)	( 738)	672
Unearned revenue - sales in advance	1 846	3 046
<b>Total current other liabilities</b>	<b>16 303</b>	<b>18 568</b>
<b>Non-current</b>		
Unclaimed prizes reserve (e)	10 855	11 690
<b>Total non-current other liabilities</b>	<b>10 855</b>	<b>11 690</b>
<b>Total other liabilities</b>	<b>27 158</b>	<b>30 258</b>

**(a) Prize Reserve Funds**

Balance at 1 July	11 537	11 339
Allocated to prize reserve funds	10 655	12 590
Applied to additional or increased prizes	(11 464)	(12 392)
<b>Balance at 30 June</b>	<b>10 728</b>	<b>11 537</b>

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, The Pools, 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	3 275	2 158
Allocated to prize reserve	86 297	89 186
Applied to prizes	(85 706)	(88 069)
<b>Balance at 30 June</b>	<b>3 866</b>	<b>3 275</b>

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

## Lotteries Commission of South Australia

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

Balance at 1 July	38	1 007
Allocated to prize reserve	6 578	5 395
Applied to prizes	(6 015)	(6 364)
Balance at 30 June	601	38

In accordance with the Game Rules, the Monday and Wednesday X Lotto Division 1 Prize Reserve was funded by an 18% contribution of net sales (gross sales less Agents' commissions) to meet Division 1 prizes.

	<b>2018</b>	2017
	\$'000	\$'000
<b>(d) Set for Life Division 1 Prize Reserve</b>		
Balance at 1 July	672	( 307)
Allocated to prize reserve	5 512	3 699
Applied to prizes	(6 922)	(2 720)
Balance at 30 June	( 738)	672

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	11 690	12 855
Unclaimed monies forfeited	3 350	3 683
Balance before distributions	15 040	16 538
Monies provided for distribution to the Hospitals Fund	(1 675)	(1 841)
Monies provided for distribution to the Recreation and Sport Fund	-	-
Applied to additional or increased prizes in subsequent lottery draws, prizes in promotional lotteries or ex gratia payments	(2 510)	(3 007)
Balance at 30 June	10 855	11 690

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

## Lotteries Commission of South Australia

### 18. Unrecognised contractual commitments

	2018	2017
	\$'000	\$'000
<b>Operating lease commitments</b>		
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	95	161
Later than one year but not longer than five years	-	95
<b>Total operating lease commitments</b>	95	256
	2018	2017
	\$'000	\$'000
<i>Representing:</i>		
Non-cancellable operating leases	95	256

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.

	2018	2017
	\$'000	\$'000
<b>Other commitments</b>		
Other expenditure contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	34	162
Later than one year but not longer than five years	2	7
<b>Total other commitments</b>	36	169

#### **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.

### 19. Contingent assets and liabilities

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

The Commission has made no guarantees.

## Lotteries Commission of South Australia

20. Cash flow reconciliation	2018	2017
	\$'000	\$'000
<b>Reconciliation of cash and cash equivalents at the end of the reporting period:</b>		
Cash and cash equivalents disclosed in the Statement of Financial Position	57 364	56 305
Balance as per the Statement of Cash Flows	57 364	56 305
<b>Reconciliation of net cash provided by operating activities to net cost of providing services:</b>		
<b>Net cash provided by (used in) operating activities</b>	1 059	6 114
Less: Unclaimed prizes distribution provided	1 675	1 841
Less: Revenues from SA Government	( 927)	( 777)
<b>Add (less): non-cash items</b>		
Depreciation and amortisation expense	( 44)	( 43)
<b>Movement in assets / liabilities</b>		
Increase(decrease) in receivables	903	(1 271)
(Increase)decrease in payables (including undistributed funds)	(5 066)	(4 174)
(Increase)decrease in employee benefits	8	-
(Increase)decrease in other liabilities	1 425	(2 786)
<b>Net cost of providing services</b>	( 967)	(1 096)

## 21. 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 all areas of 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

### 22. 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, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Note	SA Government		Non-SA Government		Total	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>EXPENSES</b>						
4. <b>Employee benefits expenses</b>	126	111	387	460	513	571
6. <b>Supplies and services</b>						
External audit fees	81	73	-	-	81	73
Operating leases	165	161	-	-	165	161
Internal audit fees	-	-	73	129	73	129
Computing and Communications	28	51	1	7	29	58
Other	6	12	29	24	35	36
Consultancies	-	-	-	4	-	4
Other occupancy costs	-	-	29	30	29	30
<b>Total supplies and services</b>	280	297	132	194	412	491
7. <b>Master Agent fee</b>	-	-	56 152	54 624	56 152	54 624
<b>TOTAL EXPENSES (excluding depreciation and amortisation)</b>	406	408	56 671	55 278	57 077	55 686
<b>INCOME</b>						
8. <b>Sales revenue</b>	-	-	458 613	450 095	458 613	450 095
9. <b>Cost of sales</b>						
Prizes	-	-	(277 092)	(272 487)	(277 092)	(272 487)
Gambling tax on NGR	(74 424)	(72 819)	-	-	(74 424)	(72 819)
Agents' commissions	-	-	(34 443)	(34 019)	(34 443)	(34 019)
GST on NGR paid to the ATO	-	-	(16 502)	(16 146)	(16 502)	(16 146)
<b>Total cost of sales</b>	(74 424)	(72 819)	(328 037)	(322 652)	(402 461)	(395 471)
<b>Other revenues</b>	1	9	1	-	2	9
10. <b>Revenues from SA Government</b>	927	777	-	-	927	777
<b>TOTAL INCOME</b>	(73 496)	(72 033)	130 577	127 443	57 081	55 410
11. <b>Cash and Cash Equivalents</b>						
Deposits held at call and cash on hand	378	435	-	-	378	435
Funds held by the Master Agent	-	-	56 986	55 870	56 986	55 870
<b>Total Cash and Cash Equivalents</b>	378	435	56 986	55 870	57 364	56 305
12. <b>Receivables</b>						
<b>Current</b>						
Prize settlements receivable from Blocs	-	-	1 056	1 264	1 056	1 264
Agent debtors	-	-	2 657	1 541	2 657	1 541
Sundry receivables	-	4	-	-	-	4
Prepayments	1	2	-	-	1	2
<b>Total current receivables</b>	1	6	3 713	2 805	3 714	2 811

## Lotteries Commission of South Australia

Note	SA Government		Non-SA Government		Total	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non-current</b>						
Receivables from Master Agent	-	-	1 889	1 889	1 889	1 889
<b>Total non-current receivables</b>	-	-	1 889	1 889	1 889	1 889
<b>Total receivables</b>	1	6	5 602	4 694	5 603	4 700
<b>14. Payables</b>						
<b>Current</b>						
Creditors and accrued expenses	89	128	1 062	463	1 151	591
Prizes payable	-	-	12 818	13 382	12 818	13 382
GST payable	-	-	880	779	880	779
Undistributed funds	7 645	6 595	-	-	7 645	6 595
Employment on-costs	26	26	-	-	26	26
<b>Total current payables</b>	7 760	6 749	14 760	14 624	22 520	21 373
<b>Non-current</b>						
Prizes payable	-	-	13 050	9 130	13 050	9 130
Employment on-costs	-	1	-	-	-	1
<b>Total non-current payables</b>	-	1	13 050	9 130	13 050	9 131
<b>Total payables</b>	7 760	6 750	27 810	23 754	35 570	30 504
<b>17. Other Liabilities</b>						
<b>Current</b>						
Prize Reserve Funds	-	-	10 728	11 537	10 728	11 537
Keno Prize Reserve	-	-	3 866	3 275	3 866	3 275
Monday and Wednesday X Lotto Division 1 Prize Reserve	-	-	601	38	601	38
Set for Life Division 1 Prize Reserve	-	-	( 738)	672	( 738)	672
Unearned revenue - sales in advance	-	-	1 846	3 046	1 846	3 046
<b>Total current other liabilities</b>	-	-	16 303	18 568	16 303	18 568
<b>Non-current</b>						
Unclaimed prize reserve	-	-	10 855	11 690	10 855	11 690
<b>Total non-current other liabilities</b>	-	-	10 855	11 690	10 855	11 690
<b>Total other liabilities</b>	-	-	27 158	30 258	27 158	30 258

# Lotteries Commission of South Australia

## 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 2018 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



**Lesla Lum**  
Senior Management Accountant

5 September 2018