



Lotto New Zealand Statement of Performance Expectations
For the financial year ending 30 June 2026



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This Statement of Performance Expectations sets out the financial forecast of the New Zealand Lotteries Commission (Lotto New Zealand) for the financial year from 1 July 2025 to 30 June 2026 and has been prepared in accordance with the Crown Entities Act 2004. This Statement of Performance Expectations is written on behalf of the Lotto New Zealand Board.

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Mark Todd
Chair



Jason Delamore
Chief Executive Officer



Kim Gordon
Deputy Chair



Our purpose

Tō mātou aronga

To provide safe games that allow New Zealanders to play and win while contributing money back to New Zealand communities.

Our purpose clearly outlines the key components of the business we operate.

01.

We offer engaging and fun play-to-win games for New Zealanders.

02.

We minimise the potential for harm from our games and encourage healthy play.

03.

The money we generate goes back to the community.



Lotto NZ's role

Te tūranga a Lotto NZ

Our purpose

To provide safe games that allow New Zealanders to play and win while contributing money back to New Zealand communities.

Our organisation

The New Zealand Lotteries Commission (Lotto NZ) was established in 1987 to provide lottery games that return funds for distribution to New Zealand communities.

We offer Lotto, Strike, Powerball, Keno, Bullseye, Instant Kiwi and Instant Kiwi online, which are sold through our Lotto NZ retail outlets and online at MyLotto.

We have a dual purpose - to maximise profits to return to the community, while ensuring that the risk of problem and underage gambling is minimised.

All of our profits go to the Lottery Grants Board for distribution to community organisations and charities. Last year recipients included the three statutory bodies of Sport New Zealand, the New Zealand Film Commission and Creative New Zealand, the charitable trust Ngā Taonga Sound & Vision, and thousands of smaller community-based organisations.

Minimising the risk of gambling harm is a core focus in every part of our business, spanning the design and marketing of the games we offer, customer education, retailer training and responsible gambling tools. Our responsible gambling programme has been certified to the highest level (level 4) by the World Lottery Association for nearly a decade.

Reportable classes of outputs

Lotto NZ produces outputs, impacts and outcomes from its activities. However, these are not defined as reportable outputs under the Crown Entities Act.

Our statutory functions

As an autonomous Crown Entity, Lotto NZ's activities are authorised and controlled through the Gambling Act 2003 and the Crown Entities Act 2004.

The Gambling Act 2003 gives Lotto NZ four statutory functions:



To promote, organise and conduct lotteries.



To make rules regulating the conduct of those lotteries.



To advise the Minister of Internal Affairs on matters relating to lotteries.



To maximise profits, subject to ensuring that problem and underage gambling are minimised.



Our performance

Tā mātou mahi ahumoni

We are strategically investing in our technology platforms and customer experience to ensure we can continue growing community contributions while minimising gambling harm.

Performance targets

This Statement of Performance Expectations outlines Lotto NZ's performance targets for the 2025/26 financial year and our workplan to achieve these targets. It should be read in conjunction with our 2025-2029 Statement of Intent.

Our Statement of Intent sets a pathway for growth over five years. By FY29 we are forecasting revenue of \$1.82 billion and regular annual contributions of more than \$400 million in profits, representing growth of around 20% over the period.

Our FY26 budget reflects the delivery of our new gaming system through our EDGE programme and the first stages of Project Frontier, which will modernise and future-proof the MyLotto website and app.

Our FY26 budget shows profit at \$360.8 million, based on a normal year of jackpot activity. This forecast is lower than the results in FY24 and FY25, which benefitted from unusually strong revenue off the back of several high jackpots.

Our current Statement of Intent forecasts FY26 net profit at \$361.5 million due to an uplift from changing the Powerball matrix (see following section) to achieve higher jackpots more frequently. This was due to take effect from January 2026 but has been reforecast out of current budget as this change will now be made at the start of FY27.

The FY26 budget is predicated on retaining \$10 million of profits to fund the Project Frontier capital investment.

\$1.711 billion
in sales in FY24

\$434 million
transferred to Lottery
Grants Board in FY24

\$924 million
in prizes paid
out in FY24

Online sales up
19%
in FY24

Instore sales up
7%
in FY24

Our performance drivers

Lotto NZ has grown revenue and profits over the past five years, due to a combination of high jackpots, strong marketing, growth across our customer base, and improvements in our digital experience.

Our focus in the coming years is ensuring we have modern and future-proofed platforms that enable innovation and refreshing our games so we're well-placed to compete with new market entrants.

The update of our core and interactive gaming systems through EDGE is our main priority in early FY26. EDGE will provide a powerful technology foundation for future innovation, as well as upgrades to instore equipment, new ticketing processes and changes to MyLotto.

Once this is delivered, our major technology focus will become the modernisation of our MyLotto website and apps through Project Frontier. It will be a transformative programme of work that will significantly enhance customers' online experience and enable us to seamlessly bridge the way we offer products across our retail and digital presences.

Frontier sits at the heart of our five-year strategy and now has heightened importance given the increasingly competitive environment, with regulatory changes underway to allow a limited number of online gambling licences in the New Zealand market.

Another key focus for the next year is updating our flagship game, Powerball, so that it can keep performing in the coming years. Powerball has not changed since 2017, despite population growth, player behaviour changes and the erosion of prize value in real terms.

We are therefore reviewing how this game is structured to ensure it will continue to drive sales, engage customers and support our strategy of responsible and stable growth.

A 'matrix change' would increase the number of Powerballs in the draw, increasing the likelihood of higher average jackpots, and allowing us to deliver more consistent revenues and profits for community grants contributions.

Returns to the community

	2025/26 Target	2024/25 Forecast	2024/25 Target	2023/24 Actual	2023/24 Target
Sales (\$m) (incl GST)	1,575.7	1,585.5	1,480.0	1,710.9	1,466.4
Operating expenses (\$m)	106.8	110.1	114.4	97.9	100.1
% operating expenses (%)	6.8	6.9	7.7	5.7	6.8
Net profit (\$m)	360.8	371.5	331.9	434.0	341.7
Paid to the NZ Lottery Grants Board (\$m)	350.8	361.5	331.9	434.0	341.7

In 2025, we will also be focusing on reapplying for certification of our Responsible Gambling Programme by the World Lottery Association as part of their three-yearly assessment and recertification cycle.

Over the past five years Lotto sales have grown from \$1,384 million in FY20 to an expected \$1,576 million in FY26 budget.

Cost management

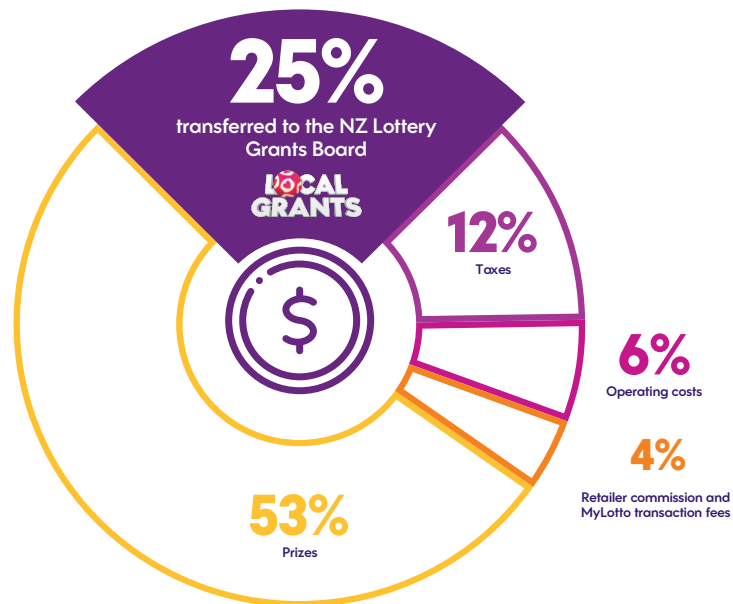
We operate our business with commercial disciplines and an efficient structure, managing our costs carefully to maximise returns to the community, with our profit sitting at around 25 cents for every dollar.

Our operating costs are projected to decrease from FY25 levels to \$106.8 million due to the removing of costs associated with the pre-EDGE gaming systems and lower one-off strategic project costs once EDGE is completed.

We operate an efficient structure and have limited any increases in our permanent staff to those that are business critical, particularly in the areas of technology including cyber security and software delivery and development. We take a similar approach to external contractors, with contractors or consultants engaged to deliver short-term, clearly defined projects or pieces of work. Most of our contractors are IT specialists who we have engaged to ensure the successful delivery of the EDGE programme and Project Frontier.



How Lotto NZ revenue is distributed for every \$1 of combined sales:



Current performance and expectations for FY25

The current financial year (FY25) began with a trio of high jackpot runs culminating in our largest ever win from a single ticket of \$44.67 million in August, a \$30.2 million win in October and a \$23.3 million win in December. This series of large jackpots helped drive strong sales in the first half of the financial year and set us up to exceed our full year budget sales by \$105 million.

Around 47% of sales in the year-to-date have come through our digital channels (up from 46% in FY24), alongside a growth in retail sales, up \$48m on FY24.

Lotto NZ's strategic focus areas

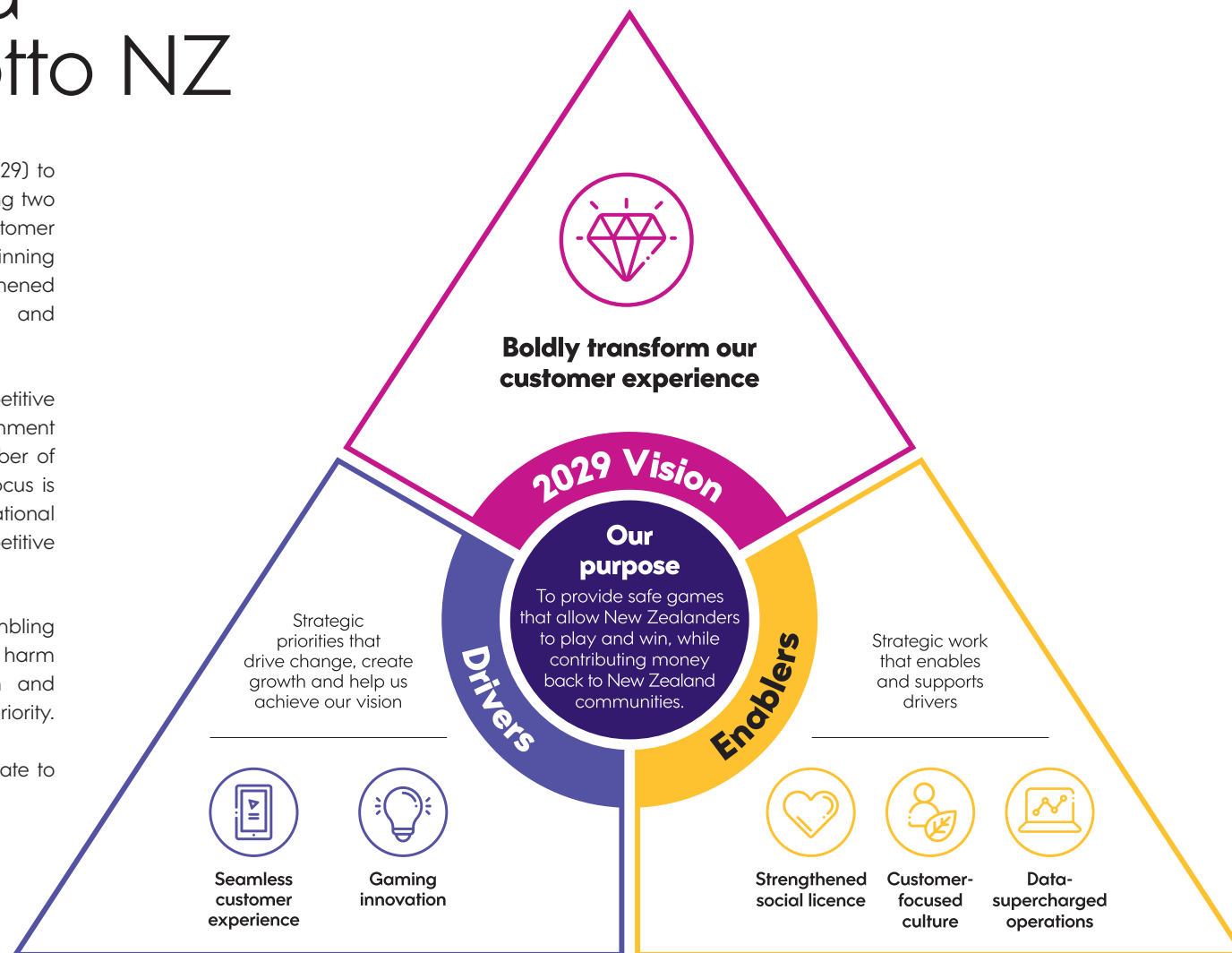
Ngā aronga rautaki a Lotto NZ

We are working to a five-year strategy (FY25-29) to transform our customer experience. We're using two strategic drivers to achieve this - seamless customer experience and gaming innovation. Underpinning these are three strategic enablers - strengthened social licence, customer-focused culture and data-supercharged operations.

We are also facing into a different competitive environment in future, with the Government introducing legislation to allow a limited number of online casino licenses in New Zealand. Our focus is on remaining the trusted local provider of the national lottery while continuing to evolve to stay competitive and relevant in today's environment.

Remaining a world leader in responsible gambling and delivering on our strategy to minimise harm from our games through public education and responsible operations also remains a key priority.

The following pages detail our targets that relate to the drivers and enablers.





Strategic drivers

Ngā urungi rautaki



Seamless customer experiences

From separate transactions to connected moments that allow our players to experience the magic of Lotto NZ.

We will achieve this by:

- Designing simple, fun, safe and engaging experiences throughout the entire customer journey.
- Delivering a consistent and connected experience across both digital and retail.
- Deepening our insight into what drives players' behaviour and needs.
- Modernising the retailer proposition and service experience.
- Creating capabilities and fostering a culture for teams to experiment, test and learn.
- Measuring customer satisfaction and continuously optimising customer experiences.
- Ensuring our brands remain trusted and continue to inspire and engage our customers.

Measures:

	2025/26 Target	2024/25 Forecast	2024/25 Target	2023/24 Actual	2023/24 Target
Lotto NZ's brand health ¹	60	65	60	63	59
Channel experience – digital (%) ²	80	80	75	n/a	n/a
Channel experience – retail (%) ²	80	80	75	n/a	n/a

¹ Brand Health Score measures key elements including trust, relevance, clarity, passion, and momentum.

² Percent of customers rating us 8-10 out of 10.



Gaming innovation

From constrained experiences to more entertaining, trusted and safer play.

We will achieve this by:

- Delivering a strategic path for our games portfolio to ensure it is profitable, reliable, engaging and promotes healthy and safe play.
- Protecting our core player base while innovating and experimenting, so we can launch games that are relevant to the evolving demographics of New Zealand.
- Improving responsible gambling outcomes of our games.
- Meeting the delivery timeframes and outcomes for our core gaming system replacement programme.

Measures:

	2025/26 Target	2024/25 Forecast	2024/25 Target	2023/24 Actual	2023/24 Target
Implementation of product roadmap ³	Powerball matrix change	Change completed	Strike MBW change	n/a	n/a
Maintain current financial margins for new games ⁴	Yes	Yes	Yes	n/a	n/a
All new games meet pre and post launch harm minimisation thresholds ⁵	Yes	Yes	Yes	n/a	n/a

³ The EDGE program of work was not a metric set out in our SOI, but its successful delivery in 2025 will be foundational for all three metrics listed above.

⁴ Current financial margin means Annualised Trading Margin for the specific product category prior to a new game launch.

⁵ Harm minimisation measures and thresholds for each new game are defined and documented in the approved business case.

Strategic enablers

Ngā āheitanga rautaki



Strengthened social licence

Leading on harm minimisation and being trusted by New Zealanders across all aspects of our social licence.

We will achieve this by:

- Remaining a world leader in responsible gambling, by maintaining WLA Level 4 certification and continuing to have a strong voice in the WLA's industry initiatives.
- Delivering on our strategy to minimise harm amongst priority groups through education, responsible operations and partnerships.
- Embracing and celebrating the cultural and ethnic diversity of Aotearoa in our work.
- Integrating Te Tiriti o Waitangi across the business through initiatives, programmes and engagement.
- Delivering on our emissions reduction plan and implementing a waste management programme, in line with leading practice and through our value chain.

Measures:

	2025/26 Target	2024/25 Forecast	2024/25 Target	2023/24 Actual	2023/24 Target
WLA accreditation	Level 4	Level 4	Level 4	Level 4	Level 4
MoH harm citation per 10,000 players	<1.0	<1.0	<1.0	<1.0	<1.0
Toitū net carbonzero certification	Yes	Yes	Yes	Yes	Yes
New harm minimisation tools introduced	BA tool automation	Harm Matrix Harm Risk Index introduced	Harm Matrix Harm Risk Index	n/a	n/a



Customer-focused culture

An organisation that represents and deeply understands the communities we serve, and a culture that puts customer needs and preferences at the centre of everything we do.

We will achieve this by:

- Building a diverse and inclusive workforce that reflects the customers and communities we serve, with a focus on balancing diversity in leadership.
- Crafting our brand as a trusted employer of choice.
- Embedding a focus on customers into our employee experience, across the entire employment lifecycle.
- Listening to our customers and acting on their feedback.
- Post delivery of EDGE, we will focus on Project Frontier which is key to our strategic vision to 'boldly transform our customer experience' by delivering a new MyLotto website and apps, connecting our online and instore experiences. The project is expected to move into the delivery phase in early FY26, subject to approval of the Implementation Business Case in mid-2025.

Measures:

	2025/26 Target	2024/25 Forecast	2024/25 Target	2023/24 Actual	2023/24 Target
Employee engagement score	>7.6	>7.6	>7.6	7.8	>7.6
Gender pay gap variance ⁶	+/-1.0%	+/-1.0%	<1.0%	1.3%	<1.0%
Equitable gender representation in leadership ⁷	50%	50%	50%	50%	50%
Employee alignment with strategy ⁸	7.6	7.9	7.6	n/a	n/a

⁶ Gender pay gap: the average base salary differences of permanent employees on the same pay grades.

⁷ Equitable gender representation in leadership: the percentage of female people leaders.

⁸ Employee alignment with strategy: average staff rating on their alignment with company values, vision and strategy.



Data-supercharged operations

From legacy operations to data-driven efficiency and experiences.

We will achieve this by:

- Enabling personalised player experiences through a single view of the customer.
- Leveraging customer data and insights to deeply understand our customers and drive continuous improvement.
- Harnessing customer data to improve our responsible gambling and harm minimisation tools and approach, and to better measure our impact.
- Increasing the use of automation and AI to empower employees and deliver operational efficiency.
- Strengthening data governance, privacy, and ethical frameworks, and investing in cloud, data and AI to ensure our capabilities meet future demands.
- Accelerating delivery models, enhancing cybersecurity and strengthening project governance.

Measures:

	2025/26 Target	2024/25 Forecast	2024/25 Target	2023/24 Actual	2023/24 Target
New games linked to data analytics ⁹	Yes	Yes	Partial	n/a	n/a
Grow digitally enabled players (%) ¹⁰	+10	+5	+10	n/a	n/a
Retail network availability (%)	99.95	100	99.95	n/a	n/a
Core gaming system availability (%)	99.97	100	99.95	n/a	n/a
MyLotto availability (%)	99.95	100	99.95	n/a	n/a

⁹ Appropriate data analytics and modelling methods are adopted to meet the objectives of the new game design and forecast.

¹⁰ Digitally enabled players: the number of active known players across both digital and retail. Jackpot impact is reduced by using a 12-month rolling methodology.



Statement of expectations June 2026

Te tauāki o ngā kawatau o Hune 2026

PROSPECTIVE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDING 30 JUNE	FY26 Budget \$'000	FY25 Forecast \$'000	FY24 Actual \$'000
CONTINUING OPERATIONS			
Revenues from contracts (note 3)	1,485,395	1,494,507	1,613,736
Interest income	3,320	12,559	13,836
Other income	300	137	429
Total revenue	1,489,015	1,507,203	1,628,001
Cost of sales (note 4)	1,021,325	1,025,599	1,096,146
Gross profit	467,690	481,604	531,855
EXPENSES			
Employee remuneration	32,059	29,948	27,700
Promotion and retail support	25,862	24,961	21,935
IT and telecommunications	24,923	23,390	17,107
Gaming system expenses	8,070	12,529	10,958
Other expenses	7,899	5,875	5,278
Intangible asset amortisation	4,109	7,785	8,515
Property, plant and equipment depreciation	2,792	4,410	5,276
Right-of-use assets depreciation	833	826	868
Finance costs	300	356	273
Total expenses	106,847	110,080	97,910
Profit before distributions to the New Zealand Lottery Grants Board	360,843	371,524	433,945
Distribution of profit to the New Zealand Lottery Grants Board	350,843	361,524	433,945
Profit for the year	10,000	10,000	-
Total comprehensive income	10,000	10,000	-

The accompanying notes form part of this statement and should be read in conjunction with it.

STATEMENT OF PROSPECTIVE MOVEMENTS IN EQUITY FOR THE YEAR ENDING 30 JUNE	FY26 Budget \$'000	FY25 Forecast \$'000	FY24 Actual \$'000
Equity at beginning of the year	79,591	69,591	69,591
Total comprehensive income for the year	10,000	10,000	-
Equity at the end of the year	89,591	79,591	69,591

The accompanying notes form part of this statement and should be read in conjunction with it.

PROSPECTIVE STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE	FY26 Budget \$'000	FY25 Forecast \$'000	FY24 Actual \$'000
ASSETS			
Current assets			
Cash and cash equivalents	109,036	142,534	205,400
Term deposits	85,000	85,000	89,148
Receivables and contract assets	5,400	4,600	7,619
Prepayments	16,665	16,665	16,664
Inventories	1,900	1,900	1,886
Total current assets	218,001	250,699	320,717
Non-current assets			
Property, plant and equipment	9,383	9,670	8,001
Intangibles	50,408	34,670	18,472
Right-of-use assets	3,540	4,467	5,406
Total non-current assets	63,331	48,807	31,879
Total assets	281,332	299,506	352,596

PROSPECTIVE STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE CONTINUED	FY26 Budget \$'000	FY25 Forecast \$'000	FY24 Actual \$'000
LIABILITIES			
Current liabilities			
Creditors, other payables and contract liabilities	107,590	135,016	195,104
Prize reserve account	77,814	77,646	79,645
Annuity prize liabilities	-	-	40
Employee entitlements	2,200	2,200	2,167
Short term financial derivatives	-	-	89
Lease liabilities	873	916	913
Total current liabilities	188,477	215,778	277,958
Long term liabilities			
Long term term financial derivatives	-	-	60
Lease liabilities	3,264	4,137	4,987
Total long term liabilities	3,264	4,137	5,047
Total liabilities	191,741	219,915	283,005
EQUITY			
Retained earnings	79,591	69,591	69,591
Profit for the year	10,000	10,000	-
Total equity	89,591	79,591	69,591
Total liabilities and equity	281,332	299,506	352,596

The accompanying notes form part of this statement and should be read in conjunction with it.

STATEMENT OF PROSPECTIVE CASH FLOWS FOR THE YEAR ENDING 30 JUNE	FY26 Budget \$'000	FY25 Forecast \$'000	FY24 Actual \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Sales	1,480,715	1,490,018	1,597,624
Net GST received	-	-	12,608
Other receipts	4,680	4,489	12,848
Prize payments	(845,883)	(853,463)	(910,599)
Lottery duty	(86,664)	(87,203)	(96,078)
Retailers' commission	(68,599)	(69,314)	(68,376)
Employee costs	(32,059)	(29,948)	(27,503)
Other payments	(85,034)	(76,469)	(67,369)
Net cash flow from operating activities	367,156	378,110	453,155
CASH FLOWS FROM INVESTING ACTIVITIES			
Net (increase)/decrease in term deposits	-	4,148	(5,407)
Sale of property, plant and equipment	100	100	113
Interest received	3,020	12,203	13,836
Purchase of property, plant and equipment	(2,317)	(6,005)	(3,284)
Purchase of intangibles	(19,848)	(25,780)	(9,121)
Net cash flow from investing activities	(19,045)	(15,334)	(3,863)
CASH FLOWS FROM FINANCING ACTIVITIES			
Discharge of annuity prize liabilities	-	(172)	(172)
Repayment of borrowings and leasing liabilities	(916)	(847)	(396)
Interest paid	(300)	(356)	(273)
Payments to the New Zealand Lottery Grants Board	(380,393)	(424,267)	(351,477)
Net cash flow from financing activities	(381,609)	(425,642)	(352,318)
Net increase/(decrease) in cash balances	(33,498)	(62,866)	96,974
Opening cash and cash equivalents balance	142,534	205,400	108,426
Closing cash and cash equivalents balance	109,036	142,534	205,400

The accompanying notes form part of this statement and should be read in conjunction with it.

Notes to the forecast financial statements

He kohinga hei whakataua

1. Accounting Policies

REPORTING ENTITY

The New Zealand Lotteries Commission (Lotto NZ) is a Crown Entity as defined by the Crown Entities Act 2004 and is domiciled in New Zealand. Lotto NZ's ultimate parent is the New Zealand Crown.

Lotto NZ has determined that it is a Tier 1 for profit entity for the purpose of complying with generally accepted accounting practice in New Zealand (NZGAAP). These forecast financial statements have been prepared in accordance with the Crown Entities Act 2004, which includes the requirement to comply with NZGAAP. They comply with International Financial Reporting Standards (IFRS) and New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

BASIS OF PREPARATION

Accounting compliance

These forecast financial statements comprise prospective financial information and have been prepared in compliance with New Zealand Financial Reporting Standard No. 42 - Prospective Financial Statements (FRS-42).

Basis of measurement

The measurement base applied is historical cost modified by the revaluation of certain assets and liabilities as identified in this statement of accounting policies. The accrual basis of accounting has been used unless otherwise stated.

These financial statements are presented in New Zealand dollars rounded to the nearest thousand.

ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Changes in accounting policies

There are no changes in accounting policies since the date of the audited financial statements for the year ended 30 June 2024.

Comparatives

The 30 June 2024 figures are those published in the Integrated Report 2023/24.

When presentation or classification of items in the financial statements is amended or accounting policies are changed voluntarily, comparative figures are restated to ensure consistency with the current period.

Critical judgements in applying accounting policies

Lotto NZ has assessed the prize reserve account as a current liability as itemised in the prize reserve account policy below. Lotto NZ has also classified the payment to the New Zealand Lottery Grants Board as a financing activity in the statement of cash flows due to this payment being a distribution of profits.

The costs associated with the interactive replacement platform were capitalised as of June 2022. The useful life of the interactive platform would ordinarily be seven years as per accounting policy. However, due to the EDGE project, which will replace the current gaming system hardware and software, the useful life of the interactive platform has been shortened to three years (from 1 June 2022 to 30 June 2025).

No other critical judgement has been made when applying accounting policies.

Estimates and assumptions

In preparing these financial statements, Lotto NZ has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Contingent assets and contingent liabilities

Contingent liabilities are disclosed if the possibility that they will crystallise is not remote. Contingent assets are disclosed if it is probable that the benefits will be realised.

Creditors, other payables and contract liabilities

These amounts represent liabilities for goods and services provided to Lotto New Zealand prior to the end of financial year which are unpaid, and unpaid prizes and amounts received in advance from gaming activities. Creditors, other payables and contract liabilities are unsecured and are usually paid within 30 days of recognition and recognised at their fair value.

Contract liabilities represent moneys received and receivable for games not drawn at balance date. All liabilities are non-interest bearing and are normally settled within two months of becoming due. Accordingly, the carrying value of creditors and other payables approximates their fair value.

Equity

Equity is measured as the difference between total assets and total liabilities.

Financial instruments

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank accounts and deposits with maturities of up to three months from acquisition date.

It is Lotto NZ's policy to restrict its investments to instruments issued or guaranteed by either the New Zealand Government or registered New Zealand banks.

Cash and bank balance figures include any cash overdrafts to reflect a total cash position.

The carrying value of cash at bank and short term deposits with maturities less than three months approximates their fair value.

Term deposits

Term deposits represent deposits and other instruments with maturities of more than three months from acquisition date.

Annuity prize liabilities

These represent prizes payable for Instant Kiwi games where the payments are spread over a period of greater than 12 months from the date the prizes are claimed. These liabilities are initially measured at fair value using the effective interest rate method. Any changes in value are recorded through the prize reserve account.

Foreign currency transactions

Foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions.

Goods and Services Tax (GST)

All items in the financial statements are exclusive of GST, with the exception of amounts due from retailers for current games, trade receivables, moneys received for games not drawn at balance date, and trade creditors.

Intangible assets

Computer software that is not integral to the operation of hardware is recorded at purchase cost less any amortisation and impairment losses. Amortisation is charged to the profit or loss on a straight-line basis over the software's useful life of three to seven years. Amortisation begins when the asset is available and ceases at the date when the asset is derecognised. The amortisation charge for each financial year is expensed in the profit and loss.

Prize reserve account

A prize reserve account (PRA) has been established by Lotto NZ, as required by the Rules for each game, to ensure sufficient funding is available to meet advertised First Division prizes, promotions and the cost of other prizes as considered appropriate by Lotto NZ. Contributions to the PRA include a percentage of sales, prizes unclaimed after 12 months, and other amounts as set out in the Rules for each game.

Lotto NZ does not necessarily have sufficient funds available to meet prize payments without calling on the PRA. It has therefore classified the PRA as a current liability in accordance with NZ IAS 1 (paragraph 69); in particular it intends to settle the liability as part of its normal operating cycle and it does not have the right to defer settlement of the liability for at least 12 months after the reporting period.

Property, plant and equipment

Items of property, plant and equipment are initially recorded at cost.

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to Lotto NZ and the cost of the item can be measured reliably. Work in progress included in property, plant and equipment is recognised at cost less impairment and is not depreciated.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the profit or loss.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Lotto NZ and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in the profit or loss as they are incurred.

Depreciation

Depreciation of property, plant and equipment is calculated on a straight-line basis so as to allocate the cost of the assets, over the shorter of the economic life or the relevant lease periods as follows:

Gaming system equipment	4-7 years
Other computer hardware	3 years
Leasehold improvements	1-7 years
Draw equipment	5 years
Furniture and fittings	10 years
Motor vehicles	4 years
Office equipment	5 years

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end. If an adjustment to the useful life of an asset is made then the remaining book value at that point is depreciated on a straight line basis over the adjusted remaining life of the asset.

Impairment of property, plant and equipment

Property plant and equipment are reviewed annually for impairment to determine if events or changes in circumstances indicate that the carrying amount might not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount less any costs to sell or dispose. If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount.

Receivables and contract assets

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised at fair value and are assessed annually for impairment based on collectability.

Revenue from contracts

Revenues and corresponding direct expenses for Lotto (including Lotto Strike and Lotto Powerball), Keno and Bullseye are recognised when each lottery is drawn. Instant Kiwi and Instant Kiwi online revenue and corresponding direct expenses are recognised when tickets are sold to players, making those tickets part of a game. Revenue is based on the cost of the ticket purchased by the player for entry into a selected game and is payable immediately at the time of purchase of the ticket.

A ticket purchased by a player may be cancelled only if it is returned to the issuing retailer on the same day of purchase and before the close of ticket sales on that day. Cancellation of the ticket entitles the player to a refund from the retailer equal to the cost of the ticket.

Telecommunications and terminal maintenance cost recovery revenue is recognised on a weekly basis, based on ticket sales for the applicable period.

Right-of-use assets and leases

At lease commencement date, Lotto New Zealand recognises a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by Lotto New Zealand, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Lotto New Zealand depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-to-use asset, which is expected to be between two to nine years, or the end of the lease term.

Lotto New Zealand also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, Lotto New Zealand measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or Lotto New Zealand's incremental borrowing rate. Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there any changes to in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Lotto New Zealand has elected not to account for short-term leases and leases of low-value assets using the practical exceptions. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Taxation

Lotto NZ is exempt from income tax by virtue of Section 264 of the Gambling Act 2003.

The following taxes are paid by Lotto NZ:

- Lottery duty of 5.5 cents in the dollar on GST-inclusive sales.
- Problem gambling levy on GST-inclusive sales less related prizes payable.
- GST charged on lottery sales less related prizes payable and operating expenses.
- Fringe benefit tax.
- Non-resident withholding tax.

2. Principal assumptions

The principal assumptions made in arriving at the forecasts for the remainder of 2024/25 and for 2025/26 are as follows:

- There will be no major outages affecting our lottery systems.
- There will be no changes in lottery duty which will continue to be levied on Lotto NZ on the same basis as the previous financial year.
- Actual problem gambling levy levied on Lotto NZ will not deviate significantly from the change in levy estimated for 2025/26.
- There will be no statistically abnormal series of jackpot runs for Powerball. Major variations in jackpotting behaviour may have a significant effect on actual financial results.
- There will be no major shifts in the online global lotteries space during 2025/26.

3. Revenues

	FY26 Budget \$'000	FY25 Forecast \$'000	FY24 Actual \$'000
REVENUE FROM CONTRACTS WITH CUSTOMERS			
Sales including GST	1,575,700	1,585,501	1,710,865
GST	94,985	95,483	102,671
Sales excluding GST	1,480,715	1,490,018	1,608,194
REVENUE FROM CONTRACTS WITH RETAILERS			
Telecommunications and terminal maintenance cost recovery	4,200	4,127	5,152
Retailers establishment fees	480	362	390
	4,680	4,489	5,542
Total revenue from contracts	1,485,395	1,494,507	1,613,736

4. Cost of sales

	FY26 Budget \$'000	FY25 Forecast \$'000	FY24 Actual \$'000
Lottery duty	86,664	87,203	94,098
Problem gambling levy	4,384	3,221	3,550
Retailers' commission and MyLotto transaction fees	68,599	69,314	68,496
Prizes paid and payable	787,858	793,503	829,293
Prize reserve account	58,025	59,960	89,655
Interest transferred to prize reserve account	1,600	5,589	5,151
Ticket costs	13,895	6,493	5,412
Cost of goods sold to retailers	300	316	491
Total cost of sales	1,021,325	1,025,599	1,096,146



Directory

Te papatohu

Auckland office

Postal address PO Box 8929, Newmarket, Auckland 1149
Physical address Level 1, 73 Remuera Road, Remuera,
Auckland 1050

Telephone 09 356 3800

Contact

Website mylotto.co.nz
Email info@lottonz.co.nz
Telephone 0800 695 6886

Board members

Mark Todd Chair
Kim Gordon Deputy Chair

Talia Anderson-Town
Steve Bayliss
Angela Dixon
Erica Hodgson
Trish Oakley

Senior management

Jason Delamore Chief Executive
Ben Coney Chief Innovation and Product Officer
Paul Divers Chief Retail Officer
Jeff Hayward Chief Financial Officer
Sonja Johnson Chief People and Communications Officer
Leah Neilson Chief Marketing Officer
Sarah Thirlwall Chief Transformation and Technology Officer

Find out more at
mylotto.co.nz

