



Lotto New Zealand
Half Year Financials 2024



Contents

Statement of comprehensive income	04
Statement of movements in equity	05
Statement of financial position	06
Statement of cash flows	07
Notes to the financial statements	09
Directory	24



Statement of comprehensive income

Statement of comprehensive income for the six months ended 31 December 2023	Note	31/12/23 6 months \$000	31/12/23 Budget \$000	31/12/22 6 months \$000	30/06/23 12 months \$000
Continuing operations					
Revenue from contracts	2	761,401	708,765	702,787	1,433,557
Interest income		6,383	2,165	2,934	7,136
Other income		67	150	52	(20)
Revenue		767,851	711,080	705,773	1,440,673
Cost of sales	3	517,310	484,864	478,579	967,387
Gross profit		250,541	226,216	227,194	473,286
Expenses					
Promotion and retail support		10,786	12,088	9,763	21,363
Gaming system expenses		5,503	5,190	5,041	10,156
Employee remuneration		13,988	13,769	12,549	25,527
Property, plant and equipment depreciation		2,706	2,875	2,933	5,746
Intangible asset amortisation		4,198	4,546	4,319	8,545
Right-of-use assets depreciation		364	397	368	736
Finance costs		85	45	11	17
Other expenses	4	10,671	11,895	6,567	16,451
Total expenses		48,301	50,805	41,551	88,541
Profit before distributions to the New Zealand Lottery Grants Board		202,240	175,411	185,643	384,745
Distribution of profit to the New Zealand Lottery Grants Board		170,826	170,826	179,650	376,070
Profit / (loss) for the year		31,414	4,585	5,993	8,675
Total comprehensive income		31,414	4,585	5,993	8,675

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

Statement of movements in equity

Statement of movements in equity for the six months ended 31 December 2023	Note	31/12/23 6 months \$000	31/12/23 Budget \$000	31/12/22 6 months \$000	30/06/23 12 months \$000
Equity at beginning of the period		69,591	69,591	60,916	60,916
Comprehensive income					
Profit / (loss) for the year		31,414	4,585	5,993	8,675
Total comprehensive income/(expense)		31,414	4,585	5,993	8,675
Equity at the end of the period	14	101,005	74,176	66,909	69,591

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

Statement of financial position



Roger Sharp
Chair

25 March 2024

David Tapsell
Deputy Chair

Statement of financial position As at 31 December 2023	Note	31/12/23 \$000	31/12/22 \$000	30/06/23 \$000
Assets				
Current assets				
Cash and cash equivalents	5	105,974	83,057	108,426
Term deposits	6	86,000	63,393	83,741
Receivables and contract assets	8	10,584	10,937	7,183
Prepayments		11,729	10,404	11,159
Inventories		2,710	3,906	3,337
Total current assets		216,997	171,697	213,846
Non-current assets				
Property, plant and equipment	9	9,580	11,618	9,918
Intangibles	10	16,203	20,214	16,068
Right-of-use assets	13	5,535	552	184
Total non-current assets		31,318	32,384	26,170
Total assets		248,315	204,081	240,016
Liabilities				
Current liabilities				
Creditors, other payables and contract liabilities	11	84,206	86,067	115,986
Prize reserve account	12	55,036	47,933	51,953
Annuity prize liabilities		108	216	172
Employee entitlements		2,196	2,054	1,997
Short term financial derivatives		-	-	12
Lease incentive		-	176	59
Lease liabilities		487	614	206
Total current liabilities		142,033	137,060	170,385
Long term liabilities				
Annuity prize liabilities		4	112	40
Lease liabilities		5,273	-	-
Total long term liabilities		5,277	112	40
Total liabilities		147,310	137,172	170,425
Equity				
Retained earnings	14	101,005	66,909	69,591
Total equity		101,005	66,909	69,591
Total liabilities and equity		248,315	204,081	240,016

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

Statement of cash flows

Statement of cash flows For the six months ended 31 December 2023	Note	31/12/23 6 months \$000	31/12/22 6 months \$000	30/06/23 12 months \$000
Cash flows from operating activities				
Sales		742,777	683,028	1,425,425
Net GST received		2,589	8,406	5,153
Other receipts		9,725	2,894	6,364
Prize payments		(458,818)	(380,212)	(773,020)
Lottery duty		(46,411)	(41,276)	(82,765)
Retailers' commission		(32,201)	(30,440)	(62,030)
Employee costs		(13,845)	(12,485)	(25,398)
Other payments		(22,736)	(27,581)	(61,657)
Net cash flow from operating activities		181,080	202,334	432,072
Cash flows from investing activities				
(Increase)/decrease in term deposits		(2,259)	22,019	1,671
Sale of property, plant and equipment		114	-	347
Interest received		6,383	2,903	7,136
Purchase of property, plant and equipment		(2,438)	(1,395)	(4,739)
Purchase of computer software		(4,334)	(3,436)	(1,566)
Net cash flow from investing activities		(2,534)	20,091	2,849
Cash flows from financing activities				
Discharge of annuity prize liabilities		(100)	(173)	(291)
Repayment of borrowings and leasing liabilities		(162)	(403)	(811)
Interest paid		(85)	(11)	(17)
Payments to the New Zealand Lottery Grants Board		(180,651)	(188,833)	(375,428)
Net cash flow from financing activities		(180,998)	(189,420)	(376,547)
Net (decrease)/increase in cash balances		(2,452)	33,005	58,374
Opening cash and cash equivalents balance		108,426	50,052	50,052
Closing cash and cash equivalents balance	5	105,974	83,057	108,426

To provide more meaningful information for financial statement purposes, GST and term deposits components have been presented on a net basis.

The net GST component of operating activities reflects the net GST paid to, or received from, the Inland Revenue.

The term deposits component of investing activities reflects the term deposits placed less the amounts that matured during the year.

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

Reconciliation of net profit/(loss) to net cash flow from operating activities	31/12/23 6 months \$000	31/12/22 6 months \$000	30/06/23 12 months \$000
Profit / (loss) after distribution to the New Zealand Lottery Grants Board	31,414	5,993	8,675
Adjustments for non-cash items:			
Depreciation of property, plant and equipment	2,706	2,933	5,746
Depreciation of right of use asset	364	368	736
Amortisation of computer software	4,198	4,319	8,545
Changes in assets and liabilities			
(Increase)/Decrease in receivables and contract assets	(3,401)	(7,843)	(4,089)
(Increase)/Decrease in prepayments	(570)	(2,136)	(2,891)
(Increase)/Decrease in inventories	627	46	615
Increase/(Decrease) in contract liabilities	(3,580)	(5,510)	3,493
Increase/(Decrease) in prize liabilities	(27,804)	16,128	31,124
Increase/(Decrease) in trade creditors	9,429	10,019	1,598
Increase/(Decrease) in annuity prizes	(100)	(175)	(291)
Increase/(Decrease) in employee entitlements	199	(8)	(65)
Increase/(Decrease) in short term financial derivatives	(12)	(673)	(661)
Increase/(Decrease) in lease incentive	(59)	(118)	(235)
Increase/(Decrease) in prize reserve account	3,083	2,063	6,084
Add/(less) items classified as investing or financing activities			
Interest receipts	(6,383)	(2,934)	(7,136)
(Gain)/loss on sale of property, plant and equipment	(100)	218	(153)
Gain/(loss) on short term financial derivatives	-	(190)	-
(Increase)/Decrease in trade creditors for property, plant and equipment and intangibles	58	-	4,599
Increase/(Decrease) in annuity prize liabilities	100	173	291
Interest paid	85	11	17
New Zealand Lottery Grants Board	170,826	179,650	376,070
Net cash inflow from operating activities	181,080	202,334	432,072

Notes to the financial statements

1. Statement of accounting policies for the six months ended 31 December 2023

Reporting entity

The New Zealand Lotteries Commission (Lotto New Zealand) is a Crown entity as defined by the Crown Entities Act 2004 and is domiciled in New Zealand. Lotto New Zealand's ultimate parent is the New Zealand Crown. Lotto New Zealand has determined that it is a Tier 1 for profit entity for the purpose of complying with generally accepted accounting practice.

The financial statements for Lotto New Zealand are for the six months ended 31 December 2023 and were approved by the Board on 25 March 2024.

Basis of preparation

These financial statements have been prepared on a going concern basis.

Basis of measurement

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

Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP). They comply with International Financial Reporting Standards (IFRS) and New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

Changes in accounting policies

These financial statements have been prepared in accordance with the accounting policies adopted in the most recent annual financial statements for the year ended 30 June 2023.

Standards and interpretations issued but not yet effective

There are no new standards or interpretations issued but not yet effective that are relevant for NZ Lotteries Commission.

Summary of significant accounting policies

Significant accounting policies are included in the notes section to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.

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.

Taxation

Lotto New Zealand is exempt from income tax by virtue of Section 264 of the Gambling Act 2003. The following taxes are paid by Lotto New Zealand:

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

Budget figures

The budget figures are those approved by the Board prior to the beginning of the financial year and published in Lotto New Zealand's Statement of Performance Expectations.

Comparative figures

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.

Estimates and assumptions

In preparing these interim financial statements, Lotto New Zealand 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.

Critical judgements in applying accounting policies

Lotto New Zealand has assessed the prize reserve account as a current liability as itemised in the prize reserve account policy (refer note 12). Lotto New Zealand 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. No other critical judgements have been made when applying accounting policies.

2. Revenue from contracts

Accounting policy

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 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.

Breakdown of revenue from contracts	31/12/2023 6 months \$000	31/12/2023 Budget \$000	31/12/2022 6 months \$000	30/06/2023 12 months \$000
Revenue from contracts with customers				
Ticket Sales				
Lotto, Powerball and Strike	676,561	625,093	620,151	1,274,207
Instant Kiwi	65,762	67,443	67,219	127,161
Instant Kiwi Online	31,682	26,845	25,182	54,526
Keno	25,934	24,129	24,028	47,594
Bullseye	7,106	7,792	8,268	16,870
Sales including GST	807,045	751,302	744,848	1,520,358
Less GST	48,466	45,227	44,862	92,364
Sales excluding GST	758,579	706,075	699,986	1,427,994
Revenue from contracts with retailers				
Telecommunications and terminal maintenance cost recovery	2,577	2,562	2,641	5,248
Retailers' establishment fees	245	128	160	315
	2,822	2,690	2,801	5,563
Total revenue from contracts	761,401	708,765	702,787	1,433,557

3. Cost of sales

	31/12/2023 6 months \$000	31/12/2023 Budget \$000	31/12/2022 6 months \$000	30/06/2023 12 months \$000
Lottery duty	44,387	41,322	40,987	83,621
Problem gambling levy	1,629	1,526	1,535	3,097
Retailers' commission and MyLotto transaction fees	32,639	34,170	31,772	62,935
Prizes paid and payable	391,826	373,476	370,333	731,148
Prize reserve account	41,651	30,587	29,925	78,734
Interest transferred to prize reserve account	2,378	500	745	2,149
Ticket costs	2,512	3,133	3,251	5,646
Cost of goods sold to retailers	288	150	31	57
	517,310	484,864	478,579	967,387

4. Other expenses

	31/12/2023 6 months \$000	31/12/2023 Budget \$000	31/12/2022 6 months \$000	30/06/2023 12 months \$000
Fees paid to Audit New Zealand:				
- Audit of annual financial statements	130	119	121	242
- Scrutineering function	74	70	65	140
Board members' fees	117	114	105	218
Interest	1	2	4	4
Premises costs	395	404	294	597
IT & Telecommunications	7,835	8,650	5,270	11,905
(Gain) / loss on revaluation of forward exchange contracts	44	-	(1,552)	(1,370)
(Gain) / loss on asset disposals	(100)	-	(218)	(153)
Other	2,175	2,536	2,478	4,868
	10,671	11,895	6,567	16,451

5. Cash and cash equivalents

Accounting policy

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 New Zealand's policy to restrict its investments to instruments issued or guaranteed by either the New Zealand Government or registered New Zealand banks. Although investments are normally held to maturity, they are readily marketable and therefore may be regarded as liquid assets. The value of investments held fluctuates as changes in market interest rates occur. However, the extent of such fluctuations in value is relatively minor.

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

Cash equivalents and term deposits are recorded at cost.

Cash and cash equivalents	31/12/2023 \$000	31/12/2022 \$000	30/06/2023 \$000
Cash and bank balance	42,559	31,860	52,193
Short term deposits	63,000	51,000	56,000
Accrued interest	415	197	233
	105,974	83,057	108,426

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

6. Term deposits

Accounting policy

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

Term deposits	31/12/2023 \$000	31/12/2022 \$000	30/06/2023 \$000
Term deposits	85,500	62,500	83,500
Accrued Interest	500	893	241
	86,000	63,393	83,741

The carrying value of term deposits with maturities between three and 12 months approximates their fair value. No term deposits from date of investment have terms greater than 12 months.

7. Restrictions on cash and cash equivalents, and term deposits

Restrictions on cash and cash equivalents, and term deposits	31/12/2023 \$000	31/12/2022 \$000	30/06/2023 \$000
Payment of unpaid prizes	82,720	88,425	107,438
MyLotto player funds	22,312	18,840	19,533
	105,032	107,265	126,971

Unpaid prizes represent prize payments owed to players, but as yet unclaimed and unpaid as at period end. MyLotto player funds are deposits made by customers via the online channel for use in Lotto NZ online games or ticket purchases.

8. Receivables and contract assets

Accounting policy

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.

Receivables and contract assets	31/12/2023 \$000	31/12/2022 \$000	30/06/2023 \$000
Receivables from retailers for current games	10,488	10,582	252
Receivables from net ticket sales	96	355	6,931
	10,584	10,937	7,183

Amounts due from retailers, representing sales collected less prizes paid (net sales), are swept from retailers via direct debit twice a week. Amounts receivable from net ticket sales are net sales due from retailers for games drawn/played but not received from the retailer at year end due to the timing of funds being swept via direct debit. Amounts due from retailers for current games are amounts received by the retailer for purchase of game tickets where the game is still to be drawn in the future after year end and not swept by Lotto New Zealand. Other trade receivables are amounts outstanding for retailer fitout and miscellaneous expenditure.

Lotto New Zealand payment terms are that accounts are due on the 20th of the month following invoicing. All receivables not settled on the 20th of the month following invoicing are considered to be past due. The carrying value of debtors and other receivables approximates their fair value.

There is no impairment of receivables.

Ageing of trade and retailer receivables	31/12/2023 \$000	31/12/2022 \$000	30/06/2023 \$000
Not past due	10,584	10,835	7,183
Past due 1-30 days	-	80	-
Past due 31-60 days	-	17	-
Past due 61-90 days	-	5	-
	10,584	10,937	7,183

All receivables greater than 30 days in age are considered to be past due but are deemed recoverable.

For those items not deemed recoverable a specific provision for uncollectibility is recognised.

9. Property, plant and equipment

Accounting policy

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 New Zealand 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 New Zealand 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 - 9 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.

Breakdown of property, plant and equipment	Leasehold improvements \$000	Gaming computer equipment \$000	Other computer hardware \$000	Draw equipment \$000	Furniture & fittings \$000	Motor vehicles \$000	Office equipment \$000	Work in progress \$000	Total \$000
Cost or valuation									
Balance 1 July 2022	1,841	45,603	1,920	883	952	965	237	5	52,406
Additions	-	-	-	-	-	-	-	142	142
Disposal and transfers	-	14	100	-	3	(356)	-	(147)	(386)
Balance 31 December 2022	1,841	45,617	2,020	883	955	609	237	-	52,162
Additions	14	449	219	-	3	28	7	1,212	1,932
Disposal and transfers	(1,832)	(82)	(105)	-	(219)	(63)	(33)	(573)	(2,907)
Balance 30 June 2023	23	45,984	2,134	883	739	574	211	639	51,187
Additions	-	-	-	-	-	-	-	2,382	2,382
Disposal and transfers	586	122	153	-	28	45	-	(1,092)	(158)
Balance 31 December 2023	609	46,106	2,287	883	767	619	211	1,929	53,411
Accumulated depreciation									
Balance 1 July 2022	1,542	32,776	1,557	662	635	511	219	-	37,902
Depreciation	112	2,534	103	60	31	85	8	-	2,933
Disposals	-	-	(2)	-	-	(289)	-	-	(291)
Balance 31 December 2022	1,654	35,310	1,658	722	666	307	227	-	40,544
Depreciation	113	2,436	103	48	31	75	7	-	2,813
Disposals	(1,761)	(61)	(2)	-	(196)	(35)	(33)	-	(2,088)
Balance 30 June 2023	6	37,685	1,759	770	501	347	201	-	41,269
Depreciation	61	2,383	129	26	27	78	2	-	2,706
Disposals	-	-	(12)	-	-	(132)	-	-	(144)
Balance 31 December 2023	67	40,068	1,876	796	528	293	203	-	43,831
Carrying amounts									
At 1 July 2022	299	12,827	363	221	317	454	18	5	14,504
At 31 December 2022	187	10,307	362	161	289	302	10	-	11,618
At 30 June 2023	17	8,299	375	113	238	227	10	639	9,918
Balance 31 December 2023	542	6,038	411	87	239	326	8	1,929	9,580

There are no other restrictions over the title of property, plant and equipment, nor is any property, plant and equipment pledged as security for liabilities.

10. Intangible assets

Accounting policy

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 or loss.

Impairment of intangible assets is in accordance with the impairment of property plant and equipment in note 9.

Breakdown of intangible assets	Computer software \$000	Work in progress \$000	Total \$000
Cost or valuation			
Balance 1 July 2022	37,792	55	37,847
Additions	-	270	270
Disposals and transfers	-	-	-
Balance 31 December 2022	37,792	325	38,117
Additions	121	14	135
Disposals and transfers	(162)	(55)	(217)
Balance 30 June 2023	37,751	284	38,035
Additions	77	4,256	4,333
Disposals and transfers	-	-	-
Balance 31 December 2023	37,828	4,540	42,368
Accumulated amortisation			
Balance 1 July 2022	13,584	-	13,584
Amortisation	4,319	-	4,319
Disposals	-	-	-
Balance 31 December 2022	17,903	-	17,903
Amortisation	4,226	-	4,226
Disposals	(162)	-	(162)
Balance 30 June 2023	21,967	-	21,967
Amortisation	4,198	-	4,198
Disposals	-	-	-
Balance 31 December 2023	26,165	-	26,165
Carrying amounts			
At 1 July 2022	24,208	55	24,263
At 31 December 2022	19,889	325	20,214
At 30 June 2023	15,784	284	16,068
Balance 31 December 2023	11,663	4,540	16,203

There are no restrictions over the title of computer software, nor is any computer software pledged as security for liabilities.

11. Creditors, other payables and contract liabilities

Accounting policy

These amounts represent liabilities for goods and services provided to Lotto New Zealand prior to the end of financial year which are unpaid, and amounts unpaid and 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.

Creditors, other payables and contract liabilities	31/12/23 \$000	31/12/22 \$000	30/06/23 \$000
Contract liabilities	3,726	(1,697)	7,306
Prize liabilities	27,684	40,492	55,488
MyLotto player accounts	12,507	10,731	12,809
Trade creditors	27,759	18,331	15,773
Payable to the New Zealand Lottery Grants Board	-	-	9,825
Accrued expenses	12,530	18,210	14,785
	84,206	86,067	115,986

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.

Credit Facilities

Lotto New Zealand has a bank overdraft facility of \$1 million with Westpac Banking Corporation. The interest rate on the overdraft facility at 31 December 2023 if utilised, was 12.55% (31 December 2022: 11.50%). The balance of the overdraft as at 31 December 2023 was nil (31 December 2022: nil).

12. Prize reserve account

Accounting policy

A prize reserve account (PRA) has been established by Lotto New Zealand, 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 New Zealand. 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 New Zealand 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.

Breakdown of prize reserve account	31/12/23 \$000	31/12/22 \$000	30/06/23 \$000
Opening balance	51,953	45,869	45,869
Amounts transferred based on game sales	32,777	38,322	78,636
Interest	2,378	745	2,149
Unclaimed prizes over twelve months old	5,037	4,601	8,094
Transfers to prize pools	(37,109)	(41,604)	(82,795)
	55,036	47,933	51,953

13. Right-of-use assets and leases

Accounting policy

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.

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 7 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.

	Right-of-use assets \$000
Cost or valuation	
Balance 1 July 2022	7,115
Additions	-
Disposals	-
Balance 31 December 2022	7,115
Additions	-
Disposals	-
Balance 30 June 2023	7,115
Additions	5,715
Disposals	(7,115)
Balance 31 December 2023	5,715
Accumulated depreciation	
Balance 1 July 2022	6,195
Depreciation	368
Disposals	-
Balance 31 December 2022	6,563
Depreciation	368
Disposals	-
Balance 30 June 2023	6,931
Depreciation	364
Disposals	(7,115)
Balance 31 December 2023	180
Carrying amounts	
At 1 July 2022	920
At 31 December 2022	552
At 30 June 2023	184
Balance 31 December 2023	5,535

The right-of-use assets relate to operating leases for office premises. The average lease term is 7 years (2023: less than 1 year).

Amounts recognised in profit and loss	31/12/23 6 months \$000	31/12/22 6 months \$000	30/06/23 12 months \$000
Depreciation	364	368	736
Interest expense on lease liabilities	85	11	17

Lease liabilities	31/12/23 \$000	31/12/22 \$000	30/06/23 \$000
Current	487	614	206
Non-current	5,273	-	-
	5,760	614	206

Maturity analysis	31/12/23 \$000	31/12/22 \$000	30/06/23 \$000
Year 1	487	614	206
Year 2	779	-	-
Year 3+	4,494	-	-
	5,760	614	206

14. Equity

Accounting policy

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

Breakdown of equity	31/12/23 6 months \$000	31/12/22 6 months \$000	30/06/23 12 months \$000
Retained earnings			
Opening balance	69,591	60,916	60,916
Profit/(loss)	31,414	5,993	8,675
Retained earnings at the end of period	101,005	66,909	69,591

Lotto New Zealand's equity comprises accumulated profits/(losses).

15. Related party information

Accounting policy

Lotto New Zealand is controlled by the Crown and has transacted with other entities significantly influenced or controlled by the Crown.

Related party transactions required to be disclosed.

The Gambling Act 2003 requires that Lotto New Zealand distribute all profits to the New Zealand Lottery Grants Board unless the Minister of Internal Affairs consents to a request from the Board for a retention. Distribution in respect of the 31 December 2023 interim results amounted to \$170.8 million (31 December 2022: \$179.7 million). No funding was provided by the Crown to Lotto New Zealand.

Collectively, but not individually, significant, transactions with government-related entities.

In conducting its activities, Lotto New Zealand is required to pay various taxes and levies (such as GST, FBT, PAYE, ACC levies, Lottery Duty and the Problem Gambling Levy) to the Crown and entities related to the Crown. Payment of these taxes and levies is based on the standard terms and conditions that apply to said taxes and levies. Lotto New Zealand is exempt from income tax by virtue of Section 264 of the Gambling Act 2003.

16. Categories of financial assets and liabilities

Categories of financial assets and liabilities	31/12/23 \$000	31/12/22 \$000	30/06/23 \$000
Financial assets measured at amortised cost			
Cash and cash equivalents	105,974	83,057	108,426
Term deposits	86,000	63,393	83,741
Debtors and other receivables	10,584	10,937	7,183
	202,558	157,387	199,350
Financial liabilities measured at amortised cost			
Creditors and other payables	84,206	86,067	115,986
Prize reserve account	55,036	47,933	51,953
	139,242	134,000	167,939

17. Financial instrument risks

Lotto New Zealand's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. Lotto New Zealand has policies to manage the risks associated with financial instruments. These policies do not allow any transactions that are speculative in nature.

Market Risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Lotto New Zealand exposure to this is limited to its bank deposits which are held at fixed rates of interest.

Credit risk

Credit risk is the risk that a third party will default on its obligation to Lotto New Zealand, causing Lotto New Zealand to incur a loss. Due to the timing of cash inflows and outflows, surplus cash is invested with registered banks. Lotto New Zealand Investment policy limits the amount of credit exposure to any one bank.

Liquidity risk

Liquidity risk is the risk that Lotto New Zealand will encounter difficulty raising liquid funds to meet commitments as they fall due. In meeting its liquidity requirements, Lotto New Zealand ensures sufficient funds are available by managing investments that mature within specified timeframes.

18. Commitments

	31/12/23 \$000	31/12/22 \$000	30/06/23 \$000
Capital commitments approved and contracted			
Property, plant and equipment and intangibles	52,774	586	1,809
Total capital commitments	52,774	586	1,809

At 31 December 2023 the gaming system (core and interactive) replacement project, known as the EDGE programme, is included within these capital commitments (\$52,388k).

19. Contingent liabilities and assets

Accounting policy

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.

There were no contingent liabilities or contingent assets at 31 December 2023 (31 December 2022 nil).

20. Events after balance date

There were no events after balance date of 31 December 2023 (31 December 2022: nil).

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David Tapsell Deputy Chair
Kim Gordon
Trish Oakley
Mark Todd
Erica Hodgson (Associate Director)

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

