

where dreams  
become reality

ANNUAL REPORT 2003

# The office never looked so good



WHERE WOULD YOU BE  
IF YOU HAD SHARED  
IN SATURDAY LOTTO'S  
MASSIVE \$28 MILLION  
DRAW IN DECEMBER 2002?



The Hon Michael Egan, MLC  
Treasurer

The Hon John Della Bosca, MLC  
Special Minister of State and  
Minister for Industrial Relations

Dear Treasurer and Minister

**Re: Report of Performance for the Year Ended 30 June 2003**

We are pleased to submit the Annual Report for NSW Lotteries Corporation covering the year ended 30 June 2003, for presentation to Parliament.

The Annual Report was prepared in accordance with the State Owned Corporations Act 1989 and the Annual Reports (Statutory Bodies) Act 1984.

The Financial Statements for 2002-2003, which form part of the Annual Report, have been certified by the Auditor-General of New South Wales without qualification.

John Bagshaw  
Chairman

Michael Howell  
Chief Executive Officer

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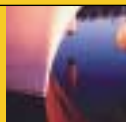
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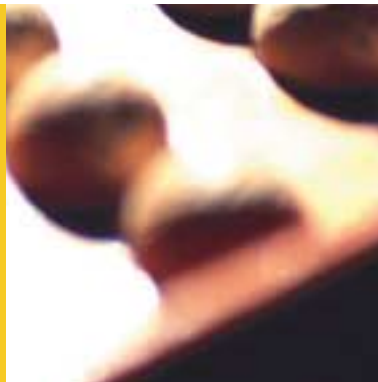


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# History

For 72 years, NSW Lotteries has provided players with entertaining games and the chance to make their dreams become reality. How many of the dates listed below do you remember?

- 1931
  - 22 June – The Lotteries Act was proclaimed
  - 10 August – The first State Lottery went on sale
  - 20 August – The first State Lottery was drawn with a first prize of £5,000
- 1947
  - A Special Lottery was commenced with the first prize of £12,000
- 1954
  - Mammoth Lotteries were introduced with a first prize of £30,000
- 1956
  - A Jackpot prize was added to the Mammoth Lottery
- 1957
  - Opera House Lottery tickets went on sale for a first prize of £100,000
- 1963
  - The New Jackpot Lotteries commenced
- 1974
  - The first \$10 Lottery went on sale offering a first prize of \$250,000
- 1975
  - The Half-Million Dollar Lottery was introduced
- 1979
  - Lotto introduced – Monday only – 6 from 40 game matrix
- 1980
  - The Million Dollar Lottery was introduced
- 1982
  - Instant Scratchies commenced selling
- 1984
  - Wednesday Lotto introduced
- 1987
  - New computer gaming system introduced – all agencies were now online
  - Lotto commenced selling online
- 1989
  - Lotto changed from 40 to 44 numbers and the Wednesday draw changed to Thursday.
  - Players were able to enter Monday and Midweek games separately
  - Licence to conduct 6 from 38 Pools (the 1st national game) granted to NSW Lotteries
- 1994
  - OZ Lotto introduced (the 2nd national game)
- 1995
  - Lotto Strike introduced
- 1996
  - Midweek Lotto game changed back to Wednesday night and the new Powerball game was introduced (the 3rd national game) on Thursday night
  - Last Million Dollar Lottery drawn and replaced by a new Lucky 7 lottery game
- 1997
  - NSW Lotteries incorporated as a State Owned Corporation
- 2000
  - Implementation of new state-of-the-art Gaming System
  - Saturday Lotto introduced (the 4th national game)
  - Lucky 7 discontinued
- 2001
  - June – NSW Lotteries is the first Australian lottery organisation to achieve \$1 Billion in sales during a financial year
  - August – NSW Lotteries celebrates 70 years of operation
- 2003
  - NSW Lotteries continues to be the largest lottery operator in Australia

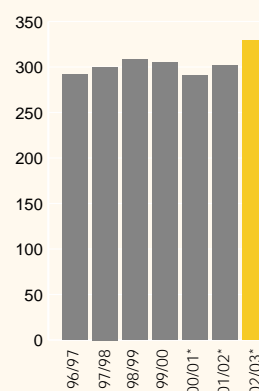
# Statement of Corporate Intent

As a State Owned Corporation, NSW Lotteries is accountable to its Shareholder Ministers, the Hon Michael Egan MLC, Treasurer, and the Hon John Della Bosca MLC, Special Minister of State, for its commercial performance. A Statement of Corporate Intent is negotiated annually between NSW Lotteries and the Shareholder Ministers and sets out the key performance measures and targets to be achieved by the Corporation each financial year. Key financial results for 2002/2003 were as follows:

## RESULTS FOR FISCAL 2003

Performance Measure	Target	Result
Sales	\$1,038.4 m	\$1,092.9 m
Government Duty	\$262.81 m	\$276.25 m
Dividend and Tax		
Equivalent Payments	\$44.78 m	\$53.02 m
Total	\$307.59 m	\$329.27 m
Profit from Ordinary Activities Before Significant Items and Government Tax Equivalents	\$34.78 m	\$43.02 m
Shareholder Value Added	\$21.35 m	\$27.36 m

Total Revenue to NSW Government (\$M)



\* Excludes GST

By agreement between the Commonwealth and State Governments, with the introduction of the GST, the rate at which NSW Lotteries pays duty to the NSW Government was reduced to compensate for the GST payable to the Commonwealth Government.

## PERFORMANCE SNAPSHOT

Category	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Sales (\$M)**	909.4	939.3	963.2	946.0	1,010.7**	1,020.8**	1,092.9**
Total Government Revenue (\$M)	291.3	300.6	308.0	306.5	332.4**	343.6**	373.6**
Return on Average Shareholder Equity (%)	55	67	64	50	55	64	90
Return on Corporate Assets (%)	37	38	36	31	32	35	44
Selling System Up-time (%)	99.97	99.99	99.99	100.00	99.96	99.99	99.99
Staff Number	235	222	209	203	205	201	195
Sales per Employee (\$M)	3.9	4.2	4.6	4.7	4.9	5.1	5.6

\*\* Includes GST

Total Government Revenue includes Duty, Dividends and Tax Equivalent payments, and excludes payments to the Australian Capital Territory Government



John Bagshaw  
Chairman

Michael Howell  
Chief Executive Officer



# Overview

by the Chairman and  
Chief Executive Officer

In its seventy-second year of trading, NSW Lotteries Corporation achieved another year of record results in fiscal 2003. Net sales of \$1,092.9 million, were \$72.1 million, or 7.1%, above the previous year. This pleasing result was mainly due to the strong performance of our Lotto style games, with sales increasing by 9.2% on the previous year. There was also a welcome 8% sales increase in the Lucky Lotteries game due to a record jackpot run in the \$2 Jackpot Lottery. The end result is that we are able to report that record sales have now been delivered in twelve out of the last thirteen financial years.

Our contribution to the NSW Government reached \$329.3 million, which was \$26.9 million (or 8.9%) up on last year. This figure comprises statutory duties of \$276.3 million together with tax equivalent payments and dividends of \$53.0 million. This total included a Special Dividend paid to Government of \$10 million. This strong result has led to a significant increase in Shareholder Value and ensures that NSW Lotteries continues to be the largest lottery operator in Australia.

During fiscal 2003, NSW Lotteries' products were sold and actively promoted by almost 1,600 retailers who operate from a variety of small businesses throughout New South Wales and the Australian Capital Territory. Retailers earned almost \$71.1 million in handling fees, which was \$8.6 million above the previous year. The growth in commissions of 13.7% was considerably above the 7.1% growth in sales. Whilst there were no new games introduced this year, a number of system enhancements

introduced during the previous year began to realise their full potential. Sales of higher commission products such as Autopick and Megapick entries have proven popular with players and contributed significantly to the improved return to agents. Our efforts to provide high quality and meaningful support to agents during the year have been acknowledged in a recent satisfaction survey. Some 91% of our retail network indicated that they were extremely satisfied with the level and quality of service provided by the Corporation.

To ensure our agents are equipped to take on the demands of promoting and selling our products, the Corporation continued to provide them with valuable support in fiscal 2003. Retail training was enhanced, particularly for our agents from a non-English speaking background, who represented over 40% of agents appointed during the past year. In addition, special training in new legislative requirements was developed for our agents in the Australian Capital Territory. The Corporation also reviewed the adequacy of our Call Centre technology and a major technical upgrade will occur in the coming year. Agents are also benefiting from the enhancement to the online selling system that allows them to order their consumable stationery and Instant Scratchie tickets directly through the agent selling terminals.

The Board and Management continue to place a high value on the important contribution that our employees make to our corporate achievements. The competence, willingness, flexibility and

commitment of our staff were key elements in our successful year.

Whilst we planned and worked towards major growth in Saturday Lotto and incremental improvements in other games, the extraordinarily favourable jackpot run in Powerball and record jackpot run in the \$2 Jackpot Lottery, were major contributors to our record result. Clearly, a jackpotting feature is an essential element of a successful lottery product. However, jackpots are not controllable and accordingly, they cannot be relied upon to provide growth in future years.

NSW Lotteries realises that with continuing success comes additional responsibilities to all stakeholders including:

- income growth for our retailers and Shareholders;
- popular games, conducted with integrity, for our players; and
- a positive working environment for our staff, which encourages efficiency.

In a mature industry faced with ever increasing competition, the major challenge for NSW Lotteries will be to maintain the sales growth delivered over the past 10 years.

We would like to thank our players, our staff and our retailers for their ongoing support. Quite clearly, our business cannot succeed without their enthusiasm and commitment.

We look forward with great anticipation to the challenges which lie ahead.

# Key Facts

## 2002>03

	Sales	Game Matrix	Prizes Won in NSW	No. of Millionaires & 1st Prize Winners	Total No. Winners	Largest First / Jackpot Prize
Lotto	\$248.6 m	6 from 44	\$147.2 m	25 millionaires 129 Division One winners	5,021,127	\$3 m
Lotto Strike	\$15.7 m	First 4 Lotto numbers	\$10.5 m	2 millionaires 2 Strike 4 winners	1,400,718	\$2 m
Saturday Lotto	\$181.3 m	6 from 45	\$115.5 m	18 NSW millionaires 51 NSW Division One winners	2,019,121	\$28 m
OZ Lotto	\$109.3 m	6 from 45	\$65.1 m	8 NSW millionaires 10 NSW Division One winners	527,985	\$10 m
Powerball	\$253.1 m	5 from 45 & 1 from 45 drawn by a 2nd machine	\$123.2 m	5 NSW millionaires 5 NSW Division One winners	4,150,891	\$30 m
Instant Scratchies	\$172.3 m	Game Pricepoints: \$1 \$2 \$2.50 \$3 \$4 \$5 \$10	\$105.1 m	Number of Game Top Prizes: 40 27 7 17 4 14 4	22,957,029 (approx) total prizes paid	\$50 k \$100 k \$300 k \$50 k \$1 m \$250 k \$500 k
Lucky Lotteries	\$105.1 m	\$2 Jackpot Lottery 200,000 tickets	\$48.5 m	226 1st Prize winners 2 \$2 Jackpot Lottery millionaires	10,147 Prizes every \$2 Jackpot Lottery draw	\$5.375 m won in Nov 2002 At 30 June 2003, the Jackpot stood at \$11.45 m
		\$5 Jackpot Lottery 140,000 tickets	\$11.9 m	21 1st Prize winners 2 \$5 Jackpot Lottery millionaires	12,880 Prizes every \$5 Jackpot Lottery draw	\$3.55 m won in Dec 2002
6 From 38 Pools	\$7.5 m	6 from 38	\$2.6 m	6 Division One winners	96,733	\$1.2 m
<b>Total</b>	<b>\$1,092.9 m</b>		<b>\$629.6 m</b>			

# The Year in Brief

## OUR PLAYERS

Objective	Performance Measure	Target 2002/03	Result 2002/03
<b>1. Product Development</b>			
Provide players with a range of attractive and appealing products and features	Meet or exceed sales target	\$1,038.4 m	\$1,092.9 m
For full details, refer page 19			
<b>2. Player Services</b>			
Provide excellent service to players	Satisfaction of Players with services provided as measured by biannual surveys	There was no player survey planned or undertaken during the year	Nil
For full details, refer page 24			

## OUR BUSINESS

<b>3. Retail Performance</b>			
Manage the performance of the retail network to meet sales growth targets	Annual number of Retail Image completions	180	218
For full details, refer page 27	Satisfaction of Agents with support services provided as measured by annual surveys	89%	91%
<b>4. Responsibility</b>			
Conduct our business responsibly to meet regulatory and community expectations	Compliance with the Corporation's Responsible Gaming Package	100%	100%
For full details, refer page 30			
<b>5. Technology</b>			
Improve business efficiencies by using technology to improve work practices	Gaming System Uptime	99.95%	99.99%
For full details, refer page 31			

## OUR PEOPLE

<b>6. Working Environment</b>			
Provide a working environment that motivates and encourages high performance	Score achieved for employees' overall satisfaction in biennial Staff Attitude Survey	There was no employee survey planned or undertaken during the year	Nil
For full details, refer page 33			

## OUR FINANCES

<b>7. Shareholder Value</b>			
Achieve financial and other targets agreed with Shareholders	Duties paid to Governments	\$262.81 m	\$276.25 m
For full details, refer pages 3 & 37	Profit from Ordinary Activities before Significant Items and Government Tax Equivalent	\$34.78 m	\$43.02 m
	Shareholder value added	\$21.35 m	\$27.36 m



## Other Achievements

- > Sales totalled \$1,092.9 million (GST inclusive) – \$72.1 million (or 7.1%) above the previous year
  - > Prizes won in NSW totalled \$629.6 million
  - > Combined turnover for Lotto style games was \$808 million - \$68 million (or 9.2%) above the previous year
  - > Instant Scratchie sales were \$172.3 million – \$3.8 million (or 2.1%) below the previous year
  - > Lucky Lotteries sales were \$105.1 million – \$7.7 million (or 7.9%) above the previous year
  - > 6 from 38 Pools sales were \$7.5 million – \$0.2 million (or 2.7%) above the previous year
- 
- > Performance targets were achieved in nine key service areas that are determined during the Corporation's annual business planning process
  - > More than 200,000 calls were received through the Call Centre – 10% down on the previous year
  - > [www.nswlotteries.com.au](http://www.nswlotteries.com.au) attracted 2,473,168 user sessions during the year – 25% up on the previous year
  - > Over 1.2 million players continue to maintain their Players Club membership
  - > Sales of Network Syndicates exceeded \$7.4 million
- 
- > By the end of fiscal 2003 there were 1,426 Online and 168 Instant Scratchies retail outlets
  - > Total commission on product sales paid to agents was \$71.1 million – \$8.6 million (or 13.7%) above the previous year
  - > At the end of fiscal 2003, 1,134 agents were operating on formal business plans which are designed to support agency performance
  - > Over 11,000 visits to agencies were conducted by Territory Managers
  - > 218 Retail Image completions were achieved against a target of 180
  - > 747 promotions were conducted at key retail outlets
  - > Over 1,300 people attended Agent Training courses covering all aspects of operating a NSW Lotteries agency
  - > An Agency Satisfaction Survey resulted in an overall satisfaction rating of 91%, exceeding the target of 89%
- 
- > The Corporation remains committed to ensuring that all possible action is taken to minimise any negative impacts from the sale and promotion of its range of products
  - > NSW Lotteries' comprehensive Responsible Gaming policies continue to exceed all legislative requirements introduced to date
  - > A specific training course was developed for agents covering new legislative requirements in the Australian Capital Territory
  - > Responsible Gaming continues to form part of formal Agent Training sessions conducted by the Corporation
  - > A compliance monitoring program is continuously undertaken by the Corporation's field-based Territory Managers
- 
- > The telecommunications network achieved 99.96% uptime meeting its target for the year
  - > Overall system availability was 99.97% which exceeded the target of 99.96%
  - > 340 million transactions were processed on the gaming system during the year
  - > All gaming system data is now recorded at two separate sites thereby minimising the risk of losing critical trading data
- 
- > The Performance Development Program introduced in fiscal 2002 was updated
  - > Occupational Health and Safety training was conducted for managers, supervisors and staff
  - > A range of health programs continued throughout the year including influenza inoculations, stress management courses and physical fitness activities
  - > Approximately 80% of all staff attended some form of training during the year
- 
- > A total of \$373.6 million was contributed to Government in the form of duties, tax equivalents, dividends and GST, which was \$30.0 million up on last year
  - > A special dividend of \$10 million was paid to Government
  - > Total sales per employee rose by \$500,000 to \$5.6 million

# What we do



## OUR CHARTER

NSW Lotteries has operated for 72 years and is the only Government-owned gaming and wagering operator in New South Wales. A significant milestone in our history was the corporatisation of the organisation on 1 January 1997. Revenue raised by the Corporation is paid into the Consolidated Revenue Fund for allocation to a broad range of community services for the benefit of the people of the State.

In accordance with the provisions of the NSW Lotteries Corporatisation Act, 1996, NSW Lotteries has the following charter:

- To successfully develop, promote, conduct and otherwise participate in any lawful forms of gambling and gambling-related activities;
- To be a successful business and, to this end:
  - to operate at least as efficiently as any comparable businesses,
  - to maximise the net worth of the State's investment in the Corporation,
  - to be a successful participant (whether directly or indirectly) in any other business or activity that the Corporation determines is, or may be, of sound commercial benefit to the Corporation; and
- To exhibit a sense of social responsibility by having regard to the interests of the community in which it operates, and by endeavouring to accommodate these interests if it is possible to do so.

## OUR GAMES

The Corporation is licensed to conduct the following games in New South Wales and the Australian Capital Territory:

- Lotto (with draws on Monday, Wednesday and Saturday)
- Lotto Strike
- Powerball
- OZ Lotto
- Instant Scratchies
- Lucky Lotteries
- 6 from 38 Pools.

The games of Saturday Lotto, Powerball, OZ Lotto and 6 from 38 Pools are national games operated in conjunction with other Australian lottery operators. A network of nearly 1,600 small businesses spread throughout NSW and the ACT ensures that products are easily accessible to over 2 million customers each week.

## VISION, MISSION and VALUES

The Vision, Mission and Values Statements define the broad parameters for the Corporation's business activities and the characteristics of our operating environment.

The Vision Statement defines how we want the Corporation to be viewed by our Stakeholders in the long term.

The Mission Statement identifies the reason for our existence and the nature of our business.

The Corporate Values are designed to emphasise our ethics and professionalism as an organisation and reflect our attitudes towards the important contributions of players, retailers and staff in achieving our commercial objectives.

We will continue to be the leading lottery operator in Australia.

We contribute to the community of NSW and maximise the return to Government by providing quality lottery products and services.

Our Values are:

- > Absolute integrity in all our activities.
- > Total commitment to providing excellent service to players.
- > Recognition of the important contribution of retailers to our achievements.
- > Pride in our work and recognition that all employees contribute to our success.

# Vision

# Mission

# Values

## PRIMARY OBJECTIVES

To ensure that NSW Lotteries remains focussed on achieving commercial success, the Corporation conducts a structured annual business planning process. This process provides for a review of our Vision, Mission and Values and allows the Corporation to identify the key strategic issues that will significantly impact on the business and what actions must be taken if the organisation is to achieve its goals. For fiscal 2003, we identified four aspects of the business that were imperative to the achievement of our goals. These four areas and associated objectives were:

## Our Players

### Objective 1:

- Product Development
- Provide players with a range of attractive and appealing products and features

### Objective 2:

- Player Services
- Provide excellent service to players

## Our Business

### Objective 3:

- Retailer Performance
- Manage the performance of the retail network to meet sales growth targets

### Objective 4:

- Responsibility
- Conduct our business responsibly to meet regulatory and community expectations

### Objective 5:

- Technology
- Improve business efficiencies by using technology to improve work practices

## Our People

### Objective 6:

- Working Environment
- Provide a working environment that motivates and encourages high performance

## Our Finances

### Objective 7: Shareholder Value

- Achieve financial and other targets agreed with Shareholders

Our performance on each of these objectives is detailed later in this report.



NSW Lotteries is a State Owned Corporation, established under the provisions of the NSW Lotteries Corporatisation Act, 1996. The Corporation conducts its lottery games in accordance with the requirements of the Public Lotteries Act, 1996, and is exclusively licensed by the State Government to sell these games until 1 July 2007 when the licences fall due for renewal.

The Corporation strives to maintain best practice in all of its operations and, in particular, in its governance practices.

For Corporate Governance purposes, the Corporation's key stakeholders are:

- Two Shareholder Ministers: The Hon Michael Egan MLC, Treasurer, and the Hon John Della Bosca MLC, Special Minister of State. These Ministers represent the NSW Government and are responsible for protecting the interests of the Government;
- The Portfolio Minister: The Hon Grant McBride MP, Minister for Gaming and Racing, who is responsible for establishing and managing the regulatory framework governing the Corporation's lottery activities; and
- The NSW Treasury, which reviews corporate performance on behalf of the Shareholder Ministers.

The separation of the Shareholder Ministers' role from that of the Regulator is a key foundation of the Corporatisation model followed in New South Wales. It is intended to provide clear lines of accountability for the Corporation's commercial performance. Representatives of the

Board meet periodically with the Shareholder and Portfolio Ministers to discuss the Corporation's performance and any other significant business issues which may arise during the course of the year.

#### **ROLE OF THE NSW LOTTERIES BOARD**

The NSW Lotteries Board is accountable to the Shareholder Ministers and has been established to provide effective leadership, direction and oversight to the Corporation.

There are six non-executive Directors on the Board who are appointed by the Shareholder Ministers. The Chief Executive Officer is an ex-officio member of the Board, and is appointed by the non-executive Directors after consultation with the Shareholder Ministers.

The Board's Corporate Governance functions include, but are not limited to:

- Providing strategic direction;
- Validating, approving and monitoring strategic issues;
- Determining key policies which impact on the Corporation's activities;
- Approving Strategic Alliances;
- Monitoring organisational performance against targets;
- Liaising with the Shareholder Ministers and the Portfolio Minister;
- Ensuring compliance with statutory, financial and social responsibilities; and
- Ensuring business risks are appropriately identified and managed.

#### **COMPOSITION OF THE BOARD**

As at 30 June 2003, the Board members were:

John Bagshaw (Chairman)

Bonita Boezeman (Deputy Chairman)

Michael Howell (Chief Executive Officer)

John Johnson

Denis McCormack

Alison Payne

Suzanne Walsh

The Board consists of:

- The Chief Executive Officer;
- One Director to be appointed by the Shareholder Ministers on the recommendation of a selection committee comprising:
  - I. Two persons nominated by the Portfolio Minister; and
  - II. Two persons nominated by the Labor Council of NSW. This Director is selected by the committee from three persons nominated by the Labor Council; and
- At least two and not more than five other Directors to be appointed by the Voting Shareholders at their discretion.

Each Director, with the exception of the Chief Executive Officer, may be appointed to hold office for a period not exceeding five years, and their level of remuneration is determined by the Shareholders. The Chief Executive Officer does not receive any additional remuneration for his role as an Executive Director.

# Corporate Governance

NSW Lotteries maintains Directors' and Officers' liability insurance which extends to cover current Directors and Officers of NSW Lotteries. This coverage does not extend to deliberate acts of fraud or dishonesty. Each Director has the capacity to seek independent professional advice if they so desire.

## BOARD RESPONSIBILITIES

The Board is accountable for the overall direction and performance of the Corporation. The Chief Executive Officer is responsible for the day-to-day management of the business in accordance with the directions and policies of the Board.

Board members have significant responsibilities and duties imposed on them by the legal framework governing the Corporation. These include obligations to:

- Act in good faith and in the best interests of the Corporation;
- Exercise reasonable skill, care and diligence in fulfilling the functions of office and exercising the powers of a Director;
- Exercise the powers of the position so as not to gain personal advantage or cause detriment to the Corporation; and
- Avoid, or otherwise appropriately deal with, actual or perceived conflicts of interest.

Further responsibilities required by the State Owned Corporations Act, 1989, include that Directors must:

- Act honestly in exercising power;
- Exercise a reasonable degree of care and diligence in the discharge of duties;
- Not make improper use of information gained as a Director;
- Not make improper use of the position as a Director to gain directly or indirectly an advantage for themselves or another person, or cause detriment to NSW Lotteries; and
- Disclose any direct or indirect interest, and the nature of that interest, in a matter being, or about to be, considered by the Board.

A Code of Conduct for the Board has been developed and distributed to all members to ensure that their duties and responsibilities are known and understood.

## BOARD'S OPERATING FRAMEWORK

The Board has established a basic framework to ensure the efficient and effective management of the Corporation's commercial activities. Key features of the framework are:

- Active involvement in strategic planning for the Corporation;
- Regular monitoring and reviewing of all major areas of the Corporation's performance; and
- Sharing the individual skills of Directors in important areas of the business by participating in Board Committees.

The Board approves all tenders and items of capital expenditure exceeding \$100,000 as well as Annual Budgets, overseas travel, new products, Business Plans and the Annual Report (including Financial Statements).

## BOARD MEETINGS

Normal meetings of the Board are held at monthly intervals but additional meetings may be held to discuss matters of an urgent or significant nature. During the year 11 monthly Board meetings were held, with the following attendance:

John Bagshaw	11
Bonita Boezeman	11
Michael Howell	10
John Johnson	11
Denis McCormack	11
Alison Payne	10
Suzanne Walsh	9

## BOARD COMMITTEES

The Board has established four standing Committees – each with its own documented charter – to assist in the overall good governance of the Corporation and enable in-depth consideration of the more complex and significant issues. The Committees provide an effective mechanism for examining major issues in more detail than would be possible within the time constraints of normal monthly Board meetings. The role and composition of the Committees are examined regularly, as part of the annual review of Board performance, and varied to meet the changing needs of the Corporation.



### Marketing Committee

The Marketing Committee's primary role is to monitor progress on the execution of the Corporation's Marketing Plan, after it has been approved by the Board. The Committee also provides a forum for senior marketing managers to utilise the experience and seek the views of Committee members on major marketing issues.

The Committee also:

- Discuss marketing and sales related matters;
- Discuss Responsible Gaming and Corporate Image matters;
- Provides a forum for discussion on future product, technological and distribution opportunities; and
- Examine any marketing related matters which may be referred to the Board.

During the year, the Committee also considered a range of opportunities for new products and enhancements to the existing product range, as well as major new marketing campaigns and various promotions.

The Marketing Committee comprises the following Board members:

- Denis McCormack (Chair);
- John Bagshaw;
- Bonita Boezeman;
- Michael Howell;
- John Johnson;
- Alison Payne; and
- Suzanne Walsh

### Audit and Governance Committee

The Audit and Governance Committee assists the Board in discharging its responsibilities with regard to risk management, statutory financial reporting and corporate governance. The functions of the Committee include:

- Reviewing the annual internal audit plan;
- Reviewing management's responses to actions arising from internal and external audit reports;
- Annually considering the adequacy of the Corporation's Business Continuity Plan, assessments of business risks and insurance coverage;
- Reviewing statutory financial information; and
- Considering any significant corporate governance issues.

The Committee comprises the following members:

- Bonita Boezeman (Chair);
- John Johnson;
- Alison Payne; and
- Suzanne Walsh.

The Chief Executive Officer, whilst not a member of the Committee, attends meetings when invited to do so by the Committee.

### Information Technology Committee

The Information Technology Committee is responsible for assisting the Board in ensuring the appropriate use of Information Technology within the Corporation. Its responsibilities include:

- Monitoring both the development and implementation of the Corporation's Information Technology Strategic Plan;
- Reviewing and monitoring the appropriateness of computer systems to ensure that revenues to Government are maintained, service delivery is enhanced, and new technology and associated distribution channels are considered; and
- Overseeing the implementation of strategies and policies to minimise interruption to online selling activities.

The Committee focussed a great deal of attention on measures aimed at maximising the potential of the new gaming system introduced in fiscal 2001 as well as improving business processes that would benefit the Corporation internally and improve services to players and agents.

The Information Technology Committee is comprised of:

- John Bagshaw (Chair);
- Michael Howell;
- Denis McCormack; and
- Alison Payne.



Lotto winners "crewed" Lotto's entry in the 2003 Australia Day Ferrython on Sydney Harbour

### Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee provides advice to the Board on remuneration and human resources issues affecting the Corporation. These include:

- Advice and assistance in the selection of senior executives;
- Advice on remuneration issues for the Corporation;
- Reviewing the effectiveness of Human Resources policies; and
- Monitoring the organisation's compliance with relevant statutory requirements.

During the year the Committee reviewed a range of issues including the Corporation's Reward and Recognition scheme and the Senior Executive Remuneration System.

The Human Resources and Remuneration Committee is comprised of:

- John Bagshaw (Chair);
- Bonita Boezeman; and
- Michael Howell.

### MONITORING PERFORMANCE

NSW Lotteries has a series of operational performance indicators which are subject to monitoring and report at each Board meeting. These include:

- Progress on strategic action plans;
- Sales;
- Staff number;
- Operating revenue, costs and profit;
- Duty to Government; and
- Selling system uptime.

Each quarter the Board also receives detailed reports on progress towards the achievement of targets specified in the Corporate Business Plan, strategies and associated action plans, and product profitability.

### ANNUAL REVIEW OF BOARD PERFORMANCE

As part of its continuous improvement philosophy, the Board conducts an annual review of its performance to assess the extent to which it is meeting its various responsibilities. The purpose of the review is to identify areas of possible improvement or where extra attention is required to ensure that the Board accomplishes its role in the most efficient and effective manner possible. During the process, each Board member and executive manager of the Corporation is provided with an opportunity to contribute suggestions which might improve the way that the Board carries out its role and responsibilities.





**John Bagshaw**

(Chairman)  
BSc, FAICD

John is the inaugural Chairman of the corporatised Board of NSW Lotteries and a founding member of the first Board established in 1991. He was formerly Chairman and Chief Executive of Bell and Howell Australia Group Limited and has 33 years Board experience primarily in gaming, computer technology and technology related fields. John operates his own corporate consultancy and is also a commercial breeder of standard bred horses. He previously served as a Director of NSW Harness Racing Club Ltd.



**Michael Howell**

(Chief Executive Officer)  
Dip Tech (Comm), CPA

Appointed Chief Executive Officer of NSW Lotteries Corporation in 1997 after seven years as General Manager of NSW Lotteries, Michael was a founding member of the Board and has 31 years experience in commerce and public sector finance. He has worked in the lottery industry for 19 years and has acted as an adviser to a number of overseas Governments on the introduction of the Lotto game. He is Chairman of the National Lotto Bloc and a member of CPA Australia.



**Bonita Boezeman AO**

(Deputy Chairman)  
PMD Harvard, FAMI, FAICD

Appointed March 1994. Currently Managing Director of Business Benefits International, Bonita was formerly an international executive with Time Warner Inc for 23 years and was Chairperson and Chief Executive Officer of Time Life (Australia) Pty Ltd for 13 years. A graduate of the Harvard Business School Executive Program in 1987, Bonita has an extensive background in marketing and financial management. She is currently a Board Director of the Defence Housing Authority, and public companies such as Perpetual Trustees as well as the Catholic Development Fund, the Corporate Olympic Committee and Chair of the East West Foundation.

# Board of Directors



## **Denis McCormack**

FAMI, FAIA, AIFS

Appointed January 1997. Denis is Managing Director of Southside Six Pty Ltd. His marketing career spans more than 38 years. A former Advertising Agency Director and Chief General Manager (Marketing) of St. George Bank Ltd, Denis is also a former member of the NSW Lotto Board of Control and a former Director of the Sydney Festival and IOOF Building Society (Victoria). His current directorships include Fantastic Holdings Ltd, the Lansdowne Club (Ireland-Australia Business Group) and Sutherland Credit Union Ltd. Denis is also a member of various charity committees.



## **John Johnson**

Appointed April 2002. John has a background in retail which led to an extensive involvement in the union movement where he held numerous official positions. He was a member of the Legislative Council of NSW for 26 years and was President of the House for 13 years. During his time in Parliament John sat on a range of Parliamentary Committees and retired from Parliament in 2001. John is a former director of Prince Henry and Prince of Wales Hospital Group and was former Guildmaster of the Catholic Evidence Guild. He is a Board member of the Randwick Labor Club and was appointed in 2003 as Chairman of the Board of The Catholic Press Newspaper Company Pty Ltd.



## **Alison Payne**

MAppFin (Macq), BCom (Melb), FAICD, FAIBF, FFTP (Snr), ASIA  
Appointed April 2002.

Alison has over 17 years experience in banking and financial risk management. Her background covers corporate and risk advisory services, credit and account management and financial and capital markets. She has held roles with Westpac Banking Corporation, State Bank of New South Wales and Schroders Australia. Alison has recently been appointed to the Board of the Territory Insurance Office and is currently a Visiting Fellow with Macquarie University, lecturing on Financial Risk Management in the Masters of Applied Finance program. She is NSW Chapter Chair and member of the National Council of the Finance & Treasury Association. Alison also operates a specialist treasury and financial risk management consultancy.



## **Suzanne Walsh**

Appointed July 2000. Sue is the NSW Labor Council representative on the Board. She is President of the Public Service Association of NSW, the union representing State Public Sector employees with 45,000 members, operating a wide range of Government departments, corporations and trading enterprises. Sue was elected as Director of SGE Credit Union in November 2000 and recently was elected to the Executive of the Labor Council. Sue is committed to supporting community organisations and is a Director of the Bowlers' Club of New South Wales. In addition, Sue is a Federal Councillor on the State Public Service Federation, which is part of the Community and Public Sector Union with 180,000 members nationwide. She also represents NSW on a Federal Education Industry Committee.



Board



Board Committees



Chief Executive Officer



Operational Divisions



### Corporate Services Division

#### **Susan Browne**

B. Comm., CA.  
Director Corporate Services

- Business Planning
- Human Resources
- Property Management
- Support Services
- Executive Support



### Customer & Agency Services Division

#### **Chris Patterson**

Dip Tech (Comm), PNA  
Director Customer and Agency Services

- Customer Service
- Agency Appointment and Review
- Prize Payments
- Player Registration
- Call Centre
- Lotto/Lottery Draws
- Warehousing and Distribution
- Corporate Retail Sales



### Finance Division

#### **Brian McIntyre**

MComm, FCA, MAICD  
Director Finance

- Company Secretary
- Financial Planning & Budgeting
- Funds Management
- Financial Reporting
- Retailer Accounting
- Audit and Risk Management



# Management Structure

Audit and  
Governance  
Committee

Human Resources  
& Remuneration  
Committee

Information  
Technology  
Committee

Marketing  
Committee



Information  
Technology  
Services Division

**Martin Cassidy**

BSc (Hons), MBA

Director Information  
Technology Services

- ✦ IT Strategic Planning
- ✦ Gaming Systems
- ✦ Corporate Systems
- ✦ Operations & Support
- ✦ Telecommunications




Marketing and  
Sales Division

**Andrew Everett**

Director Marketing and Sales

- ✦ Product Management
- ✦ Communications and  
Public Relations
- ✦ Sales
- ✦ Business Development
- ✦ Retail Network Training



they can really  
keep up with the  
Joneses now

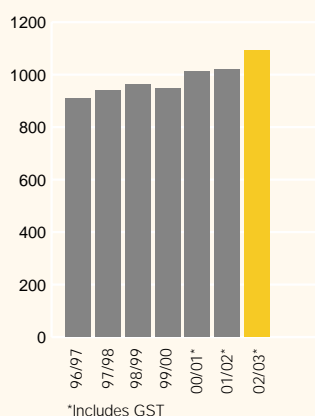


YOU COULD TOO IF YOU  
SHARED IN POWERBALL'S  
RECORD \$30 MILLION DRAW  
IN SEPTEMBER 2002.

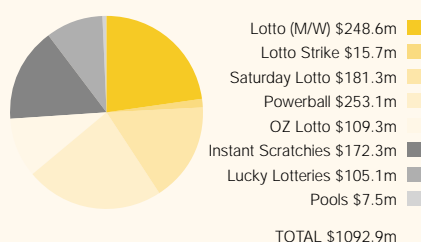
## Objective 1. PRODUCT DEVELOPMENT

Provide players with a range of attractive and appealing products and features

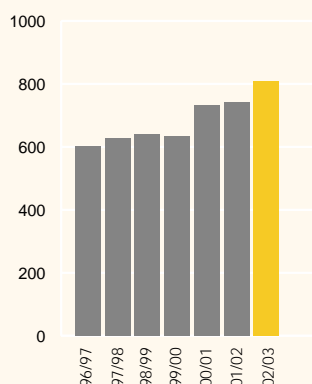
Product Sales (\$M)



Turnover by Product (\$M)



Sales of the Lotto Portfolio (\$M)



### THE GAMES

NSW Lotteries' product portfolio consists of a suite of Lotto-type games, namely, Lotto (Monday/Wednesday/Saturday), Lotto Strike, Powerball and OZ Lotto as well as Instant Scratchies, Lucky Lotteries and 6 From 38 Pools. All products are sold throughout New South Wales and the Australian Capital Territory. The games of Saturday Lotto, Powerball, OZ Lotto and 6 From 38 Pools are national games operated in conjunction with other Australian lottery operators.

During fiscal 2003, the Corporation continued to face challenging market conditions due to factors such as:

- A maturing range of lottery products;
- Intense competition from the extensive range of gaming and gambling choices on offer in New South Wales; and
- Continuing regulatory scrutiny combined with a heightened interest in issues associated with the responsible delivery of gaming and wagering products and the social consequences of gambling. These issues invariably relate to "continuous" gaming activities, particularly poker machines. Independent experts, including IPART and the Productivity Commission, have recognised the significant differences between lotteries and these continuous forms. Nonetheless, as lotteries are high-profile, mass-marketed products, the lottery industry is sometimes drawn into the debate.

The Corporation's full year sales target was \$1,038.4 million. Aided by a number of extremely favourable jackpot runs for Powerball, a record jackpot run for the \$2 Jackpot Lottery, and continuing growth in the Saturday Lotto game, total sales reached \$1,092.9 million, up 5.2% on budget and 7.1% on the previous year's figure of \$1,020.8 million.

The on-line system enhancements introduced during last year began to realise their full potential during the year. New Autopick and Megapick entries proved to be very popular with players, particularly for major prize draws. In addition, retailers grew more confident in the use of the facility to conduct online syndicate options during the year, and these too proved attractive to many players.

### PORTFOLIO OF LOTTO GAMES

In fiscal 2003, the combined turnover for the Lotto portfolio was \$808 million, 9.2% above the previous year. This increase was largely due to the continuing growth in Saturday Lotto and the statistically favourable jackpot runs in Powerball.

#### Lotto (Monday/Wednesday/Saturday)

Total Lotto sales (Mon/Wed/Sat) were \$429.9 million for the year, which was an increase of 3.9% on the previous year. Players shared over \$262.7 million in prizes, with 180 First Division winners and 43 new millionaires.

Lotto was introduced in 1979 and is now in its 24th year of selling. In December 2000, the addition of

Saturday Lotto to the Monday/Wednesday Lotto game, rejuvenated the Lotto brand in the face of competition, particularly from newer games such as Powerball. With its strong heritage and identity as "The Game That Makes Dreams Come True", Lotto continues to play a vital role in the portfolio of NSW Lotteries games.

As a result of a decision by the Australian Lotto Bloc, the price of Saturday Lotto was increased in December 2002. The price increase from 40c to 45c per game panel allowed the funding of larger First Division prizes for Super Saturday events, reaffirming Lotto's competitiveness with the other big jackpot games. This has maintained Saturday Lotto's appeal with continued strong sales growth and the game now features a minimum \$3 million 1st Division prize pool each week.

The six Super Saturday draws held during the year attracted irregular and infrequent players due to the large prize amounts on offer. A rare jackpot occurrence in December 2002 increased the prize offer from a guaranteed \$25 million to a record-breaking \$28 million, the highest Lotto First Division prize pool ever offered. This draw generated \$19.2 million in sales and nearly 2 million entries. Due to the success of these events, the number of Super Saturday draws will increase to seven in 2003/04.

The growth from Saturday Lotto has allowed the overall Lotto brand sales to increase, despite declining sales from the larger Monday/Wednesday game. Monday/Wednesday Lotto relies heavily on regular players, with less frequent players being attracted to the big jackpots offered by Powerball. The future of the game and the need to retain player loyalty has prompted a reassessment of Monday/Wednesday Lotto to re-establish its appeal and differentiate it from other games. Some key game changes are planned for 2003/04 and will ensure Lotto continues its long and successful history as our flagship game.

Lotto continues to reinforce its brand identity through the use of the Big Red Ball and the message that 'Lotto Makes Dreams Come True'. This communication has been reinforced in new television branding that first went to air in late 2002, and a new radio campaign featuring testimonials from real Lotto winners.

### Lotto Strike

Lotto Strike was introduced in 1995 and was designed to provide added value for regular Monday/Wednesday Lotto players. Although Lotto Strike sales depend largely on the sales performance of Monday/Wednesday Lotto, long jackpot runs delivered a comparatively strong year. Sales reached \$15.7 million for the year, which is 8.3% above the previous year.

Lotto Strike performed well during the year, supported by jackpots and the benefit of the Strike 4 Jackpot (the top prize) being capped at \$2 million until it is won. Under this capping rule, which was introduced early in 2002, money previously added to the Strike 4 jackpot is held in reserve. When the jackpot is won, the new Strike 4 prize pool includes the money, up to a maximum of \$2 million, held in reserve. This allowed a \$2 million prize to be offered





for the majority of the year, with 45 straight weeks at the capped amount. Strike 4 was won at \$2 million in December 2002 and again in May 2003. After the May 2003 win, the Strike 4 Jackpot offer was \$1.2 million for the following draw. Under the previous arrangements, the offer would have been \$100,000.

### Powerball

Powerball was introduced in May 1996 and has enjoyed continued growth. In 2002/2003 sales of the product totalled \$253.1 million, a 33.4% increase over last year.

Jackpot runs, well above statistical probabilities, were the primary reason for this very positive result. In total, Powerball offered \$389 million in Division 1 prizes compared to last year's \$308 million. The highlight of the year occurred on 19 September 2002, when Powerball had a jackpot Draw offering a huge \$30 million first prize. This event generated \$17.6 million in turnover and reinforced Powerball's position as the jackpotting game.

In June 2002 a new 24 game autopick entry was introduced and promoted as a "Mega Powerpick". This proved to be extremely popular with players, particularly when the jackpot was high.

Over the course of the year, players shared over \$123.2 million in prizes, including five NSW First Division winners who became new multi millionaires. The strong performance of the game continued with the Corporation's share of the national market increasing from 31.8% to 33.4% over the course of the year.

The significant level of media attention generated by a record number of big jackpots, together with the promotion of the product as a contemporary game offering large first prizes, contributed to Powerball's enhanced position in the marketplace. Regular radio and television advertisements throughout the year conveyed the large jackpot messages to players through the slogan "Spend the Rest of Your Life".

The significant sales growth during the year allowed the introduction of an accelerated jackpot sequence in 2003, which augurs well for Powerball in the coming year.

### OZ Lotto

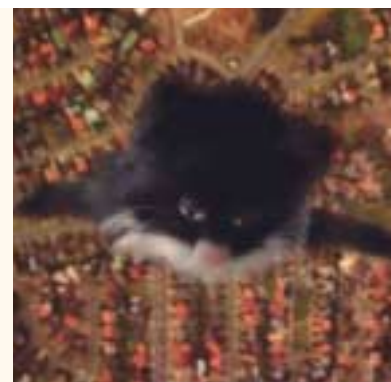
OZ Lotto was introduced in February 1994 and was the first national Lotto style game. In 2002/2003 sales of the product totalled \$109.3 million, down 10.5% on last year.

OZ Lotto jackpots for the year totalled \$137 million compared to \$148 million for the previous year. This, combined with the performance of Powerball and Saturday Lotto, which offered first division prize pools of \$30 million and \$28 million respectively during the year, contributed to the decline in OZ Lotto sales for the year. Players shared over \$65.1 million in prizes, with ten NSW First Division winners – eight becoming millionaires.

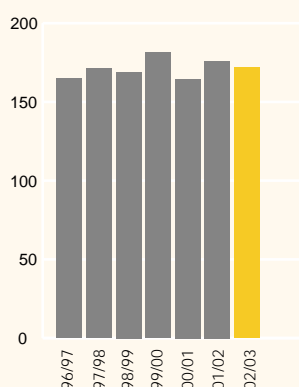
During the year, the NSW share of the national OZ Lotto market declined marginally to 36.1%, from 37.2% the previous year, mainly due to the impact of the sales growth in Powerball and Saturday Lotto, which was higher in NSW than in other States.







Instant Scratchies Sales (\$M)



Despite strong competition from Powerball and Saturday Lotto, OZ Lotto continues to be a significant drawcard for more than a quarter of a million players each week. These players are attracted by the first prize, which has been as high as \$10 million during the year and large lower Division prizes, averaging around \$40 and \$80 respectively, for Divisions 4 and 5.

Advertising continued to utilise the successful "Truckloads of Cash" theme to reflect the large first prizes regularly available, and incorporated the familiar Australian green and gold colours to promote the product's national theme.

A major benefit of the Corporation's new gaming system has been the flexibility with which the Corporation can conduct promotions by offering players bonus entries. Three of these promotions were conducted during the year and rewarded loyal OZ Lotto players with bonus entries with selected purchases.

## OTHER GAMES

### Instant Scratchies

Instant Scratchies continued to provide players with a variety of "fun" ways to win instantly. After 21 years in the NSW marketplace, Instant Scratchies is now in the mature phase of its product life cycle and competes directly with other games with retail offers and impulse appeal associated with large cash prizes.

Sales for the year of \$172.3 million were slightly down (-2.1%) on the previous year. This was largely due to the strong competition in the first half of the year from Powerball's major jackpots and late in the year from the record jackpot run in the \$2 Jackpot Lottery.

However, player interest was maintained by the launch of 40 games across the seven (7) price points and a promotional program, which included some "first time" concepts. Instant Scratchies were again marketed under three distinct categories:

- Standard games at the \$1, \$2, \$5 and \$10 price points;
- Game Play/Bingo games at \$3; and
- Win for Life at \$2.50 and \$4.

In the standard game range:

- The scratch and sniff "Make a Mint" game also included a mint giveaway;
- Licensed games "State of Origin" and "Austin Powers" appealed to different market segments;
- The \$5 games' "world" series continued with popular games including Chinese Treasures and Luck of the Irish; and
- The \$10 game continued to provide multiple plays with a prize on every ticket.

For the twelfth consecutive year, a Lunar New Year ticket was produced following a competition conducted among the Chinese, Vietnamese and Korean communities. The "Year of the Goat" game completed the twelve year cycle of Lunar New Year symbols.

The \$3 game strategy of offering one Bingo-style game (e.g. Beehive Bingo) and one game play ticket (e.g. Operation) simultaneously continued to be a successful formula.

The "Win for Life" category had a strong following, particularly at the \$4 price point, with marketing focussing on the differentiating features of a major prize being paid in instalments over 10 or 20 years.

Instant Scratchies again relied on an active promotional program to capitalise upon the product's popularity for gift giving. Bonus Offer promotions were conducted at key gift giving occasions including Christmas, Mother's Day and Father's Day, generating sales in excess of \$18 million by offering free \$1 tickets with \$5 and \$10 purchases.

Other promotions that have proven to be successful in the past were again conducted this year with Scratch Match 'n' Drive, now in its ninth consecutive year, giving away 20 Toyota Echoes. Rugby League legend Andrew Ettingshausen promoted the 7's promotion using his passion for fishing to encourage participants to "hook a win" for \$10 if they scratched seven consecutive non-winning tickets.

Two new promotions were added to the schedule this year. Scratch Snack 'n' Relax offered a free Cadbury chocolate bar and a chance to win one of 21 Panasonic home entertainment systems with every \$5 purchase. In addition, The Puzzle promotion offered chances

to win computers, Westfield shopping vouchers, Qantas holiday accounts and Whitsundays sailing holidays.

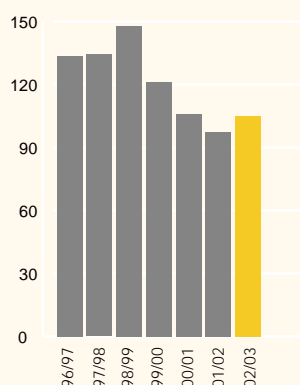
### Lucky Lotteries

Since its introduction in New South Wales in 1931, Lucky Lotteries (Draw Lotteries) has established a loyal customer base. Lucky Lotteries is the oldest of our games, and its heritage is held close to the hearts of players. In 2002/2003 sales of the product totalled \$105.1 million, up 8% on last year.

This year's performance is extremely encouraging for such a mature product and is mainly due to the \$2 Jackpot Lottery's record-breaking jackpot run, which ultimately reached more than \$13 million. The record jackpot offering attracted a lot of new players to the game and the additional sales generated contributed to the great result this year. TV, press and radio advertising supported the jackpot run with most of the advertising featuring new and exciting material with "Lucky the Cat", the lovable larrikin brand spokesperson.

Over recent years it has been difficult to maintain a high level of player interest in the game as it has had to compete with extremely high Powerball and OZ Lotto jackpot runs and major Saturday Lotto offers. The restructure of the \$2 Jackpot Lottery in 2002, was designed to provide higher average jackpot offers to players. During the year, the game delivered on that promise with the highest Lucky Lottery prize in the game's seventy-two year history.

Lucky Lotteries Sales (\$M)

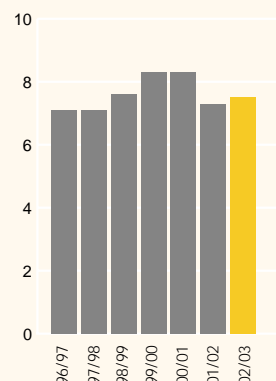


The changed structure also meant that the new record jackpot level was achieved a lot faster than before, surpassing the \$11 million mark after only 140 draws compared with the 210 draws it would have taken under the former structure.

Although the \$2 Jackpot Lottery accounts for the vast majority of sales, the \$5 Jackpot Lottery contributes almost 15% of total Lucky Lotteries sales. This year the \$5 Jackpot had its second highest jackpot run of \$3.55 million, which was won in December 2002, a great Christmas present for one lucky player. The highest ever jackpot run was to \$6.05 million in July 2001.

To add even more excitement to Lucky Lotteries, promotions were run periodically with the objective of rewarding players and giving them an extra reason why "you ought to buy a lottery ticket". These promotions were mainly "Lucky Days" which offered a free \$2 Jackpot Lottery ticket to players who purchased 3 x \$2 Jackpot Lottery tickets. In addition, a number of joint promotions were conducted with Powerball, OZ Lotto and Pools aimed at giving players a free taste of a game they may not have played previously.

6 From 38 Pools (\$M)



### 6 From 38 Pools

6 From 38 Pools continues to attract a relatively small but loyal player base with the results of each draw based on the outcome of Soccer matches in England or Australia.

Pools sales in New South Wales for the year totalled \$7.5 million, which is 2.7% up on last year. The top first prize during the year was \$1.2 million, while the average weekly jackpot reached almost \$420,000. More than \$2.6 million was returned in prizes to players. Our market share of national sales increased to 49.6% from 49.4% over the course of the year.

For those players who like to select specific teams, match lists are available from all NSW Lotteries' on-line agencies and on NSW Lotteries' website [www.nswlotteries.com.au](http://www.nswlotteries.com.au).

## Objective 2. PLAYER SERVICES

### Provide excellent service to players

Each year, the degree of competition in the gaming and wagering market in NSW continues to expand and the fundamental business challenge for NSW Lotteries remains to grow sales with a portfolio of maturing products. The Corporation readily acknowledges that to meet future objectives, we must not only retain existing players, but also attract new players and build a larger player base over the longer term.

A major strategy for the Corporation is to offer players attractive and appealing products and to foster a long-term relationship with them through effective service delivery.

#### KEY SERVICE STANDARDS

Since 1994 the Corporation has fostered a comprehensive quality service program which reviews the performance of each key service

delivery area across the organisation. Throughout the year, a range of critical activities is regularly measured to ensure that all service benchmarks are met. The table below shows the results of actual performance compared to benchmark standards in nine key service areas:



Service	Standard	Result
Maintain fully operational Central Site gaming systems, and the telecommunications network	<ul style="list-style-type: none"> <li>&gt; 99.95% availability of gaming system</li> <li>&gt; 99.96% availability of network</li> </ul>	Achieved Achieved
Promptly process Agent applications for change of ownership, relocations, & terminations	> 100% resolved within 21 days	Achieved
Implement new Retail Image Program	> Target of 180 2nd generation Retail Image completions to 30 June 2003	Achieved
Promptly deal with agent enquiries relating to distribution	<ul style="list-style-type: none"> <li>&gt; 95% inquiries/complaints resolved within 24 hours</li> <li>&gt; 5% inquiries/complaints resolved within 48 hours</li> </ul>	Achieved Achieved
Answer written inquiries & complaints	> 100% answered or escalated within 7 days	Achieved
Conduct effective and timely agent training	> 95% of agents attending the Lottery Management Course achieve pass scores in terminal use, product knowledge and customer service	Achieved
Provide timely and accurate Call Centre inquiry services	<ul style="list-style-type: none"> <li>&gt; Hotline – 80% answered in 30 seconds</li> <li>&gt; Customers – 90% answered in 30 seconds</li> </ul>	Achieved Achieved
Satisfaction of Agents with support services as measured by annual surveys	> 89% satisfied to extremely satisfied with services offered by the Corporation	Achieved
Compliance with the Corporation's Responsible Gaming Package	> 100% compliance	Achieved



## CALL CENTRE

Our Telephone Call Centre provides a range of important services to our retailers and customers including technical support to retailers on the operation of their selling terminals, telecommunications and product promotions, as well as answering enquiries from players about games, promotions and prizes. The Centre is a critical interface between players, retailers and the Corporation and is particularly valuable to customers in remote locations.

Over the course of the year, more than 200,000 calls were received from customers and retailers. This was down some 10% on last year as agents and customers have become more

familiar with the new gaming system. In addition, over 235,500 calls were received via the Interactive Results Service, with 76,966 calls requiring operator assistance or advice.

Whilst the total number of calls received by the Call Centre was down on the previous period, the year was no less demanding. The Call Centre provided operational assistance for software upgrades together with the rollout of agency consumables and Scratchies ordering through the Altura selling terminal. In addition, Call Centre staff assumed responsibility for managing "Network Syndicates" for major draws and jackpots, which achieved sales of \$7.4 million during the fiscal year.

The strategies adopted during the previous year have led to improved customer service levels this period – with Agent Hotline and Customer Inquiry Services both meeting or exceeding benchmarks. In addition, our Agency Satisfaction Survey saw improvements, year-on-year, in all aspects of the Agent Hotline service.

In recognition of the critical role of the Call Centre as the initial point of contact for agents and customers, a review of Call Centre technology was completed during the year and plans are well underway for a major upgrade during 2003/2004.



## PLAYERS CLUB

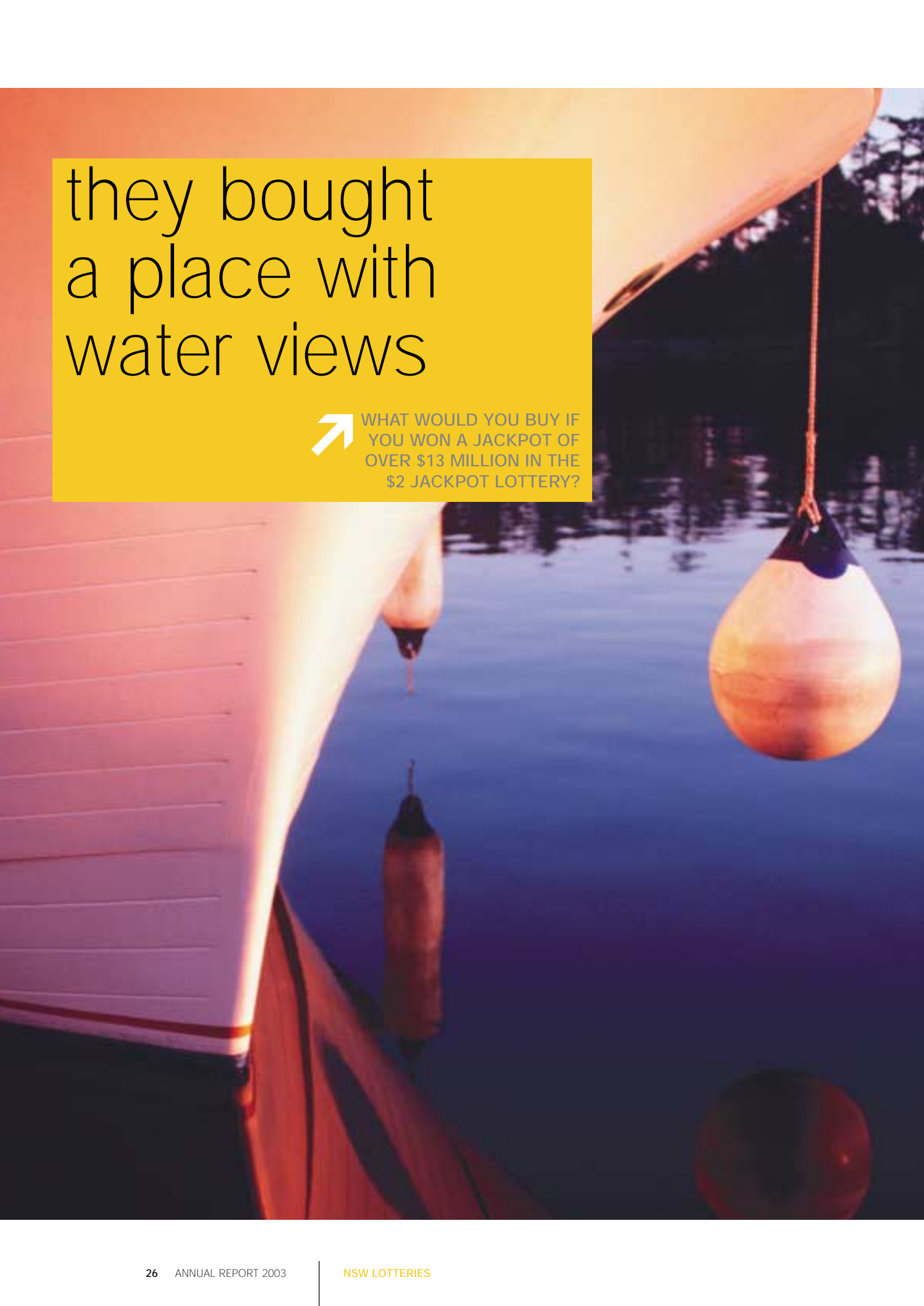
The Player Registration Service continues to be popular with more than 1,200,000 players currently registered. During the year, some 220,000 applications were processed for joining the Players Club, and over 61% of all entries into online games were submitted by registered players.

The service utilises a plastic card for registering the purchase of lottery products and offers a range of benefits to players including:

- Immediate notification of major prize wins;
- Automatic payment by mail of any prize not claimed at NSW Lotteries' agencies within specified claim periods;

- Protection for lost tickets, as registered players who promptly notify NSW Lotteries that their ticket has been lost or misplaced, can initiate a "hold" on the ticket and any prizes won;
- Players can easily play their "Favourite Picks" by storing those entries against their Player Registration on the NSW Lotteries Central Computer;
- Players can make changes to their address details through the Corporation's Internet site at [www.nswlotteries.com.au](http://www.nswlotteries.com.au); and
- Players have the added security of being able to register their purchases in an Online Syndicate.

The Player Card replacement programme continued during the year with an additional 314,000 players having their cards replaced on the sixth anniversary of their joining the Club.



they bought  
a place with  
water views



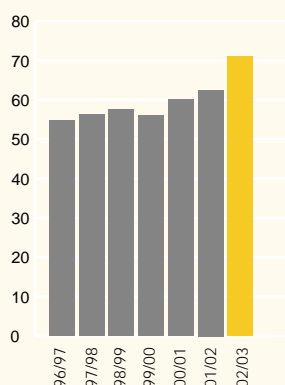
WHAT WOULD YOU BUY IF  
YOU WON A JACKPOT OF  
OVER \$13 MILLION IN THE  
\$2 JACKPOT LOTTERY?



## Objective 3. RETAILER PERFORMANCE

Manage the performance of the retail network to meet sales growth targets

Commission paid to agents (\$M)



Our agents are the major contact point with more than 2 million customers who purchase lottery products each week.

By the end of the year, the Corporation had 1,426 online retailers selling all lottery products and 168 Instant Scratchies only outlets located throughout New South Wales and the Australian Capital Territory.

The agencies encompass a diverse range of small businesses including newsagencies, convenience stores, pharmacies, supermarkets and service stations.

As shopping patterns change, a major priority for the Corporation is to ensure that it has a distribution network that continues to meet the needs of our customers. To assist the retail network in achieving sales targets, NSW Lotteries encourages retailers to promote our product range and provide excellent customer service.

Total commission on product sales paid to agents during the year was \$71.1 million and this was some \$8.6 million above the previous year. The growth in commission of 13.7% was considerably above the 7.1% growth in sales and was due to increased sales of higher commission products, in particular, Megapick entries which have proved to be very popular with players.

### AGENCY PERFORMANCE MANAGEMENT

The performance of the agency network is managed through an Agency Business Plan process. Each year, annual commitments are negotiated with agents and activities identified that will contribute to the achievement of agreed targets. Throughout the year, the performance of agencies is continuously assessed against sales measures, retail standards and compliance with contractual and legal requirements.

At the introductory Lottery Management Courses conducted by the Corporation, new agents are informed of the benefits of meeting the requirements of the business plan and performance standards. Increasingly, agents are appreciating the retail advantages of managing their business through a formal business plan and performance process.

Over 11,000 visits to agents were conducted by the Territory Managers during the year.

The top ten selling retail outlets for the year were:

1. NSW Lotteries Pitt Street Store – Sydney
2. Eastgardens Newsagency – Pagewood
3. Mitchums Newsagency – Cabramatta
4. Nextra – Penrith
5. Saigon Bookshop & Lottery – Cabramatta
6. Stockland Town Centre Newsagency – Wetherill Park
7. Lake Haven Centre Newsagency – Gorokan
8. Bay Village Newsagency – Bateau Bay
9. Tweed City News – Tweed Heads South
10. Humphrey's Newsagency – Manly



*This customer hoped for a win after buying her ticket from South Wagga Newsagency. Photo courtesy of The Daily Advertiser*

## TOP SHOP

The TOP SHOP Agent Reward and Recognition Program has now been offered for six years. It remains a key initiative in motivating and rewarding members of our retail network to strive for excellence in the conduct of their agency. Participation in the program is voluntary and has consistently involved more than half of the network competing for the TOP SHOP OF THE YEAR AWARD. Over the years, active participants in the TOP SHOP program have consistently outperformed the Network in their sales growth – for example, this year the sales growth of the top 100 TOP SHOPS was twice that of the Network as a whole.

Agents in the program are assessed in a number of areas that are considered critical to running a successful and profitable agency and include:

- Sales Performance
- Customer Service & Selling Skills
- Merchandising & Agent Product / Promotion Support
- Product Knowledge
- Retail Presentation

Rewarding agents for their strong commitment is the main thrust of the TOP SHOP program. This year, a total of \$130,000 in cash and prizes was awarded to agents. In addition, points were awarded towards the prized TOP SHOP OF THE YEAR AWARD – the agency which has met all the requirements of the program and achieved the highest point score.

The TOP SHOP Awards Night was held at the Shangri-La Hotel in Sydney to acknowledge those agents who have maintained peak performance throughout the year.

The major award winners this year were:

### TOP SHOP(s) for 2003

We could not distinguish between the top two performing agents, which meant we had joint winners in 2002/03:

Lake Haven Centre Newsagency (Gorokan); and Greenhills Newsagency (Greenhills via Maitland).

### Finalists

Other agencies reaching the final eight in the Top Shop program were:

Marketplace Newsagency (Goulburn)  
Moama Authorised Newsagency (Moama)  
Moss Vale Newsagency (Moss Vale)  
Thistle Kiosk (Woden)  
Tweed Mall Newsagency (Tweed Heads)  
Wauchope Newsagency (Wauchope)

### Merchandising Award:

Olivers Newsagency (Thirroul)

### Retail Image Award:

Sturgiss Newsagency (Nowra)

### Chairman's Award:

Oyster Bay Newsagency (Oyster Bay)

### Agency Co-ordinator Recognition Award:

Brooke Ellis – Weston Newsagency (Weston).

### Top Selling Agent

### (not necessarily in TOP SHOP):

Eastgardens Newsagency (Eastgardens)

### Holiday Winners

Termeil Trading Post (Termeil); and Lake Haven Centre Newsagency (Gorokan).

TOP SHOP continues to gain momentum and 2003/04 will see a number of enhancements aimed at encouraging agents to try even harder for the coveted TOP SHOP title.

## RETAIL IMAGE

To ensure NSW Lotteries' selling outlets continue to maintain prominence in the marketplace, the Corporation continues to manage the ongoing enhancement of the appearance of agencies through the Retail Image Program which is now in its twelfth year. The second-generation retail image provides an exciting and instantly identifiable retail environment to invite shoppers to play our games.

During the year, 218 agencies installed the new retail image, which was well above the target of 180 completions. A total of 641 agencies now display the new image.

## PROMOTIONS

Promotional activity at the point of sale continues to be a valuable reinforcement of the mainstream media advertising of our products. It is also an effective way of creating excitement for our players and increased sales for our agency network.

During the year, 747 promotional events were conducted at key outlets in support of major marketing initiatives and jackpots. These included NSW Lotteries' promotions as well as agency-driven promotions such as second chance draws.

## RETAIL TRAINING

The Corporation regards the effective training of agents as critical to giving the retail network a competitive edge. Our comprehensive training program is designed to assist agents reach the highest possible standards of retail operations and service to our customers. It also ensures that retailers are equipped with the knowledge to

meet all legal and operational requirements.

This year, over 1,300 agency staff attended more than 100 courses. Our core training program, the four-day Lottery Management Course for new agents, and the Product & Terminal course for agency staff, make up over 50% of the training commitment. In addition, a range of training is offered to the Network that includes:

- Instant Lottery Management;
- Agency Balancing and Report Reconciliation;
- Effective Merchandising; and
- Customer Service and Selling Skills.

On-site training has also become a popular part of the training program with over 250 staff, both in metropolitan and regional areas, being trained either in their own Agency or in central regional locations.

This year, we were faced with a number of challenges in the training environment. We experienced higher demands for training services with agency ownership changeovers having increased by nearly 20% on the previous year. In addition, agents in the Australian Capital Territory were trained in the legislative requirements of the newly introduced Gambling and Racing Control (Code of Practice) Regulations.

Another significant challenge that has emerged for the Corporation is the increasing number of new agents who are from a Non-English Speaking Background (NESB) – they represented over 40% of new agents during the past year. As part of the strategy to manage and communicate more effectively with such a culturally diverse

agent network, the Lottery Management Course for new agents was redesigned and now includes bi-lingual training manuals in Chinese, Vietnamese and Korean.

At the conclusion of the Lottery Management course, training staff assess whether attendees are competent to take on the responsibility of managing a NSW Lotteries agency. The success rate is extremely high. On rare occasions however, additional training is required for individual attendees. Where necessary, supervised training in the "live" environment is undertaken through our Pitt Street retail outlet.

#### **AGENCY SATISFACTION SURVEY**

A knowledgeable, well-trained and efficient network of agencies is essential to the success of NSW Lotteries. By providing sales support to agents, NSW Lotteries aims to increase sales as well as ensuring excellent service is provided to customers. To ensure the expectations and needs of our agents continue to be met, we conduct surveys each year to assess their satisfaction with the range of services offered. The survey also identifies any "gaps" in the services provided and areas in need of improvement. In April 2003, 200 Agents were surveyed about service levels in our Call Centre, Warehouse and Territory Management areas. The survey covered equal numbers of metropolitan and regional agencies.

Overall, the satisfaction rating with NSW Lotteries continues to be extremely high with 91% of agents indicating they are extremely satisfied/satisfied with our services – this result is up from 88% last year. These results are extremely pleasing and recognise the significant effort put into staff training and streamlining business processes throughout the year.

#### **LIDCOMBE DISTRIBUTION CENTRE**

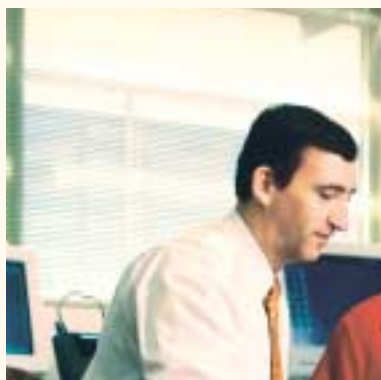
Our Distribution Centre continues to play a crucial role in ensuring high level support is provided to our agency network through the supply of all consumables used in the sale of NSW Lotteries' products. These include entry forms, bet receipts, promotional stationery, Instant Scratchie tickets and selling-terminal supplies. Other activities include the mailing of prize cheques and free ticket certificates to winners.

Over the course of the year, more than 85.1 million Instant Scratchie tickets, 21.8 million entry forms and 110,000 paper rolls (or 23,000 kilometres) of bet receipt stationery were issued to agents.

In March 2003, an enhancement to the online selling system enabled Agents to commence ordering their consumable and Instant Scratchie ticket needs directly through the agent selling-terminals. This significant achievement has resulted in reduced costs for the Corporation and will assist agents by providing better control over the levels of consumables held in their stores.

## Objective 4. RESPONSIBILITY

Conduct our business responsibly to meet regulatory and community expectations



*Gary Thomas, Sheri Ravet and Bob Beecroft are part of our Information Technology team dedicated to improving the performance of the gaming system through regular software testing*

### RESPONSIBLE GAMING

One of the Corporation's key business objectives is to exhibit a sense of social responsibility in the way it offers its games and services to the public. For many years, the Corporation has recognised the moral and ethical obligations associated with marketing and promoting lottery products in a responsible fashion. This is in the best interests of all stakeholders including, most importantly, our players. To ensure the Corporation conducts the business responsibly and meets regulatory and community expectations, we continue to refine our Responsible Gaming Program to ensure it meets regulatory requirements and encourages the responsible promotion and play of NSW Lotteries' products.

### COMPLIANCE PROGRAM

In addition to regular field-based checks, NSW Lotteries issues regular bulletins to agents reminding them of their obligations to comply with all statutory obligations which govern the sale of lottery products in NSW and the Australian Capital Territory (ACT). Agents were reminded of the need to ensure they comply with the provisions of the Public Lotteries Act, the Public Lotteries Amendment (Responsible Gambling) Regulation, Gambling and Racing Control (Code of Practice) Regulations 2002 and the Trade Practices Act.

Over the past year, the Corporation placed a particular focus on our operations in the ACT. For many years, NSW Lotteries has operated in the ACT under the terms of approvals granted under the ACT's Lotteries and Pool Betting Acts. In practice, this has meant that the Corporation's operational activities in the ACT have mirrored those in NSW.

Following the establishment of the Gambling and Racing Commission in 1999, the ACT Government has moved to establish a separate regulatory regime, including the Gambling and Racing Control (Code of Practice) Regulations 2002. The Regulations impose a legally enforceable Code of Practice upon all gambling providers in the ACT and carry significant penalties for breaches.

In attempting to cover both venue-based continuous forms of gambling – such as gaming machines and casino games – and lotteries, the Regulations as originally drafted had the potential to create impractical and unworkable impositions on the sale of lottery products in the ACT. NSW Lotteries worked with our ACT agents and the Commission to identify areas of concern, and as a result of these negotiations, a number of sensible exemptions were granted which recognise the special characteristics of lottery games.

### INTERACTIVE GAMBLING ACT 2001

During the year, NSW Lotteries contributed to a joint Australian Lotteries Industry submission to the Federal Government regarding its review of the Interactive Gambling Act.

The Act currently allows the sale of licensed lotteries electronically with the exception of instant lottery style games. The Australian Lottery industry's submission supports the maintenance of the current provisions. The review is still in progress.

## Objective 5. TECHNOLOGY

Improve business efficiencies by using technology to improve work practices

In today's retail environment, and given the Corporation's significant reliance on technology, NSW Lotteries realises the importance of keeping abreast of new technology and how it can be used to deliver smarter and more efficient outcomes for stakeholders. Our prime aim in this regard is to continually improve our business performance and service to customers. To achieve this goal, each year the Corporation develops an Information Technology Strategic Plan that provides strategies, actions and goals which will support our business requirements.

With our new gaming system now settled in, the focus has been on incremental improvements through regular software releases. In addition, we continue to evaluate new technologies with the potential to generate new revenue, improve our business processes and our profitability.

### GAMING SYSTEM PERFORMANCE

Over the course of the year, the online gaming system continued to provide high service levels with central system availability being 99.99% and telecommunications network availability being 99.96%. Overall system availability was 99.97% which exceeded the target of 99.96%. We processed over 340 million transactions on the gaming system during the year, with a peak of 2.6 million transactions on 24 December 2002 during selling for the end of calendar year Super Saturday Lotto draw.

### SELLING TERMINALS

NSW Lotteries delivers its games to players through more than 1,650 all-product point-of-sale terminals located in agencies across NSW and the Australian Capital Territory. There were a number of enhancements to the terminals during the year which improved the performance of the selling terminals quite significantly.

### BUSINESS CONTINUITY

During fiscal 2003, the Corporation significantly enhanced its data back-up procedures by introducing simultaneous logging of gaming data at our off-site back-up facility. This recording of up-to-date data at dual sites minimises the risk of losing critical trading data in the event of a major disaster at Homebush Bay.

### TELECOMMUNICATIONS NETWORK

A significant achievement during fiscal 2003 was the review and subsequent upgrade of the telecommunications network that supports our agent network. The new network configuration has led to reduced operating costs and faster identification and restoration of agency network problems.

### CORPORATE INFORMATION SYSTEMS

A number of initiatives to improve the quality and use of information in the Corporation were implemented during the year.

The recently implemented Data Warehouse now provides analysis of a range of business initiatives and activities including media tests, promotions, game changes and entry options.

A new integrated Records Management System will be implemented by September 2003 and a number of changes have begun to the systems employed by the Corporation's Call Centre.



A photograph of three red suitcases with black handles and gold-colored latches, lined up in a hallway. The suitcases are on a wooden floor. In the background, there are yellow walls and a doorway leading to another room. A green plant is visible in the upper left corner.

the world's at  
her feet now



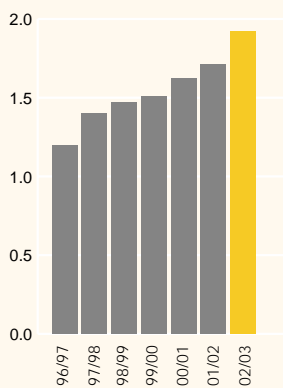
YOU COULD "WIN FOR LIFE"  
WITH INSTANT SCRATCHIES

## Objective 6. WORKING ENVIRONMENT

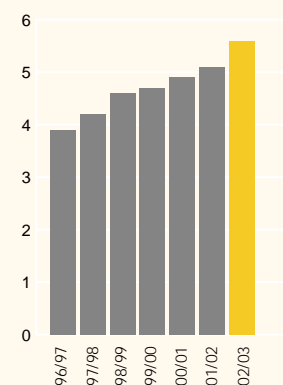
Provide a working environment that motivates and encourages high performance

NSW Lotteries is proud of its continuous improvement

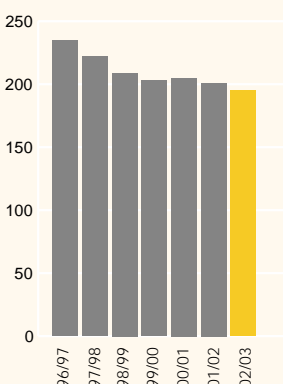
Revenue per Employee (\$M)



Sales per Employee (\$M)



Staff Numbers



### THE WORKING ENVIRONMENT

NSW Lotteries has a long-standing commitment to consultation with its staff. Its approach to change management has ensured that staff are kept informed and encouraged to provide feedback and comment on the implementation of any structural changes.

This year, there was a significant amount of effort put into the review of work practices, utilisation of technology and assessment of opportunities for cost savings. Some of the key projects that impacted on our people included:

- a re-structure of the Lidcombe Distribution Centre;
- a re-structure of the Human Resource Branch;
- a trial of a 19 days/4 weeks working arrangement for Customer Service Officers in Retail Operations; and
- re-structures in IT Services Division involving the Computer & Network Operations Unit and the Applications Development & Support Branch.

### PERFORMANCE DEVELOPMENT PROGRAM

The Corporation has continued to meet the challenges of defining, maintaining and building its key human resource management capabilities. This is achieved through meeting the development needs of employees and assessing alternatives for managing and organising work to enhance organisational performance.

The Performance Development Program gives effect to the Corporation's commitment to development and career growth for each employee, clear communication about job expectations, provision of feedback on performance and scope for work planning. This program is the vehicle by which opportunities are provided for all staff to expand their skills across a number of areas ranging from personal development to the acquisition of functional and technical expertise.

During the year, the program underwent a review that included a 12-month trial of recommended changes. Employees were invited to participate in focus groups to provide input into how the program could be enhanced and made more relevant for users. The revised program retains the key features of its predecessor while introducing more streamlined documentation. It remains focussed on training and development and is based on generic competency standards developed for NSW Lotteries.

## OCCUPATIONAL HEALTH AND SAFETY

NSW Lotteries aims to promote and maintain a high standard of health, safety and well being for all staff through:

- preventing accidents and ill health caused by working conditions;
- protecting staff, contractors and the public from any health hazard which may arise out of their work or the conditions in which it is carried out; and
- placing and maintaining staff in an occupational environment designed to maximise health, safety and well being at work.

The organisation's Occupational Health and Safety Committee is made up of management and employee representatives. Each representative undertakes a four-day training course which is accredited by WorkCover. The Committee meets quarterly to review health and safety issues, discuss workers compensation statistics and trends and organise worksite inspections. Action is then taken to remedy any problems identified and prevent potential hazards.

During the year, training was conducted for managers and supervisors on their responsibilities under the Occupational Health and Safety Act 2000 and separate sessions were held for employees on their obligations under the Act.

A range of educational and preventative health programs were conducted over the year including:

- Step into Shape Challenge – a physical fitness activity;
- Stress Resolution – 3 sessions were held on stress management techniques; and
- Influenza inoculations – this was the fifth year of the popular vaccination program.

## EMPLOYEE ASSISTANCE PROGRAM

The Employee Assistance Program continued for the third year of operation and has seen a noticeable increase in access over the last 2 years. The program offers a voluntary and confidential counselling service to employees and their immediate families for personal or work related concerns.

## TRAINING AND DEVELOPMENT

NSW Lotteries maintains a strong commitment to staff training and development, recognising the importance of a skilled workforce. The Corporation's learning and development focus acknowledges that learning and development is both a corporate and individual responsibility. Staff undertook training and study to improve professional, technical and personal skills. Development opportunities include on-the-job training, private study, participation in organisational committees, conferences, seminars, working groups and training courses and programs. Training activities conducted during the year included:

- Business Writing;
- Introduction to Excel V97;
- Harassment Prevention Seminar for Supervisors/Managers;
- Harassment Prevention Forum for Non-Supervisory Staff;
- Occupational Health and Safety Seminar for Supervisors/Managers;
- Windows 2000 Training
  - Session 1 Compulsory – NSW Lotteries Policies and Procedures
  - Session 2 – An overview of Windows 2000
  - Session 3 – Windows 2000 in detail; and
- Records Management Training for TRIM Desktop Users and TRIM Administration.

Approximately 80% of all staff members attended some form of training activity offered during the year.



*Customer and Agency Services staff members Jacinta Tempest and John Blundell provide ongoing support for our retail network*



*Chairman of the Board, John Bagshaw, presented Gary Townsend with his award for 25 years service*



### EXTERNAL STUDY ASSISTANCE

The External Study Assistance Policy continues to provide encouragement and support to employees undertaking tertiary education. Permanent employees may access study time, examination leave and financial assistance as an integrated study package. Approved courses of study are relevant to NSW Lotteries' business goals and employees' work responsibilities as well as enhancing personal and career development.

During the year five new students sought application for assistance under the scheme for a variety of courses including information technology, business studies and commerce.

### EMPLOYEE REWARD AND RECOGNITION

NSW Lotteries encourages staff at all levels to contribute to the efficient and effective running of the business. Through the Employee Reward and Recognition Program we recognise outstanding efforts of employees as well as any suggestions which have the potential to improve our products, service delivery and day-to-day procedures and practices.

Awards are made under 4 categories:

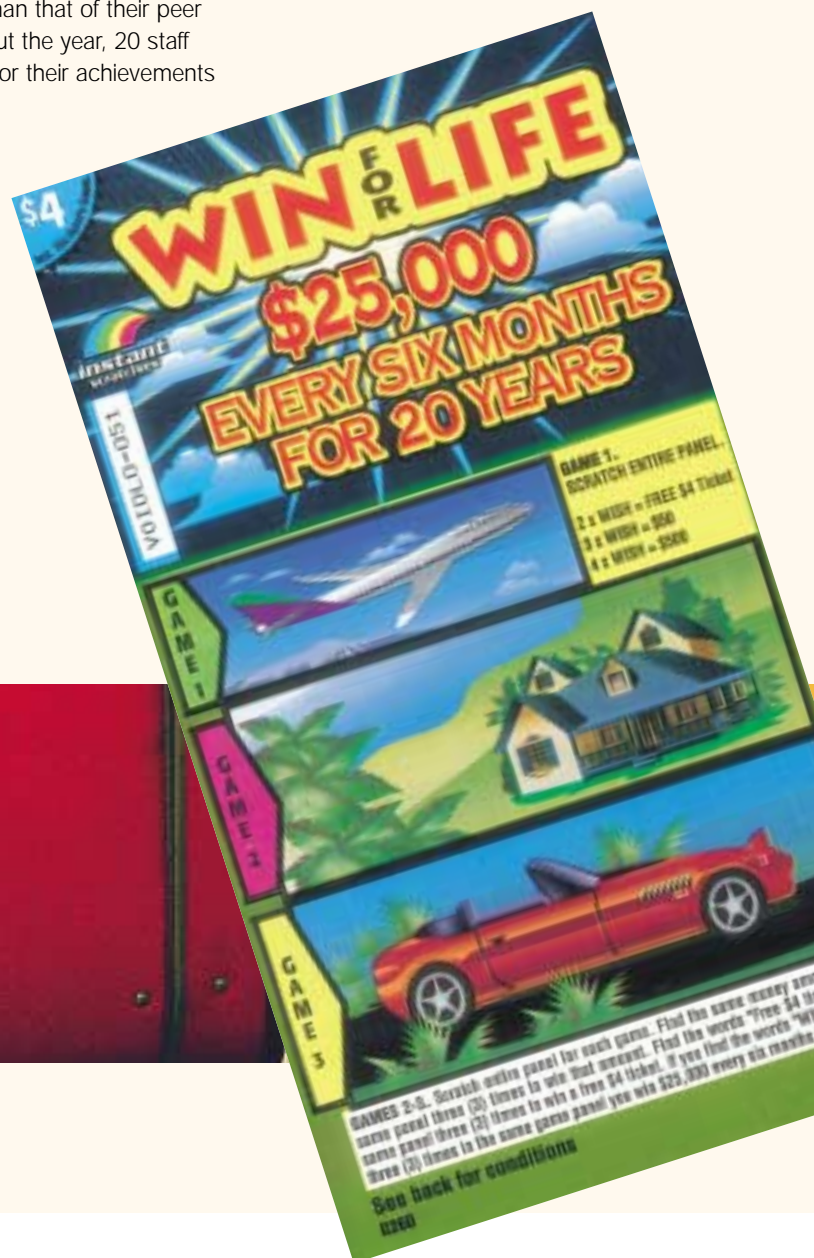
- Achievement;
- Innovation;
- Quality; and
- Customer Service.

Recognition is given to staff who have excelled in their normal work position, exceeded expectations on a consistent basis, or have continually contributed at a higher level than that of their peer group. Throughout the year, 20 staff were recognised for their achievements in the workplace.


### LONG SERVICE AWARDS

A special ceremony was held in December 2002 to recognise long serving employee, Gary Townsend, who has made a significant contribution over his 25 years of loyal and dedicated service.

The Chairman of the Board, Mr John Bagshaw, presented Gary with his award.







he's not taking  
any more orders



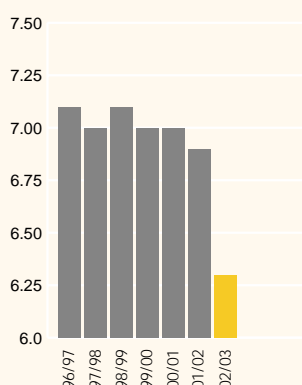
IMAGINE...WHO WOULD BE  
THE BOSS IF YOU SHARED  
IN OZ LOTTO'S \$10 MILLION  
JACKPOT IN JANUARY 2003?



## Objective 7. SHAREHOLDER VALUE

Achieve financial and other targets agreed with Shareholders

Operating Costs – % of Sales



NSW Lotteries has continued to grow its business during fiscal 2003 with a significant increase in sales to a record of \$1,092.9 million. The 7% increase over the previous year resulted in \$373.6 million being contributed to Government in the form of duties, tax equivalents, dividends and GST. Included in this amount was a Special Dividend payment of \$10 million.

The strong result has significantly enhanced the value of the Corporation to its Shareholders and ensures NSW Lotteries continues to be the largest lottery operator in Australia. In the most recent Business Review Weekly's Top 1000 Australian companies list, the Corporation is ranked 177 among the country's largest public and private sector enterprises.

To support the business, and as a framework for continued success, a number of key risk management activities are undertaken to ensure that our operations are conducted with the utmost integrity.

### AUDIT AND GOVERNANCE COMMITTEE

The Audit and Governance Committee operates under its own charter and within the bounds of the Corporation's Corporate Governance policies and procedures. It is responsible for providing the Board with advice on statutory financial reporting, compliance, corporate governance, risk management, business continuity, internal audit and external audit.

During the year, a review of best practice in corporate governance and its relationship with Audit Committees was conducted. The review included public and private sector organisations in Australia and internationally.

The Board subsequently adopted a number of recommendations arising from the review.

Other activities completed by the Committee in fiscal 2003 were:

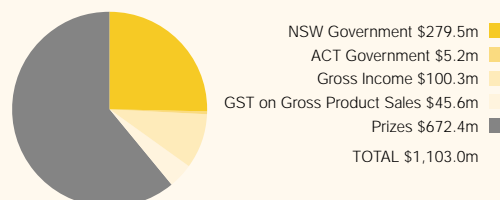
- monitor and review the outcomes of internal and external audit reports;
- assessment and agreement on the proposed Internal Audit Plan for 2003/2004;
- agreement on changes to the Corporation's Audit and Governance Committee Charter;
- agreement to the updated Integrated Risk Management Program;
- review and update the Insurance Plan;
- review and agreement upon the Business Continuity Plan;
- review significant changes to accounting policies and standards and their impact upon the Corporation; and
- review statutory financial information prepared by management.

### RISK MANAGEMENT AND BUSINESS CONTINUITY

The Corporation's Integrated Risk Program is designed to be an adaptable, holistic, modular risk management system that is flexible enough to reduce the likelihood and consequence of singular and multiple events whilst enhancing the organisation's response to continuity, recovery and restoration operations. The program is one of a number of structured elements that ensures the security and safety of corporate resources and the maintenance of public confidence in the operations of NSW Lotteries. The program covers all areas of the Corporation including:

- Risk Management;
- Fraud Prevention;
- Business Continuity;
- Compliance;
- Information and Intellectual Property Security; and
- Privacy, Information Disclosure and Freedom of Information.

Projected Sales Distribution 2003/2004 (\$M)



# Winners gallery

*Eighteen syndicate members from South Grafton's Willis Joinery may be good with tools and wood, but proved to be equally handy with numbers after winning over \$12,000 in Lotto.  
Photo courtesy of The Daily Examiner (Grafton)*



*These happy players at Lane Cove Newsagency were part of a lucky syndicate of forty players who won \$7 million in Powerball.*

*Photo courtesy of The North Shore Times*



*A \$5,000 third prize win in the \$2 Jackpot Lottery allowed this great grandfather of 12 to have a feed and a couple of beers, pay some bills and put some aside for a holiday. The winning ticket was bought from Simpson's Newsagency, Deniliquin  
Photo courtesy of Deniliquin Pastoral Times*



*East Orange Newsagency sold this "almost millionaire" his ticket in Saturday Lotto which won \$915,000  
Photo courtesy of Central Western Daily*

*This lucky father has won Lotto in NSW on three separate occasions. This time, his seven-player syndicate won over \$510,000. He put his share of the prize money towards the mortgage on his home, which is now paid off.  
Photo courtesy of The Daily Telegraph*



*Ten colleagues at a local hospital bought their lucky syndicate ticket at Sylvania Southgate Newsagency and won a \$5,000 third prize in the \$2 Jackpot Lottery  
Photo courtesy of St George and Sutherland Shire Leader*

# Financial Statements

Financial Report for the year ended 30 June 2003



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# Statement by Board of Directors and Independent Audit Report

## STATEMENT BY BOARD OF DIRECTORS

In accordance with a resolution of the Directors of New South Wales Lotteries Corporation and pursuant to Section 41C (1B) and (1C) of the Public Finance and Audit Act 1983, we state that:

- 1 The attached is a general purpose Financial Report and presents a true and fair view of the financial position of NSW Lotteries Corporation at 30 June 2003 and the results of its financial performance and transactions for the year then ended.
- 2 The Financial Report has been prepared in accordance with the provisions of the Public Finance and Audit Act 1983 and the Public Finance and Audit Act Regulation 2000.
- 3 The Financial Report has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views and authoritative pronouncements of the Australian Accounting Standards Board.
- 4 We are not aware of any circumstances which would render any particulars included in the Financial Report to be misleading or inaccurate, and
- 5 There are reasonable grounds to believe that NSW Lotteries Corporation will be able to pay its debts as and when they fall due.

Signed in accordance with a resolution of the Board of Directors.

Dated at Sydney this twenty-second day of September 2003.

J R Bagshaw  
Chair

M A Howell  
Director and Chief Executive Officer



GPO BOX 12  
SYDNEY NSW 2001

## INDEPENDENT AUDIT REPORT

### NEW SOUTH WALES LOTTERIES CORPORATION

To Members of the New South Wales Parliament

#### Audit Opinion

In my opinion, the financial report of the New South Wales Lotteries Corporation:

- (a) presents fairly the Corporation's financial position as at 30 June 2003 and its financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with section 41B of the Public Finance and Audit Act 1983 (the Act).

The opinion should be read in conjunction with the rest of this report.

#### The Board's Role

The financial report is the responsibility of the members of the Board of the New South Wales Lotteries Corporation. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows and the accompanying notes.

#### The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides reasonable assurance to Members of the New South Wales Parliament that the financial report is free of material misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and it:

- evaluated the accounting policies and significant accounting estimates used by the Board in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does not guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that Board members had failed in their reporting obligations.

My opinion does not provide assurance:

- about the future viability of the Corporation,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

#### Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.

A Cyma  
Assistant Director of Audit

SYDNEY  
25 September 2003



# Statement of Financial Performance

For the year ended 30 June 2003

	Notes	2003 \$'000	2002 \$'000
<b>Revenue from ordinary activities</b>			
Product Sales	1(c)	1,118,798	1,041,432
Cost of Sales	3(b)	(1,019,516)	(947,756)
Gross Profit		99,282	93,676
Other Revenues from ordinary activities	2	12,553	11,257
		111,835	104,933
<b>Expenses from ordinary activities</b>			
Retail Network		(36,924)	(37,862)
Printing & Distribution		(6,688)	(7,213)
Administration		(25,206)	(24,943)
Other	3(a)	(3,294)	(4,272)
	3(b)	(72,112)	(74,290)
<b>Profit from ordinary activities before related income tax equivalent expense</b>		39,723	30,643
<b>Less Income tax equivalent expense relating to ordinary activities</b>	4(a)	(13,141)	(10,680)
<b>Net profit</b>		26,582	19,963
Increase in asset revaluation reserve	13(d)	4,121	-
<b>Total valuation adjustments recognised directly in equity</b>		4,121	-
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		30,703	19,963

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

# Statement of Financial Position

As at 30 June 2003

	Notes	2003 \$'000	2002 \$'000
<b>Current Assets</b>			
Cash Assets	5	167,357	152,732
Receivables		13,517	17,484
Other Financial Assets	6	1,826	1,472
Other		516	236
<b>Total Current assets</b>		<b>183,216</b>	<b>171,924</b>
<b>Non - Current Assets</b>			
Receivables		2,073	2,073
Other Financial Assets	6	22,090	10,929
Property, Plant and Equipment	8	37,609	36,924
Tax Assets	4(d)	11,624	6,319
Other	9	3,243	7,144
<b>Total Non - Current Assets</b>		<b>76,639</b>	<b>63,389</b>
<b>Total Assets</b>		<b>259,855</b>	<b>235,313</b>
<b>Current Liabilities</b>			
Payables	10	158,504	138,423
Tax Liabilities	4(b)	6,786	6,908
Provisions	11	26,024	30,981
<b>Total Current Liabilities</b>		<b>191,314</b>	<b>176,312</b>
<b>Non - Current Liabilities</b>			
Payables	10	13,994	10,929
Tax Liabilities	4(c)	43	110
Provisions	11	3,777	3,434
<b>Total Non - Current Liabilities</b>		<b>17,814</b>	<b>14,473</b>
<b>Total Liabilities</b>		<b>209,128</b>	<b>190,785</b>
<b>Net Assets</b>		<b>50,727</b>	<b>44,528</b>
<b>Equity</b>			
Contributed Equity	12	-	-
Reserves	13	4,121	20,338
Retained Profits	14	46,606	24,190
<b>Total Equity</b>		<b>50,727</b>	<b>44,528</b>

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

# Statement of Cash Flows

For the year ended 30 June 2003

	Notes	2003 \$'000	2002 \$'000
<b>Cash Flows from Operating Activities</b>			
Cash receipts from customers		1,172,924	1,084,032
Cash payments to suppliers and employees		(134,175)	(127,930)
Prizes paid to customers		(649,238)	(606,488)
Duty payments to Governments		(282,345)	(260,091)
Goods & Services tax paid		(46,079)	(41,861)
Income tax equivalent paid		(18,635)	(13,527)
Interest received		2,930	2,821
Other income received		9,676	8,556
<b>Net cash provided by Operating Activities</b>	(a)	55,058	45,512
<b>Cash Flows from Investing Activities</b>			
Proceeds from sale of plant and equipment		393	482
Payment for investments		(11,515)	(3,814)
Payment for property, plant and equipment		(2,134)	(1,732)
Payments of deferred expenditure		(322)	(141)
<b>Net cash used in Investing Activities</b>		(13,578)	(5,205)
<b>Cash Flows from Financing Activities</b>			
Dividends paid		(29,641)	(35,273)
<b>Net cash used in Financing Activities</b>		(29,641)	(35,273)
<b>Net Increase in cash held</b>		11,839	5,034
<b>Cash at the beginning of the financial period</b>		147,408	142,374
<b>Cash at the end of the financial period</b>	(b)	159,247	147,408
<b>Notes to the Statement of Cash Flows</b>			
<b>(a) Reconciliation of net cash provided by operating activities to profit from ordinary activities</b>			
<b>Net profit</b>		26,582	19,963
<b>Adjustments for non - cash items:</b>			
Depreciation		5,124	5,095
Amortisation of deferred expenditure		303	285
(Decrease)/ Increase in income tax provided		(122)	1,747
(Increase) in deferred taxes payable		(5,372)	(4,594)
Loss on sale of plant and equipment		53	120
<b>Changes in Assets and Liabilities</b>			
Decrease in receivables		3,967	141
Decrease in other assets		3,640	4,888
Increase in payables		20,360	17,760
Increase in provisions		523	107
<b>Net cash provided by Operating Activities</b>		55,058	45,512
<b>(b) Reconciliation of cash at the end of the financial period with related items in the Statement of Financial Position.</b>			
<b>Cash comprises:</b>			
Cash Assets		167,357	152,732
Cash Book		(8,110)	(5,324)
<b>Cash at the end of the financial period</b>		159,247	147,408

# Notes to the Financial Statements

For the year ended 30 June 2003

New South Wales Lotteries Corporation is a Statutory State Owned Corporation established on 1st January 1997 under the provisions of the New South Wales Lotteries Corporatisation Act, 1996.

## 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Accounting

The Financial Report is a general purpose financial report which has been prepared on an accrual basis and in accordance with the New South Wales Lotteries Corporatisation Act, 1996, Public Finance and Audit Act, 1983, regulations issued thereunder, Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

The Financial Report has been prepared on the basis of historical cost and has not been adjusted to take account of changing money values or valuations of non-current assets, except where stated.

### (b) Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous year except as follows:

#### Revaluation of Non-Current Assets

During the year the Corporation adopted the fair value method of valuing physical non-current assets in accordance with AASB 1041 "Revaluation of Non-current Assets". The financial effect of the change was to increase the value of buildings by \$1,359,000 and leasehold land by \$2,762,000; current year profits decreased by \$39,970 due to an increase in depreciation expense.

### (c) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of the Goods and Services Tax (GST).

#### Product Sales (Subscriptions)

Revenue from product sales is recognised exclusive of the GST, which is charged on the basis of operator margin. Revenue from Instant Scratchies is recognised when tickets are sold. For all other products, revenue is recognised when each game is drawn.

#### Interest Revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

#### Sale of non-current assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

### (d) Receivables

All Receivables are carried at nominal amounts. Revenue from product sales is due for collection from retailers each week. Collectibility of receivables is regularly reviewed and debts which are known to be uncollectible are written off.

### (e) Income Tax Equivalent

NSW Lotteries Corporation is exempt from Commonwealth Taxation, however, pursuant to the State Owned Corporations Act, 1989, the Corporation is subject to the National Tax Equivalent Regime. NSW Lotteries Corporation adopts the liability method of tax effect accounting.

Income tax equivalent expense, as shown in Note 4, is calculated on profit from ordinary activities adjusted for permanent differences between taxable income and accounting profit. The effect of timing differences, which arise from items being brought to account in different years for income tax equivalent and accounting purposes, is carried forward in the Statement of Financial Position as a future income tax benefit or a deferred income tax provision. Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt.



# Notes to the Financial Statements

For the year ended 30 June 2003

## **(f) Investments**

### **(i) Current**

Investments, comprising negotiable securities expected to be realised within a year are cash-equivalent assets carried at market value. Investments comprising fixed interest deposits expected to mature within one year are not cash-equivalent assets and are carried at cost.

### **(ii) Non - Current**

Investments, comprising fixed interest deposits expected to mature after one year are not cash-equivalent assets and are carried at cost.

## **(g) Property, Plant and Equipment**

### **Acquisitions**

Purchases of items of property, plant, and equipment exceeding \$300 are capitalised and initially recorded at the cost of acquisition being the fair value attributed to the acquisition.

### **Revaluations of Physical Non-Current Assets**

Property, plant and equipment is measured at fair value in accordance with AASB 1041 and TPP 03-02. At each reporting date the value of each class of physical non-current asset is reviewed to ensure that its carrying amount does not materially differ from fair value at that date. Revaluation increments are recognised in the asset revaluation reserve, decrements exceeding previous revaluation increments are recognised as expense.

### **Depreciation**

Depreciation is applied on the straight line basis over the estimated useful life of the asset to the Corporation.

The useful lives of each class of assets are:

Buildings	30 to 40 years
Leasehold improvements	the leased term
Computer equipment	4 to 10 years
Other equipment	3 to 7 years

## **(h) Deferred Expenditure**

Expenditures associated with significant product and technological developments are deferred to the extent that they are recoverable out of future sales and other revenues; do not relate solely to sales which have been already brought to account; and contribute to the future earning capacity of the Corporation.

Deferred expenditure is amortised over the period in which the benefits are expected to be realised or three years, whichever is the shorter.

## **(i) Payables**

All payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services rendered, whether or not yet billed to the Corporation.

## **(j) Prize funds**

For all products, the prescribed percentage of subscriptions payable as prizes is transferred to the respective prize account from which payment to prize winners is made. Interest generated through the investment of prize funds balances is credited to the respective prize fund. This interest may only be utilised for the payment of prizes and accordingly is not recorded as revenue to the Corporation.

# Notes to the Financial Statements

For the year ended 30 June 2003

## **(k) Employee Benefits**

### **Salaries and annual leave**

Salaries and annual leave (including any associated on-costs) represent present obligations resulting from employees' services provided up to the reporting date calculated at remuneration rates that the Corporation expects to pay when the liability is settled.

### **Long Service Leave**

Long service leave is provided for all employees with five or more years of service with the Corporation or the former entity. The liability is measured (including on-costs) as the amount unpaid at balance date calculated at remuneration rates that the Corporation expects to pay when the liability is settled. This method of measuring the liability is not materially different from the amount determined by using the present value basis of measurement.

### **Superannuation**

The Corporation contributes to various employee superannuation funds and charges are expensed as incurred. Contributions are held by the Pillar Administration in Investment Reserve Accounts.

## **(l) Financial Instruments**

Financial Instruments give rise to financial assets of the Corporation and financial liabilities owing to other parties and account for the majority of the Corporation's current assets and current liabilities. In accordance with AAS 33 "Presentation and Disclosure of Financial Instruments", information is disclosed in Note 7 in respect of the credit risk and interest rate risk. All such amounts are carried in the Financial Report at the values disclosed in the Statement of Financial Position and applicable Notes to the Financial Statements.

## **(m) Goods & Services Tax**

Revenues, expenses and all other assets are recognised net of the amount of Goods and Services Tax (GST) except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the item of expense.

Receivables and payables are stated with the amount of the GST included.

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

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

## **(n) Provision for Dividends**

Dividends declared, determined or publicly recommended on or before reporting date are recognised as a liability for the entire amount that remains undistributed at that date.

## **(o) Comparatives**

Comparatives have been reclassified and repositioned for consistency with current year disclosures.

## **(p) Roundings of Amounts**

Where appropriate, all amounts shown in this Financial Report have been rounded to the nearest thousand dollars.

# Notes to the Financial Statements

For the year ended 30 June 2003

## 2 REVENUE FROM ORDINARY ACTIVITIES

	Notes	2003 \$'000	2002 \$'000
<b>Revenue from ordinary activities</b>			
Other Revenue includes the following items :			
From operating activities:			
Investment revenue - other parties		2,930	2,821
From outside operating activities:			
Gross proceeds from the sale of plant and equipment		393	482

## 3 PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EQUIVALENT EXPENSE

### (a) Individually significant expense included in profit from ordinary activities before income tax equivalent expense

Decrease in Prepaid superannuation (Income tax effect- nil) (refer also to Note 9(b))	3,294	4,272
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### (b) Profit from ordinary activities before income tax equivalent expense has been arrived at after charging:

#### Cost of Sales:

Retailer Commission	(71,086)	(62,525)
Prizes	(666,781)	(623,196)
Government Duties	(281,649)	(262,035)
	(1,019,516)	(947,756)

#### Expenses:

Employee Benefits	1,290	1,011
Superannuation	1,042	1,004
Depreciation - property, plant and equipment (refer Note 8)	5,124	5,095
Amortisation - deferred expenditure (refer Note 9(a))	303	285
Loss on sale of plant and equipment	53	120
Lease rental expenses - operating leases	633	603
Consultancies	26	153
Bad debts	19	9

# Notes to the Financial Statements

For the year ended 30 June 2003

## 4 TAXATION

	Notes	2003 \$'000	2002 \$'000
<b>(a) Income tax equivalent expense</b>			
Prima facie income tax equivalent expense calculated at 30% (2002 - 30%) on the profit from ordinary activities:		11,917	9,193
Increase in income tax equivalent expense due to permanent differences (non-tax deductible or assessable items):			
Decrease in prepaid superannuation		1,176	1,475
Non-deductible depreciation		12	-
Other		36	12
		<u>13,141</u>	<u>10,680</u>
Income tax equivalent expense attributable to profit from ordinary activities is made up of:			
Current income tax equivalent provision		18,513	15,274
Future income tax benefit		(5,305)	(4,605)
Deferred income tax provision		(67)	11
		<u>13,141</u>	<u>10,680</u>
<b>(b) Current Tax Liabilities</b>			
<b>Provision for current income tax</b>			
Movements during the year:			
Balance at the beginning of the year		6,908	5,161
Less instalments of income tax paid		(18,635)	(13,527)
Current year's income tax provision on profit from ordinary activities		<u>18,513</u>	<u>15,274</u>
		<u>6,786</u>	<u>6,908</u>
<b>(c) Deferred Tax Liabilities</b>			
<b>Provision for deferred income tax</b>			
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% (2002 - 30%) on the following items:			
Income currently non-assessable for tax but booked to profit for accounting purposes		43	63
Expenditure currently deductible for tax but deferred and amortised for accounting purposes		-	47
		<u>43</u>	<u>110</u>
<b>(d) Deferred Tax Assets</b>			
<b>Future income tax benefit</b>			
Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% (2002 - 30%) on the following items:			
Provisions and accrued employee benefits not currently deductible		1,822	1,599
Jackpotting unpaid prizes not currently deductible		4,617	2,377
Prize Funds components not currently deductible		5,057	2,297
Difference in depreciation of property, plant and equipment and amortisation of deferred expenditure for accounting and income tax purposes		128	46
		<u>11,624</u>	<u>6,319</u>

# Notes to the Financial Statements

For the year ended 30 June 2003

## 5 CASH ASSETS

	Notes	2003 \$'000	2002 \$'000
Cash at bank and on hand		217	321
Investments	1(f)(i)	167,140	152,411
		<u>167,357</u>	<u>152,732</u>

## 6 OTHER FINANCIAL ASSETS

Current Assets			
Investments	1(f)(i)	1,826	1,472
Non - Current Assets			
Investments	1(f)(ii)	22,090	10,929

## 7 DISCLOSURE OF FINANCIAL INSTRUMENTS

### (a) Interest rate risk

Interest rate risk is the risk that the value of the financial instruments will fluctuate due to changes in market interest rates. The Corporation's exposure to interest rate risks and the effective interest rates of financial assets and liabilities at balance date are as follows:

#### 30 June 2003

Financial Instrument	Note	Floating Interest Rate \$'000	Fixed 1 Year or less \$'000	Over 1 to 5 Years \$'000	More than 5 Years \$'000	Non Interest Bearing \$'000	Carrying amount as per Statement of Financial Position \$'000
<b>Financial Assets</b>							
Cash Assets	5	11,560	155,580	-	-	217	167,357
Other Financial Assets	6	-	1,826	14,596	7,494	-	23,916
Receivables		-	-	-	-	15,590	15,590
<b>Total Financial Assets</b>		<b>11,560</b>	<b>157,406</b>	<b>14,596</b>	<b>7,494</b>	<b>15,807</b>	<b>206,863</b>
<b>Weighted Effective Interest rate</b>		<b>4.75%</b>	<b>4.80%</b>	<b>5.72%</b>	<b>5.61%</b>		
<b>Financial Liabilities</b>							
Payables	10					172,498	172,498
Tax Liabilities	4(b)					6,786	6,786
Provision for Dividends	15					24,504	24,504
<b>Total Financial Liabilities</b>						<b>203,788</b>	<b>203,788</b>



# Notes to the Financial Statements

For the year ended 30 June 2003

## 7 DISCLOSURE OF FINANCIAL INSTRUMENTS (CONTINUED)

### (a) Interest rate risk (continued)

30 June 2002

Financial Instrument	Note	Floating Interest Rate \$'000	Fixed 1 Year or less \$'000	Over 1 to 5 Years \$'000	More than 5 Years \$'000	Non Interest Bearing \$'000	Carrying amount as per Statement of Financial Position \$'000
<b>Financial Assets</b>							
Cash Assets	5	26,055	126,356	-	-	321	152,732
Other Financial Assets	6	-	1,472	5,094	5,835	-	12,401
Receivables		-	-	-	-	19,984	19,984
<b>Total Financial Assets</b>		<b>26,055</b>	<b>127,828</b>	<b>5,094</b>	<b>5,835</b>	<b>20,305</b>	<b>185,117</b>
<b>Weighted Effective Interest rate</b>		<b>4.80%</b>	<b>4.90%</b>	<b>5.66%</b>	<b>5.83%</b>		
<b>Financial Liabilities</b>							
Payables	10					149,352	149,352
Tax Liabilities	4(b)					6,908	6,908
Provision for Dividends	15					29,641	29,641
<b>Total Financial Liabilities</b>						<b>185,901</b>	<b>185,901</b>

### (b) Credit Risk

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

NSW Lotteries minimises its credit risk on receivables by undertaking its sales transactions with a large number of retailers and requiring those retailers to remit outstandings on a weekly basis. The Corporation's investments included in cash assets and other financial assets are held in A grade securities and deposits, and will mature or be sold generally within twelve months. Investments to be retained for longer than twelve months are held in A grade deposits and earn a fixed rate of interest. The Corporation is therefore not materially exposed to credit risk.

### (c) Net Fair Values of Financial Assets and Liabilities

Net fair values of financial assets and liabilities are determined by the Corporation on the following bases:

Investments included in Cash Assets are traded in an organised financial market and are carried at market value. Investments in fixed interest deposits are shown as Other Financial Assets and are carried at cost.

Cash at Bank and on Hand, Receivables, Cash Book, Trade Creditors and Accruals, Government Duties, Sales in Advance, Unpaid Prizes, Prize Funds, Other Payables, Provision for Current Income Tax and Provision for Dividends are carried at historical cost.

# Notes to the Financial Statements

For the year ended 30 June 2003

## 8 PROPERTY, PLANT AND EQUIPMENT

	Notes	2003 \$'000	2002 \$'000
<b>Land &amp; Buildings</b>			
Leasehold land - at fair value		4,600	1,838
Buildings - at fair value		11,243	9,869
Less accumulated depreciation		(3,531)	(2,928)
		7,712	6,941
Leasehold Improvements - at fair value		71	334
Less accumulated amortisation		(46)	(294)
		25	40
<b>Total Land &amp; Buildings</b>		<b>12,337</b>	<b>8,819</b>
<b>Plant and Equipment</b>			
Computer equipment - at fair value		31,285	30,686
Less accumulated depreciation		(8,909)	(5,617)
		22,376	25,069
Other Plant and Equipment - at fair value		6,662	6,271
Less accumulated depreciation		(3,766)	(3,235)
		2,896	3,036
<b>Total Plant and Equipment</b>		<b>25,272</b>	<b>28,105</b>
<b>Total Property, Plant and Equipment Net Book Value</b>		<b>37,609</b>	<b>36,924</b>

### Valuations

#### Leasehold Land & Buildings

An independent valuation of the Corporation's leasehold land and buildings at Homebush was carried out by Paul Goldsmith AAPI, Certified Practising Valuer No 3099, of the State Valuation Office. The valuation, based on 1 July 2002 and having regard to the highest and best use of the leasehold land and buildings for which the market participants would be willing to pay, resulted in a value of \$4,600,000 for the leasehold land and \$8,300,000 for the buildings being the value attributed to the balance of their economic life.

#### Leasehold Improvements

Estimated fair value of leasehold improvements at directors' valuation is \$25,000 ( 2002 - \$40,000).

#### Plant and Equipment

Estimated fair value of plant and equipment at directors' valuation is \$25,272,000 ( 2002 - \$28,514,000).

### Reconciliations:

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

#### Leasehold Land - at fair value

Carrying amount at the beginning of the year	1,838	1,858
Revaluation increment	2,762	-
Amortisation	-	(20)
Carrying amount at the end of the year	4,600	1,838

# Notes to the Financial Statements

For the year ended 30 June 2003

8

## PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Notes	2003 \$'000	2002 \$'000
<b>Buildings - at fair value</b>			
Carrying amount at the beginning of the year		6,941	7,517
Revaluation increment		1,359	-
Depreciation		(588)	(576)
Carrying amount at the end of the year		<b>7,712</b>	<b>6,941</b>
<b>Leasehold Improvements - at fair value</b>			
Carrying amount at the beginning of the year		40	52
Additions		-	4
Amortisation		(15)	(16)
Carrying amount at the end of the year		<b>25</b>	<b>40</b>
<b>Plant and Equipment - at fair value</b>			
<b>Computer equipment - at fair value</b>			
Carrying amount at the beginning of the year		25,069	28,198
Additions		917	426
Disposals		(28)	-
Depreciation		(3,582)	(3,555)
Carrying amount at the end of the year		<b>22,376</b>	<b>25,069</b>
<b>Other Plant and Equipment - at fair value</b>			
Carrying amount at the beginning of the year		3,036	3,264
Additions		1,217	1,302
Disposals		(418)	(602)
Depreciation		(939)	(928)
Carrying amount at the end of the year		<b>2,896</b>	<b>3,036</b>

# Notes to the Financial Statements

For the year ended 30 June 2003

## 9 OTHER

	Notes	2003 \$'000	2002 \$'000
Deferred Expenditure	9(a)	342	323
Prepaid Superannuation	9(b)	2,901	6,821
		<b>3,243</b>	<b>7,144</b>
<b>(a) Deferred Expenditure</b>			
Deferred expenditure		1,197	3,120
Less accumulated amortisation		855	2,797
		<b>342</b>	<b>323</b>
<b>Reconciliation:</b>			
Reconciliation of the carrying amount for each class of deferred expenditure is set out below:			
Carrying amount at the beginning of the year		323	467
Additions		322	141
Amortisation		(303)	(285)
Carrying amount at the end of the year		<b>342</b>	<b>323</b>

### (b) Prepaid Superannuation

Superannuation contributions are made by NSW Lotteries Corporation to the appropriate employee superannuation funds and are charged as an expense when incurred. The contributions are held by the Pillar Administration in Investment Reserve Accounts. The actuarial firm, Mercer Human Resources Consulting Pty Ltd, has completed an assessment of the gross superannuation liabilities for the defined benefit schemes administered by Pillar Administration for the year ended 30 June 2003. The key assumptions underlying this assessment were:

	2003/2004 %	2004/2005 %	Thereafter %
Investment Growth	7.0	7.0	7.0
Salary Growth	4.0	4.0	4.0
Consumer Price Index	2.5	2.5	2.5

The Corporation fully funds the employer's liability for superannuation. Based on the actuarial assessment by Mercer Human Resources Consulting Pty Ltd, the Corporation has prepaid contributions totalling \$2,900,724 in the Reserve Accounts. The breakdown between the funds is:

	2003 \$'000	2003 \$'000	2003 \$'000	2002 \$'000
	Employer Reserve Account	Gross Past Service Liability	Prepaid Contributions	Prepaid Contributions
State Superannuation Fund	25,939	23,286	2,653	5,806
State Authorities Superannuation Scheme	3,275	3,257	18	585
State Authorities Non-Contributory Superannuation Scheme	1,795	1,565	230	430
	<b>31,009</b>	<b>28,108</b>	<b>2,901</b>	<b>6,821</b>

# Notes to the Financial Statements

For the year ended 30 June 2003

## 9 OTHER (CONTINUED)

Amounts representing prepaid superannuation contributions are recognised as an asset. Due to the overall surplus in the superannuation funds, no employer contributions were paid into these three Schemes during the year. The significant decrease of \$3,294,196 referred to in Note 3(a) is made up of a decrease of \$3,920,177 ( 2002 - decrease \$4,915,476 ) in prepaid contributions partly offset by \$625,981 ( 2002 - \$643,087) representing contributions which otherwise would have been paid .

## 10 PAYABLES

	Notes	2003 \$'000	2002 \$'000
<b>Current</b>			
Cash Book		8,110	5,324
Trade Creditors and Accruals		10,442	12,150
Government Duties		23,421	24,117
Sales in Advance		16,711	11,733
Unpaid Prizes		50,234	45,635
Prize Funds		48,828	38,949
Other Payables		758	515
		<b>158,504</b>	<b>138,423</b>
<b>Non - Current</b>			
Unpaid Prizes		<b>13,994</b>	<b>10,929</b>

## 11 PROVISIONS

<b>Current</b>			
Employee Benefits	16(a)	1,520	1,340
Provision for Dividends	15	24,504	29,641
		<b>26,024</b>	<b>30,981</b>

<b>Non - Current</b>			
Employee Benefits	16(b)	<b>3,777</b>	<b>3,434</b>

### Reconciliation:

Reconciliation of the carrying amount for each class of provisions except for employee provisions is set out below:

### Provision for Dividends

Balance at the beginning of the year	29,641	17,251
Provisions made during the year	24,504	29,641
Payments made during the year	(29,641)	(17,251)
Balance at the end of the year	<b>24,504</b>	<b>29,641</b>



# Notes to the Financial Statements

For the year ended 30 June 2003

## 12 CONTRIBUTED EQUITY

	Notes	2003 \$'000	2002 \$'000
Authorised Capital			
100 Ordinary Shares of \$1.00 each - \$100 (2002 - \$100)			
Issued and Paid-up Capital			
2 Ordinary Shares of \$1 each fully paid - \$2 (2002 - \$2)			
New South Wales Lotteries Corporation was corporatised on 1 January 1997 with authorised capital of 100 ordinary shares at \$1 each. The issued capital of two (2) \$1 shares are issued to the Treasurer and the Special Minister of State on behalf of the NSW Government. The \$2 share capital has been rounded to zero in the Statement of Financial Position.			

## 13 RESERVES

Capital Reserve	13(a)	-	11,980
Development Reserve	13(b)	-	4,996
Operations Reserve	13(c)	-	3,362
Asset Revaluation Reserve	13(d)	4,121	-
		<b>4,121</b>	<b>20,338</b>

### Movements during the year

#### (a) Capital Reserve

Balance at the beginning of the year	11,980	12,315
Add: allocation for the year	-	1,397
	11,980	13,712
Less: transfer to retained profits	11,980	1,732
Balance at the end of the year	-	<b>11,980</b>

#### (b) Development Reserve

Balance at the beginning of the year	4,996	5,080
Less: transfer to retained profits	4,996	84
Balance at the end of the year	-	<b>4,996</b>

#### (c) Operations Reserve

Balance at the beginning of the year	3,362	3,362
Add: allocation for the year	-	-
Less: transfer to retained profits	3,362	-
Balance at the end of the year	-	<b>3,362</b>

#### (d) Asset Revaluation Reserve

Balance at the beginning of the year	-	-
Increment on initial adoption of AASB 1041 and TPP 03-02.	4,121	-
Balance at the end of the year	<b>4,121</b>	-

# Notes to the Financial Statements

For the year ended 30 June 2003

## 13 RESERVES (CONTINUED)

	Notes	2003 \$'000	2002 \$'000
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### (e) Nature and Purpose of Reserves

#### Asset Revaluation Reserve

The purpose of the asset revaluation reserve is to record increments and decrements as a result of the revaluation of physical non-current assets measured at fair value in accordance with AASB 1041 and TPP 03-02.

## 14 RETAINED PROFITS

Retained Profits at the beginning of the financial year		24,190	43,449
Net profit		26,582	19,963
Add amounts transferred from Reserve			
Capital Reserve		11,980	1,732
Development Reserve		4,996	84
Operations Reserve		3,362	-
		20,338	1,816
Total available for appropriation		<b>71,110</b>	<b>65,228</b>
Less amounts transferred to Reserves			
Capital Reserve		-	(1,397)
Total available for distribution		<b>71,110</b>	<b>63,831</b>
NSW Government - Special Dividend Paid		-	(10,000)
NSW Government - Dividends Provided		(24,504)	(29,641)
Retained Profits at the end of the financial year		<b>46,606</b>	<b>24,190</b>

## 15 NSW GOVERNMENT DIVIDENDS

Special Dividend provided	-	10,000
Dividend provided in respect of the year ended 30 June 2003	24,504	19,641
	<b>24,504</b>	<b>29,641</b>

## 16 EMPLOYEE BENEFITS

### (a) Current

Provision for Annual Leave	1,125	1,099
Provision for Long Service Leave	395	241
	<b>1,520</b>	<b>1,340</b>

### (b) Non - Current

Provision for Long Service Leave	<b>3,777</b>	<b>3,434</b>
----------------------------------	--------------	--------------

# Notes to the Financial Statements

For the year ended 30 June 2003

## 17 RELATED PARTIES - DIRECTORS

Notes	2003 \$'000	2002 \$'000
The names of each person holding the position of director of the Corporation during the financial year are: Messrs J Bagshaw, M Howell, D McCormack and J Johnson and Ms B Boezeman, A Payne, and S Walsh.		
The total emoluments paid or payable, directly or indirectly, by the Corporation to directors excluding the salary of the full time director was \$349,693 ( 2002 - \$300,061 ).		

## 18 AUDITORS' REMUNERATION

Audit fees	Auditors of the Corporation	116	107
Other services	Auditors of the Corporation (Supervision of draws )	122	140
		<b>238</b>	<b>247</b>

## 19 COMMITMENTS NOT PROVIDED FOR IN THE FINANCIAL STATEMENTS

Commitments under operating leases for motor vehicles, plant and office and warehouse accommodation at 30 June 2003:			
Payable within 1 year		531	531
Payable 1 to 5 years		266	1,292
		<b>797</b>	<b>1,823</b>
Commitments for the purchase of non-current assets at 30 June 2003:			
Payable within 1 year		484	242

## 20 CONTINGENT LIABILITIES

The directors are not aware of any contingent liabilities.

## 21 CONTINGENT ASSETS

The total commitments under operating leases of \$797,000 (2002 - \$1,823,000) shown in Note 19 include \$72,454 (2002 - \$165,727) in input tax credits that are expected to be recoverable from the Australian Taxation Office under the Goods and Services Tax legislation.

The total commitments for the purchase of non-current assets of \$484,000 (2002 - \$242,000) shown in Note 19 include \$44,000 (2002 - \$ 22,000 ) in input tax credits that are expected to be recoverable from the Australian Taxation Office under the Goods and Services Tax legislation.

## 22 SEGMENT REPORTING

NSW Lotteries Corporation operates solely in the business of selling Lottery tickets; its customers are located in the State of New South Wales and the Australian Capital Territory.

**End of Audited Financial Statements**

# Statutory Reporting Appendix

## CODE OF CONDUCT

The Code of Conduct applies to everyone working for NSW Lotteries, whether they are employed full-time, part-time or on a temporary or casual basis.

The Code of Conduct has not changed since publication of the most recent alterations in the Corporation's 2001/02 Annual Report.

## CONSULTANTS

### CONSULTANTS EQUAL TO OR MORE THAN \$30,000

There were no consultancies engaged during 2002/03 with a value of \$30,000 or more.

### CONSULTANCIES LESS THAN \$30,000

During the year, 6 other consultancies were engaged in the following areas:

Finance & Accounting/Tax	\$10,825.70
Management Services	\$4,800.00
Organisational Review	\$10,080.00
Total Consultancies less than \$30,000	\$25,705.70
TOTAL CONSULTANCIES	\$25,705.70

## CREDIT CARD USE

During the year credit card use within the Corporation was in accordance with the Premier's Memoranda and Treasurer's Directions.

## ELECTRONIC SERVICE DELIVERY

In accordance with the Government's Electronic Service Delivery goals, the Corporation continually reviews its business processes to identify where smarter, more efficient and customer friendly outcomes can be achieved through the use of technology. During the year, enhancements to our on-line gaming system delivered new game features and improved services to players and retailers – these changes are more fully described in earlier sections of this report titled: Our Players and Our Business. In addition, internal corporate systems were enhanced to improve the quality and use of information in the Corporation.

## EEO OUTCOMES

### 2002/2003 Planned Results

The Induction Program was reviewed in 2002/03 to ensure that changing needs were met, both from an organisational point of view as well as from the perspective of inductees. The impetus for the review was to ensure that new employees were effectively assimilated into NSW Lotteries. The revised program reflects a more comprehensive introduction to the workplace and embraces the whole six-month probationary period. Line managers have accepted increased accountability for the induction of new staff members.

The Performance Development Program was reviewed during the reporting period. No significant changes were made to the key objectives of the Program. A number of enhancements were made to reduce the complexity of the documentation associated with the administration of the scheme.

### Strategies for 2003/2004

The following strategies have been identified for the 2003/2004 financial year:

- Negotiation of a new Salaries, Allowances and Conditions of Employment Award  
The current Award expires in June 2004 so preparation for the next Award will commence shortly. Proposed changes and a new pay structure will be negotiated with the Public Service Association.
- The Performance Development Program will focus on identifying individual and team contributions to projects and priorities that have linkages to the achievement of business goals contained in the 2003/06 Business Plan.

## EEO STATISTICAL REPORT

**Table A. Trends in the Representation of EEO Groups<sup>1</sup>**

EEO Group	Benchmark or target	% of Total Staff <sup>2</sup>			
		2000	2001	2002	2003
Women	50%	50%	50%	50%	49%
Aboriginal people and Torres Strait Islanders	2%	0%	0%	0%	0%
People whose first language was not English	19%	33%	32%	31%	33%
People with a Disability	12%	11%	12%	11%	9%
People with a Disability Requiring Work-Related Adjustment	7%	3.3%	3.7%	3.2%	3%

**Table B. Trends in the Distribution of EEO Groups<sup>1</sup>**

EEO Group	Benchmark or target	Distribution Index <sup>3</sup>			
		2000	2001	2002	2003
Women	100	78	83	82	82
Aboriginal people and Torres Strait Islanders	100	nc <sup>4</sup>	nc <sup>4</sup>	nc <sup>4</sup>	nc <sup>4</sup>
People whose first language was not English	100	88	87	88	85
People with a Disability	100	87	91	91	nc <sup>4</sup>
People with a Disability Requiring Work-Related Adjustment	100	nc <sup>4</sup>	nc <sup>4</sup>	nc <sup>4</sup>	nc <sup>4</sup>

Notes:

1. Staff numbers are at 30 June 2003.

2. Excludes casual staff.

3. A Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the Index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels.

4. nc = Not Calculated. The Distribution Index is not calculated where the estimated number of staff in an EEO group is less than 20.



Ethnic Affairs Initiative	Key Result Area	Strategies/Tasks	Responsibility	Resources/Budget	Timeline Indicators	Performance	Report	The existing strategies will continue in 2003-2004 with the following Timeline Indicators
1. Continue to provide CLAS community language speakers for customers of NSW Lotteries.	1. Social Justice (1.7 - Access to Interpreters & Translators)	1. Recruitment & testing of interested staff.  2. Inform staff of CLAS speaker availability.  3. Monitor & report on CLAS speaker usage.	Manager Human Resources	Salaries budget	June 2003  Circular to all staff of updated CLAS list.  Report July 2003	Level of coverage  Timely information dissemination  Timeliness	Based on recorded practice, translation service provided to customers and agents using key community languages especially Mandarin and some European languages  Information on available translators regularly updated  Service is provided in a timely fashion on demand	June 2004  Circular to all staff of updated CLAS list  Report July 2004
2. Marketing communications strategies will include an ethnic component where appropriate  Promotions will further recognise backgrounds and needs of NSW Lotteries customers.		1. Identify & use appropriate ethnic media for advertising, promotions & Sponsorship.  2. Provide product & service information for NESB communities.  3. Develop promotional activities for specific ethnic communities. Use multilingual promotional staff.	Director Marketing & Sales	Marketing budget – Corporate Promotions & Advertising	Report June 2003	Inclusion  Development of activities  Timeliness	Advertising: Press and Radio Sponsorship: press editorials & Radio program sponsorship  Press: Australian Chinese Daily, Chinese Herald, Sing Tao, Chieu Duong, Viet Luan, Nguoi Viet, El Telegraph, Al Bairak, An-Nahar, Future, Ad-Diyar, Hoju Dong-A, Top Hankuk.  Radio: 2CR, 2AC, 2VNR, 2ME, Korean Broadcasting Australia Instant Scratchies launched a special Year of the Goat Scratchie, where the ticket was developed via a Ticket Design Competition conducted through press. Instant Scratchies also conducted radio sponsorship for a Feng Shui series on 2AC & 2CR, and supported selected retail events in press and radio.  Multilingual promotions conducted for all products especially Lotto and Instant Scratchies.	Ongoing  Develop multilingual Lottery Agent Training workbooks by June 2004  Report June 2004

## FREEDOM OF INFORMATION (FOI)

### Statistical Report

NSW Lotteries is a State Owned Corporation which markets, manages and conducts lotteries for community benefit. A range of information is available to the public upon request without the necessity of applying under FOI. As with the period ending 30 June 2002, there were no requests for information under the Freedom of Information Act during the 2003 financial year and an assessment of FOI requirements on NSW Lotteries' activities found no major impact during the year. There were no major issues that arose with regard to the Corporation's annual reporting compliance on FOI issues. There was no involvement by the Ombudsman or courts in relation to any inquiries or appeals under the FOI Act.

## FOI – STATEMENT OF AFFAIRS

### Structure and Functions

The structure of NSW Lotteries is outlined in this report under Management Structure. The day-to-day functions of the Corporation are reported under the section titled: What We Do, in addition to the four sections that cover our day-to-day operations and titled: Our Players, Our Business, Our People and Our Finances.

### Effects of Functions on Members of the Public

Members of the public are invited to participate in the drawing of lotteries at Corporate Headquarters, 2 Figtree Drive, Homebush Bay, NSW 2127, and should contact the Draw Administrator on telephone (02) 9752 5548. Lotto draws (Monday, Wednesday and Saturday) are televised from the studios of Channel 9, Sydney, and attendance can be arranged by contacting the Manager, Player Services on telephone (02) 9752 5541.

### Policy Documents

NSW Lotteries Corporation holds the following documents which are available for public viewing:

- Rules for all products (Lotto, Lotto Strike, OZ Lotto, Powerball, Lucky Lotteries, Instant Scratchies and 6 From 38 Pools);
- "How to Play" pamphlets for all games;
- "It's now even easier to claim your prizes" brochure;
- Australian Lotteries Industry Code of Practice;
- Advertising Code of Practice;
- NSW Lotteries Business Plan Summary;
- NSW Lotteries Code of Conduct; and
- Annual Reports.

The following documents relate to the conduct of our games and the operation of the Corporation:

- Public Lotteries Act 1996; and
- NSW Lotteries Corporatisation Act 1996.

Documents relating to internal administration, including Board minutes, recruitment, personnel files, accommodation, staff and establishment, financial matters and internal audit are also held by NSW Lotteries.

Members of the public may contact the Freedom of Information Officer to ascertain which of these documents may be available under FOI legislation. In these cases application and processing fees may apply.

Formal requests made under the Freedom of Information Act for access to documents held by the Corporation should be accompanied by a \$30 application fee and directed to:

The FOI Co-ordinator  
NSW Lotteries Corporation  
2 Figtree Drive  
HOMEBUSH BAY NSW 2127.

# Statutory Reporting

A 50% reduction in fees and charges is available in the following circumstances:

- where the applicant is a pensioner or under 18 years of age;
- where the applicant, as a non-profit organisation, demonstrates financial hardship;
- where the applicant seeks information which does not concern his or her personal affairs, and which the applicant demonstrates is in the public interest to be made available.

The telephone number for all Freedom of Information inquiries is 9752 5783. Arrangements can also be made to view the documents listed above between the hours of 9am and 5pm Monday to Friday by contacting the FOI Co-ordinator at the above address.

## Publications

The following publications are available (free of charge) and can be obtained by contacting the FOI Co-ordinator:

- Annual Report; and
- Business Plan Summary.

## FUNDS GRANTED TO NON-GOVERNMENT COMMUNITY ORGANISATIONS

No funds were granted to non-Government community organisations.

## HUMAN RESOURCES STATISTICAL REPORT

	June 1999	June 2000	June 2001	June 2002	June 2003
Executive	6*	6*	6*	6*	6*
Senior Specialist Managers	7	7	8	7	7
Administrative Staff	171	168	174	172	168
Distribution Officers	17	17	17	15	14

\* Includes one female.

## INSURANCE AND RISK MANAGEMENT

NSW Lotteries has comprehensive insurance coverage for all key areas of risk including Workers Compensation, Property and Consequential Loss, Motor Vehicles, Public Liability and Directors' and Officers' liability.

The Corporation's Board has placed a strong emphasis on risk management and appropriate policies and controls are established to facilitate the management of each category of risk.

## INVESTMENT MANAGEMENT PERFORMANCE

At the end of the financial year investment funds were apportioned between two fund managers:

Treasury Corporation	49.12%
Citigroup Asset Management*	50.88%

Gross returns on investments were:

	Actual % per Annum for year ended		Benchmark % per Annum for year ended	
	June 2002	June 2003	June 2002	June 2003
Treasury Corporation	4.66	4.96	4.68	4.98
Citigroup Asset Management*	4.73	5.12	4.68	4.98

\* Citigroup Asset Management replaced AXA Australia Ltd as funds manager in August 2002.

# Statutory Reporting

## LEGISLATIVE CHANGES

There were no legislative changes or significant judicial decisions which affected the Corporation's operations during the year.

## LIABILITY MANAGEMENT

NSW Lotteries has no borrowings, debt or unfunded liabilities.

## OCCUPATIONAL HEALTH & SAFETY STATISTICAL REPORT

	1998/99	1999/00	2000/01	2001/02	2002/03
Average number of employees	209	203	205	201	195
Total number of work injuries	24	17	16	23	29
Actual expenditure on OH&S programs (\$)	7,265	27,000	19,608	31,085	21,907
Total number of Workers' Compensation claims	16	7	8	9	12
Total number of employees who participated in a rehabilitation program	2	-	2	-	3
Number of hours in training in OH&S	70	126	69	541	280
Number of OH&S representatives	N/A	N/A	N/A	-	8
Number of OH&S committees	N/A	N/A	N/A	2	2

## OVERSEAS TRAVEL

Officer	Destination	Purpose
Chief Executive Officer	Boston - USA	Attend Lottery Industry World
Director Information Technology	Rhode Island - USA	Leaders Forum and participate in negotiations with online system supplier

## PAYMENT OF ACCOUNTS

Ageing of Creditors 2002/2003	September 2002	December 2002	March 2003	June 2003
Current (within due date)	\$9,722,224	\$9,373,122	\$7,544,471	\$10,442,325
< 30 days overdue	Nil	Nil	Nil	Nil
30-60 days overdue	Nil	Nil	Nil	Nil
60-90 days overdue	Nil	Nil	Nil	Nil
> 90 days overdue	Nil	Nil	Nil	Nil

Payment Statistics 2002/2003	September 2002	December 2002	March 2003	June 2003
Target % for Accounts paid within 30 days	100%	100%	100%	100%
Actual % of Accounts paid within 30 days	100%	100%	100%	100%
Total dollars paid within 30 days	\$9,722,224	\$9,373,122	\$7,544,471	\$10,442,325
Total dollars paid	\$9,722,224	\$9,373,122	\$7,544,471	\$10,442,325

In accordance with Treasury requirements, the above table is a snapshot of accounts payable at the end of each quarter and their payment time frame. There was no interest paid by NSW Lotteries Corporation as a result of the late payment of accounts.

## PERFORMANCE INDICATORS

	Standard	Results 2001/2002	Results 2002/2003
Complaints to Financial Controller regarding late or non-payment of accounts	Complaints represent less than 0.1% of accounts	Nil	Nil
It is NSW Lotteries' policy that all accounts are paid within the suppliers' terms of trade.			

## PROPERTY DISPOSAL

No land was disposed of by the Corporation during the reporting year.

## PUBLICATIONS

NSW Lotteries prepares a range of publications relating to its products and operations which assist in keeping our customers and retailers informed. These include:

- Annual Report;
- Business Plan Summary;
- Game Rules and How to play information for all products;
- Network News – product and event information for retailers;
- Promotional material for special product events;
- Results of games in the Daily Telegraph; and
- Winners Circle – product and event information for players.

These publications are free of charge and generally available by contacting the Corporation's Headquarters. Information on NSW Lotteries and its products and services provided is also available on our website [www.nswlotteries.com.au](http://www.nswlotteries.com.au).

## NSW GOVERNMENT ENERGY MANAGEMENT POLICY

The Corporation has adopted the NSW Government's Energy Management Policy which is designed to reduce energy use and greenhouse emissions. The Corporation's Energy Management Plan ensures the continual review of energy usage levels to ensure they are contained. The Corporation's combined electricity consumption for 2002-2003 was 1,826,991 kWh, which represented a 7% reduction on the previous year. Overall, through the reduction in power consumption and the purchase of 6% green power, the Corporation has reduced greenhouse emissions by 57 tonnes (CO<sub>2</sub>) over the same period.

## WASTE REDUCTION AND PURCHASING POLICY (WRAPP)

The Corporation's Waste Management Plan incorporates the principles of the NSW Government's WRAPP policy and progress on the implementation of the Plan is as follows:

### (a) Reducing the generation of waste (waste avoidance and minimisation)

This is encouraged by:

- Using email to distribute information instead of hard copy;
- Editing draft electronic documents on computer screen rather than printing hard copies;
- Generating forms electronically instead of maintaining paper stocks: and
- Printing of double-sided documents.

These initiatives are designed to minimise paper wastage and have the added benefit of reducing the number of toner cartridges required for office equipment. The purchase of multi-functional office equipment capable of copying, printing and faxing is also encouraged to reduce paper wastage and toner cartridge use.

It is estimated that initiatives have reduced paper usage by approximately 7% and toner cartridge usage by approximately 5%.



## **(b) Resource recovery (waste reuse and recycling)**

Wherever possible, office waste is reused including using surplus stationery for notepaper and reusing envelopes and packaging materials for internal use. Recycling initiatives ensure that waste materials such as toner cartridges, waste paper and packaging material is separated internally and collected by recognised recycling organisations. This material is recycled and not sent to landfill. It is estimated that 37 tonnes of office waste was recycled during the year. Vegetation waste is removed from the site and mulched for reuse by the landscaping contractor.

## **(c) The use of recycled material (purchase of recycled-content material)**

Through the Corporation's purchasing practices, a number of initiatives are in place to increase the purchase of recycled content material. This is achieved by:

- Purchasing office-related material and equipment under Government contract;
- Purchasing office equipment able to operate with recycled toner and recycled paper where it is cost effective to do so; and
- Purchasing office-related stationery, such as envelopes, with recycled content material.

## STATEMENT OF PERFORMANCE FOR CHIEF EXECUTIVE OFFICER

Name:	Michael Howell
Position:	Chief Executive Officer
Period in Position:	Full Year
Total Remuneration Package:	\$297,000
Performance Payment:	\$29,097

### Results:

- Lottery sales increased by more than 7% to a record \$1,092.9 million (including GST).
- Shareholder Value Added was a record \$27.36 million which was 28% above the target contained in the Statement of Corporate Intent.
- Total Government Revenue, comprising duty, dividends and tax equivalents, reached a new record of \$373.6 million (including GST).
- Profit from ordinary activities (before income tax equivalent and significant items) of \$43.02 million finished 23% ahead of budget due to increased sales and improved cost and structural efficiency across the Corporation.
- The Saturday Lotto price increase was implemented smoothly and on time. The change helped to increase sales by \$30 million (or 20%) over the previous year.
- 91% of NSW Lotteries' retail agents indicated they were satisfied to extremely satisfied with the support services provided by the Corporation.
- NSW Lotteries' computerised selling system achieved 99.99% uptime against a benchmark of 99.95% and several enhancements were introduced to provide new player facilities and streamline agent processing at point-of-sale.
- An effective working relationship was maintained with all relevant stakeholder groups.
- All statutory responsibilities were completed on time and no major shortcomings in internal controls were identified in audit reports during the year.

### Performance Payment Criteria:

The payment was made for meeting or exceeding predetermined sales, profit and key accountability targets contained in the Corporation's Business Plan and Statement of Corporate Intent and the Chief Executive Officer's Performance Agreement for the 2001/2002 financial year.

Performance payments are independently assessed and measured against actual results.

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## ABBREVIATIONS

<b>ARSBA</b>	Annual Report (Statutory Bodies) Act 1984
<b>ARSB</b>	Annual Report (Statutory Bodies) Regulation 2000
<b>FOIA</b>	Freedom of Information Act 1989
<b>IBC</b>	Inside Back Cover
<b>IFC</b>	Inside Front Cover
<b>PF&amp;AA</b>	Public Finance and Audit Act 1983
<b>PM</b>	Premier's Memorandum
<b>SOCA</b>	State Owned Corporations Act 1989
<b>TC</b>	Treasury Circular

## Access to Services

### Retail Sales

A total of 1,426 agencies throughout New South Wales and the Australian Capital Territory sell all seven Lotteries products and provide results services to customers; 168 agencies retail Instant Scratchies only.

### On-Line Selling Hours:

Monday to Wednesday	5:00 am to 8:00 pm
Thursday & Friday	5:00 am to 9:00 pm
Saturday	5:00 am to 7:30 pm
Sunday	5:00 am to 6:00 pm

### Branch Sales

Sydney City  
Pitt Street Store  
City Tattersalls Building,  
200 Pitt Street, Sydney NSW 2000

Open (Public Holidays excepted):

Monday to Friday	8:00 am to 5:30 pm
Thursday evenings	until 7:30 pm
Saturday	9:00 am to 1:00 pm

Homebush Bay  
Level 2  
2 Figtree Drive,  
Homebush Bay NSW 2127

Open (Public Holidays excepted):

Monday to Friday	8:30 am to 5:00 pm
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### Mail Sales

Mail sales are available by writing to:  
Customer Sales Unit  
PO Box 6687, Silverwater NSW 2128.

### Results Service

Full Official Results for all products are published daily in the Daily Telegraph.

Telephone results can be obtained by contacting the following numbers:

Lotto (Monday, Wednesday and Saturday)	1900 967 042
Lotto Strike	1900 967 066
OZ Lotto	1900 967 046
Powerball	1900 967 068
Lucky Lotteries	1900 967 041 (major winners only) 1900 957 100 (all ticket numbers)
Pools Results	1900 967 043
Hearing Impaired Results Service	(02) 9752 5560

### Customer Inquiries

The Customer Services Unit provides a telephone inquiry service between the hours of 8.00 am and 5.00 pm, Monday to Friday (Public Holidays excepted).

Inquiries may be directed to 1300 363 444.

### Corporate Headquarters

The Corporate Headquarters of NSW Lotteries are at:

2 Figtree Drive  
Homebush Bay  
NSW 2127 Australia  
Telephone (+61 2) 9752 5500  
Fax (+61 2) 9752 5511

Hours of business: 8:00 am to 5:00 pm Monday to Friday.

### Website address

[www.nswlotteries.com.au](http://www.nswlotteries.com.au)

### Email address

[info@nswlotteries.com.au](mailto:info@nswlotteries.com.au)

## Annual Report Production

### Formats available

This report is available in bound hard copies and on the Corporation's website at [www.nswlotteries.com.au](http://www.nswlotteries.com.au).

Hard copies of the report are available by contacting the Corporation's headquarters - see Postal or Email addresses above.

### Print Run

2,200 copies of the report have been produced.  
Total external costs incurred in the production of the report

Design, Production & Photography	\$ 23,757.00
Print Management	\$ 18,930.00
<b>Total external costs (ex GST)</b>	<b>\$ 42,687.00</b>

**NSW Lotteries**

2 Figtree Drive

Homebush Bay

NSW 2127 Australia

Telephone (+61 2) 9752 5500

Fax (+61 2) 9752 5511

**Hours of business:**

8:00 am to 5:00 pm

Monday to Friday.

**Website address**

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**Email address**

[info@nswlotteries.com.au](mailto:info@nswlotteries.com.au)

