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Lotto New Zealand Statement of Performance Expectations  
For the financial year ending 30 June 2025



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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 2024 to 30 June 2025, 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.**



**Roger Sharp**  
Chair



**David Tapsell**  
Deputy Chair

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# Tō mātou aronga **Our purpose** ▶

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.



# Te tūranga a Lotto NZ

## Lotto NZ's role

### 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 New Zealand) was established in 1987 to provide lottery games that return maximum funds for distribution to New Zealand communities.

Lotto NZ offers games that provide New Zealanders with the chance to play and win. The products we currently offer are Lotto, Strike, Powerball, Keno, Bullseye, Instant Kiwi and Instant Kiwi online. Our products are sold through our network of Lotto NZ retail outlets and our online sales channels – MyLotto and the MyLotto App.

With 100% of our profits going to the community via the New Zealand Lottery Grants Board, we generate funding that supports the vital work of thousands of organisations and charities every year. Over the past 36 years, \$5.9 billion of Lotto NZ funding has made a real difference in the lives of New Zealanders all around the country. Lotto NZ profits are allocated to the three statutory bodies of Sport New Zealand, the New Zealand Film Commission and Creative New Zealand, as well as the charitable trust Ngā Taonga Sound & Vision and thousands of smaller community organisations.

Providing a responsible gambling environment is central to our operations, as we cannot achieve our objective of maximising benefits for New Zealand communities if playing our games causes undue harm. Lotto NZ operates a world-class responsible gambling programme that is certified to the highest possible level internationally (Level 4) by the World Lottery Association (WLA). Responsible gambling principles guide all our operations, from which games we offer, to how we build and market our games, to the customer education, retailer training and responsible gambling tools that we put alongside them. Our programme is informed by research and by engagement with our stakeholders, and we hold ourselves to account by reporting publicly on progress.

We judge our success by the outcomes we achieve for New Zealanders, both in terms of offering safe and fun games, and in the funds we raise to help build strong, sustainable communities.

### 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.

# Ā mātou tutukinga Our performance

Lotto NZ is investing substantially in its 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 2024/25 financial year and our workplan to achieve these targets. It should be read in conjunction with our Statement of Intent.

Our Statement of Intent for FY25-FY29 sets a pathway for growth over the next five financial years and by FY29 we have budgeted revenue of \$1.82 billion, contributing \$412 million a year in profits. Our FY25 budget reflects a focus on successfully delivering our core and interactive system replacement (the EDGE programme), preparing for the subsequent digital transformation, and keeping operational expenditure within inflationary levels.

The FY25 budget shows a short-term dip in profit to \$332m, due to two main factors:

- FY24 saw the jackpot reach \$37m in August, which drove higher-than-usual sales; the FY25 forecast is based on median jackpot levels.
- Opex in FY25 will include one-off transformation costs for the replacement of our core and interactive systems (the EDGE programme) and the transformation of our legacy website and app (the Frontier project).

Of the \$14.4m opex increase in the 2024/25 financial year, 61% (\$9.6m) is associated with the above project costs. Excluding those project costs, opex increases are forecast at 3.3%, in line with inflation. Further, normalising these one-off costs to enable a like-for-like comparison, FY25 underlying profit is budgeted at \$341m versus an FY24 target of \$342m.

**84%**  
of revenue from  
Lotto Family games

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**\$1,520m**  
of sales in FY23

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**44%**  
of sales from online  
channels in FY23

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**\$376m**  
transferred to Lottery  
Grants Board in FY23

## Our performance drivers

Lotto NZ has grown revenue and profits over the past five years, despite being unable to enhance our existing games or introduce any new game types since 2018. This growth is due to a combination of effective marketing, population growth, and the shift by our customers online, helping to make us more efficient and grow our appeal with a broad range of New Zealanders. However, we are starting to see clear signs that growing competition for discretionary spend and out-of-date game mechanics could result in revenue (and so community contributions) beginning to decline over the medium-term, if we don't take action.

The nature of our business means our financial results are heavily influenced by the Powerball jackpot - with the Lotto Family of games accounting for around 84% of revenue in any given year.

When the jackpot climbs above \$20 million, sales begin to increase exponentially with every additional higher jackpot increment, and this means we do experience profit volatility from year to year.

Because of this volatility, we forecast our financial performance based on a median view of the Powerball jackpot, and so in a year with higher-than-normal jackpots, we would expect to see profits exceed our forecasts. In a year of a very high jackpot - such as a \$50 million Must Be Won (MBW) draw - profit will significantly exceed budget.

Over the past five years, Lotto family sales have grown from \$951 million in FY19 to \$1.22 billion in the FY24 budget. This 28% sales growth means that in each Lotto Powerball draw, there is now substantially greater coverage of the possible winning combinations.

## Returns to the community

	2024/25 Budget	2023/24 Forecast	2023/24 Target	2022/23 Actual	2022/23 Target	2021/22 Actual
Sales (\$m) (incl GST)	1,480.0	1,537.5	1,466.4	1,520.4	1,500.4	1,456.8
Operating expenses (\$m)	114.4	101.9	100.1	88.5	96.0	68.6
% operating expenses (%)	7.7	6.6	6.8	5.8	6.4	4.7
Net profit (\$m)	331.9	364.8	341.7	384.8	359.3	359.2
Paid to the NZ Lottery Grants Board (\$m)	331.9	364.8	341.7	376.1	359.3	359.2

Over time, this results in the jackpot being struck more frequently and so lower average jackpots over the year and lower likelihood of getting to a MBW draw, which is currently expected every four to five years. This trend will eventually result in sales (and community contributions) beginning to decline.

The solution is to evolve the Powerball game with a game “matrix” change. This is a change to the game mechanics and the odds of winning Powerball First Division, which will raise the average jackpot and the likelihood of very high jackpots. Lotto NZ had proposed to make this change in our previous strategy. We have factored this game change into this new five-year strategy and will develop a detailed proposal for consultation and to seek Ministerial approval in the coming five-year period.

With this change, we will still experience some volatility with a variable jackpot and so we will continue to budget and plan on a median level. However, we expect high jackpots - including MBW draws - will occur often enough to drive continued high awareness of the game and upside in sales performance.



## 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 25 cents for every dollar.

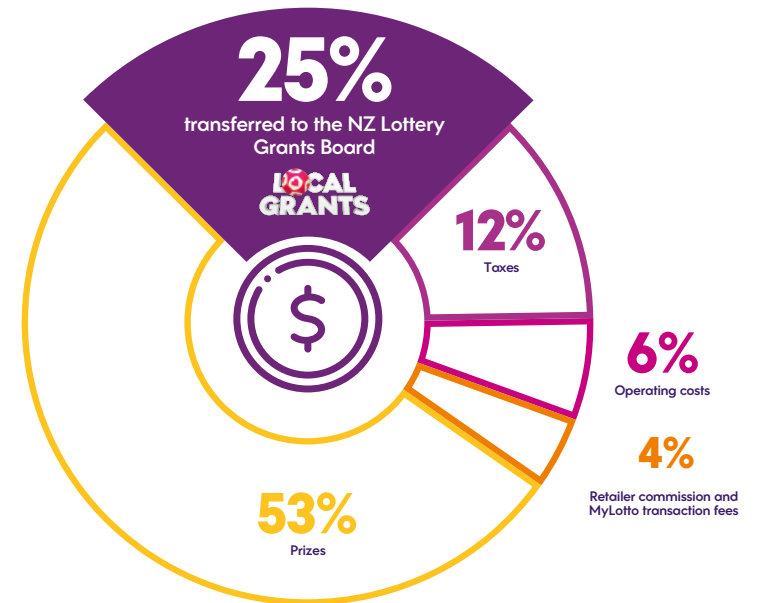
Our operating costs are projected to increase in FY25 (\$114m and 7.7% of sales) due to \$9.6m of one-off costs to support the EDGE and Frontier projects. We then forecast costs to decrease in FY26 (\$106m and 6.7% of sales) and to track at about 6.6% of sales from FY27 to FY29. Our assumptions include a more benign inflationary environment, in which supplier and staff costs are contained. If these assumptions change, we will change our projections accordingly.

Our costs track with revenue due to the variable nature of most costs, and this is increasingly the case as we move our infrastructure to SaaS (Software as a Service) providers in the cloud.

We are reviewing the opportunity for further cost savings in FY26, once the new gaming system is live and we adopt a future operating model, utilising automation, data and artificial intelligence.

We operate an efficient structure and have limited any increases in our permanent staff to what are business critical. We take a similar approach to external contractors, with all contractors or consultants engaged to deliver short-term, clearly defined projects or pieces of work. The majority of our contractors are IT specialists who we have engaged to ensure the successful delivery of the EDGE programme.

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



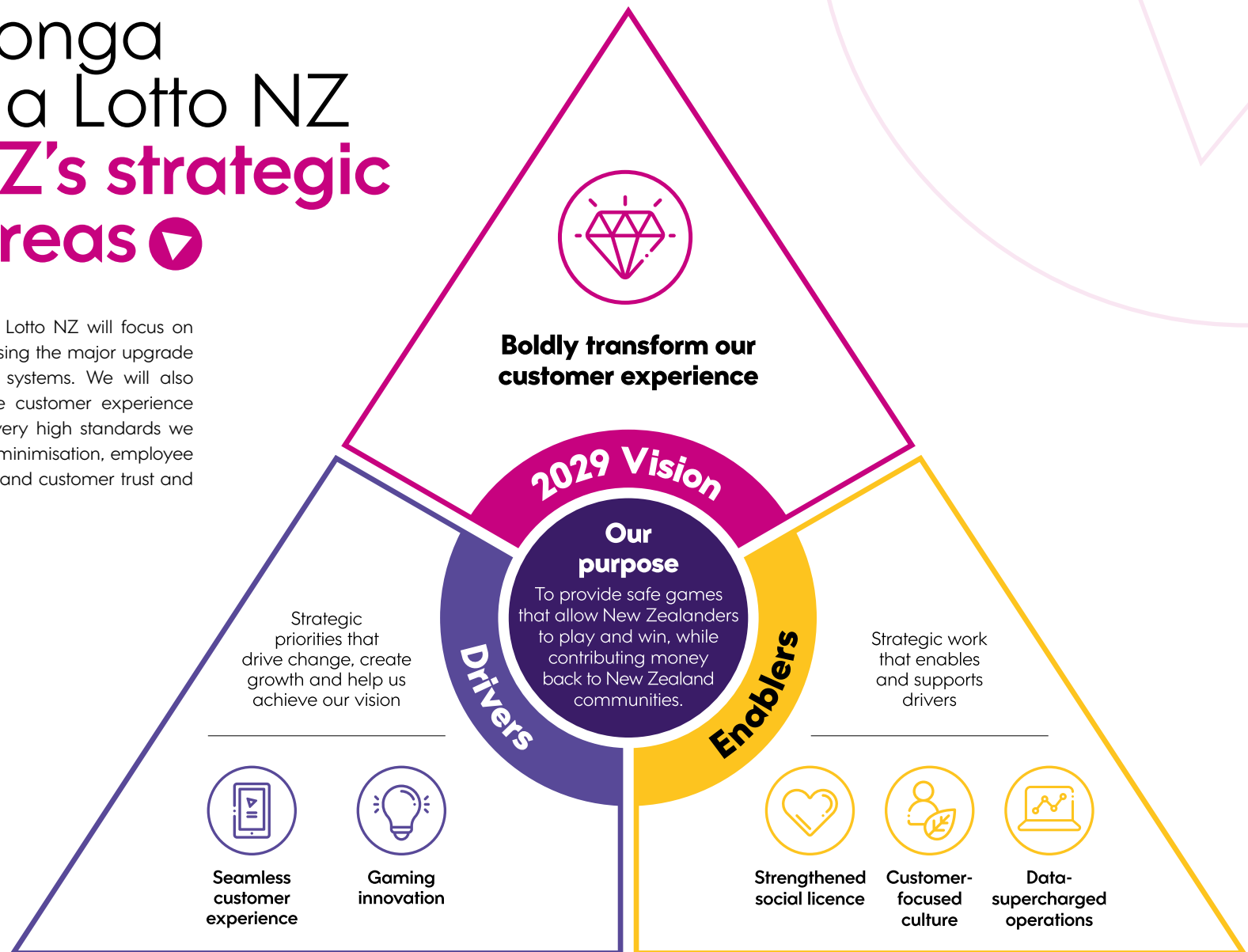
## Current performance and expectations for FY24

The current financial year (FY24) began with a high jackpot run, culminating in the \$37 million Powerball win on 16 August, which helped drive strong sales and put us on track to exceed our profit target of \$341.7 million for the year. Around 45.1% of sales in the year to date have come from digital channels, up slightly on the previous year.

# Ngā aronga rautaki a Lotto NZ

## Lotto NZ's strategic focus areas

In the year to 30 June 2025 Lotto NZ will focus on growing profits while progressing the major upgrade of our core and interactive systems. We will also begin work to transform the customer experience - all while maintaining the very high standards we have achieved across harm minimisation, employee engagement and wellbeing, and customer trust and satisfaction.





# Ngā urungi rautaki

## Strategic drivers

1 2



### 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:

	2024/25 Budget	2023/24 Forecast	2023/24 Target	2022/23 Actual	2022/23 Target	2021/22 Actual
Lotto NZ's brand health <sup>1</sup>	60.0	62.0	59.0	61.2	55.0	60.0
Channel experience (digital) <sup>2</sup>	75%	n/a	n/a	n/a	n/a	n/a
Channel experience (retail) <sup>3</sup>	75%	n/a	n/a	n/a	n/a	n/a

<sup>1</sup> Source: Lotto NZ Market Monitor. The brand health score is calculated from an average of performance on key brand attributes. Approximately 5,000 New Zealanders 18 years and over are surveyed annually, with quotas to ensure that age, gender and New Zealand locality are appropriately represented.

<sup>2</sup> Percent of customers rating us 8-10 out of 10.

<sup>3</sup> 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:

	2024/25 Budget	2023/24 Forecast	2023/24 Target	2022/23 Actual	2022/23 Target	2021/22 Actual
Implementation of product roadmap	Strike MBW change	n/a	n/a	n/a	n/a	n/a
Maintain current financial margins for new games	Yes	n/a	n/a	n/a	n/a	n/a
All new games meet pre- and post-launch harm minimisation thresholds	Yes	n/a	n/a	n/a	n/a	n/a

# Ngā āheitanga rautaki

## Strategic enablers



### 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.
- Honouring and embedding the principles of Te Tiriti o Waitangi across the business.
- Delivering on our emissions reduction plan and implementing a waste management programme, in line with leading practice and through our value chain.

<sup>4</sup> Source: Number of players defined as the average number of New Zealanders aged 18 years and above who state they have purchased one or more Lotto NZ product in the past year, based on NZ population, sourced from Stats NZ infoshare - infoshare.stats.govt.nz. Harm citations defined as new citations, split by primary mode, where client names Lotto NZ as one of their primary modes of gambling.

<sup>5</sup> Please note this differs from what was reported in Lotto NZ's FY23 Annual Report, due to only provisional data being available from the Ministry of Health at the time of publishing our FY23 Annual Report. Once final data was available, this number moved from 0.6 to 0.7.

<sup>6</sup> The WLA is a member-based organisation that sets the international benchmark for responsible gambling. There are four possible levels of accreditation under the WLA's Responsible Gambling Framework, with Level 4 being the highest and representing international best practice.

#### Measures:

	2024/25 Budget	2023/24 Forecast	2023/24 Target	2022/23 Actual	2022/23 Target	2021/22 Actual
Primary mode of gambling citations per 10,000 players <sup>4</sup>	<1.0	0.6	0.7 <sup>5</sup>	<1.0	0.7	<1.0
WLA Responsible Gambling Certification <sup>6</sup>	Level 4	Level 4	Level 4	Level 4	Level 4	Level 4
Toitū net carbonzero certification	Yes	Yes	Yes	Yes	Yes	Yes
New harm minimisation tools introduced	Harm Matrix Harm Risk Index	n/a	n/a	n/a	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.
- Embedding a focus on customers into our employee experience, across the entire employment lifecycle.
- Listening to our customers and acting on their feedback.
- Crafting our brand as a trusted employer of choice.

### Measures:

	2024/25 Budget	2023/24 Forecast	2023/24 Target	2022/23 Actual	2022/23 Target	2021/22 Actual
Employee engagement score	>7.6	7.6	>7.6	7.8	>7.6	7.6
Gender pay gap variance (%) <sup>7</sup>	+/-1.0	+/- 1.0	0.0	+/-1.0	1.7	+/-1.0
Equitable gender representation in leadership (% female) <sup>8</sup>	50	50	54	50	52	50
Employee alignment with strategy	<7.6	n/a	n/a	n/a	n/a	n/a

<sup>7</sup> Difference between male and female employees' average salary.

<sup>8</sup> % of Lotto NZ senior leaders (defined as Executive Leadership Team and direct reports to Executive Leadership Team) who are women.

## 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:

	2024/25 Budget	2023/24 Forecast	2023/24 Target	2022/23 Actual	2022/23 Target	2021/22 Actual
New games linked to data analytics <sup>9</sup>	Partial	n/a	n/a	n/a	n/a	n/a
Grow digitally enabled players (%) <sup>10</sup>	+10	n/a	n/a	n/a	n/a	n/a
Retail network availability (%)	99.95	n/a	n/a	n/a	n/a	n/a
Core gaming network availability (%)	99.95	n/a	n/a	n/a	n/a	n/a
MyLotto availability (%)	99.95	n/a	n/a	n/a	n/a	n/a

<sup>9</sup> New games assessed/monitored through data analytics (for performance/harm minimisation).

<sup>10</sup> Players connect with a game digitally, either online or instore.



# Te tauāki o ngā kawatau o Hune 2025

## Statement of expectations

### June 2025

The actual results achieved for the period covered are likely to vary from the information presented and the variations may be material.

<b>PROSPECTIVE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDING 30 JUNE</b>	<b>FY25 Budget \$'000</b>	<b>FY24 Forecast \$'000</b>	<b>FY23 Actual \$'000</b>
<b>CONTINUING OPERATIONS</b>			
Revenues from contracts (note 3)	1,394,434	1,450,273	1,433,557
Interest income	7,627	5,616	7,136
Other income	300	94	(20)
<b>Total revenue</b>	<b>1,402,361</b>	<b>1,455,983</b>	<b>1,440,673</b>
Cost of sales (note 4)	956,053	989,283	967,387
<b>Gross profit</b>	<b>446,308</b>	<b>466,700</b>	<b>473,286</b>
<b>EXPENSES</b>			
Promotion and retail support (note 5)	25,676	22,899	21,363
Gaming system expenses	12,003	10,681	10,156
Employee remuneration	36,622	29,608	25,527
Property, plant and equipment depreciation	4,416	5,637	5,746
Intangible asset amortisation	7,892	8,878	8,545
Right-of-use assets depreciation	820	823	736
Finance costs	350	134	17
Other expenses	26,653	23,242	16,451
<b>Total expenses</b>	<b>114,432</b>	<b>101,902</b>	<b>88,541</b>
<b>Profit before distributions to the New Zealand Lottery Grants Board</b>	<b>331,876</b>	<b>364,798</b>	<b>384,745</b>
Distribution of profit to the New Zealand Lottery Grants Board	331,876	364,798	376,070
Profit/(loss) for the year	-	-	8,675
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>8,675</b>

<b>STATEMENT OF PROSPECTIVE MOVEMENTS IN EQUITY FOR THE YEAR ENDING 30 JUNE</b>	<b>FY25 Budget \$'000</b>	<b>FY24 Forecast \$'000</b>	<b>FY23 Actual \$'000</b>
Equity at beginning of the year	69,591	69,591	60,916
Total comprehensive income for the year	-	-	8,675
<b>Equity at the end of the year</b>	<b>69,591</b>	<b>69,591</b>	<b>69,591</b>

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

<b>PROSPECTIVE STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE</b>	<b>FY25 Budget \$'000</b>	<b>FY24 Forecast \$'000</b>	<b>FY23 Actual \$'000</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	71,545	105,013	108,426
Term deposits	85,000	85,000	83,741
Debtors and other receivables	4,100	8,300	7,183
Prepayments	9,000	9,000	11,159
Inventories	4,000	4,000	3,337
<b>Total current assets</b>	<b>173,645</b>	<b>211,313</b>	<b>213,846</b>
<b>Non-current assets</b>			
Property, plant and equipment	13,451	11,745	9,918
Intangibles	53,999	18,161	16,068
Right-of-use assets	4,399	5,406	184
<b>Total non-current assets</b>	<b>71,849</b>	<b>35,312</b>	<b>26,170</b>
<b>Total assets</b>	<b>245,494</b>	<b>246,625</b>	<b>240,016</b>

<b>PROSPECTIVE STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE CONTINUED</b>	<b>FY25 Budget \$'000</b>	<b>FY24 Forecast \$'000</b>	<b>FY23 Actual \$'000</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Creditors, other payables and contract liabilities	119,720	111,304	115,986
Prize reserve account	49,196	57,790	51,953
Annuity prize liabilities	-	40	172
Employee entitlements	2,000	2,000	1,997
Short term financial derivatives	-	-	12
Lease incentive	-	-	59
Lease liabilities	904	913	206
<b>Total current liabilities</b>	<b>171,820</b>	<b>172,047</b>	<b>170,385</b>
<b>Long term liabilities</b>			
Annuity prize liabilities	-	-	40
Lease liabilities	4,083	4,987	-
<b>Total long term liabilities</b>	<b>4,083</b>	<b>4,987</b>	<b>40</b>
<b>Total liabilities</b>	<b>175,903</b>	<b>177,034</b>	<b>170,425</b>
<b>EQUITY</b>			
Retained earnings	69,591	69,591	60,916
Profit for the year	-	-	8,675
<b>Total equity</b>	<b>69,591</b>	<b>69,591</b>	<b>69,591</b>
<b>Total liabilities and equity</b>	<b>245,494</b>	<b>246,625</b>	<b>240,016</b>

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

<b>STATEMENT OF PROSPECTIVE CASH FLOWS FOR THE YEAR ENDING 30 JUNE</b>	<b>FY25 Budget \$'000</b>	<b>FY24 Forecast \$'000</b>	<b>FY23 Actual \$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Sales	1,391,061	1,444,910	1,425,425
Net GST received	-	-	5,153
Other receipts	6,500	6,500	6,364
Prize payments	(795,934)	(826,981)	(773,020)
Lottery duty	(81,400)	(84,561)	(82,765)
Retailers' commission	(66,872)	(67,471)	(62,030)
Employee costs	(36,622)	(29,608)	(25,398)
Other payments	(73,680)	(65,763)	(61,657)
<b>Net cash flow from operating activities</b>	<b>343,053</b>	<b>377,026</b>	<b>432,072</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net (increase)/decrease in term deposits	-	(1,259)	1,671
Sale of property, plant and equipment	50	100	347
Interest received	7,278	5,479	7,136
Purchase of property, plant and equipment	(6,941)	(8,287)	(4,739)
Purchase of intangibles	(43,729)	(10,972)	(1,566)
<b>Net cash flow from investing activities</b>	<b>(43,342)</b>	<b>(14,939)</b>	<b>2,849</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Discharge of annuity prize liabilities	(40)	(172)	(291)
Repayment of borrowings and leasing liabilities	(913)	(396)	(811)
Interest paid	(350)	(134)	(17)
Payments to the New Zealand Lottery Grants Board	(331,876)	(364,798)	(375,428)
<b>Net cash flow from financing activities</b>	<b>(333,179)</b>	<b>(365,500)</b>	<b>(376,547)</b>
Net increase/(decrease) in cash balances	(33,468)	(3,413)	58,374
Opening cash and cash equivalents balance	105,013	108,426	50,052
<b>Closing cash and cash equivalents balance</b>	<b>71,545</b>	<b>105,013</b>	<b>108,426</b>

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

# He kohinga hei whakataua

## Notes to the forecast financial statements

### 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 2023.

##### Comparatives

The 30 June 2023 figures are those published in the Integrated Report 2022/23.

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.

### **Computer software**

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.

The useful life of computer software is reviewed at least annually to determine if there is any indication of impairment. Where any software's recoverable amount is less than its carrying amount, it is reported at its recoverable amount and an impairment loss will be recognised in the profit or loss.

### **Contingent assets and contingent liabilities**

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

### **Employee entitlements**

Employee entitlements to salaries and wages, annual leave, long service leave and other similar benefits are recognised in the profit or loss when they accrue to employees.

Obligations for contributions to the defined contribution retirement plan are recognised in surplus or deficit as they fall due.

Termination benefits are recognised in surplus or deficit only when there is a demonstrable commitment to either terminate employment prior to normal retirement date or to provide such benefits as a result of an offer to encourage voluntary redundancy.

### **Financial instruments**

#### Cash and cash equivalents, and term deposits.

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

Term deposits represent deposits and other instruments with maturities of more than 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. 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.

#### 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.

### **Interest**

Interest income is recognised using the effective interest rate basis.

### **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.

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

### **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:

Right to use - office buildings	2-7 years
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.

### **Revenue and expense recognition**

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.

### **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 2023/24 and for 2024/25 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 2024/25.
- 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 2024/25.

### 3. Revenues

	FY25 Budget \$'000	FY24 Forecast \$'000	FY23 Actual \$'000
<b>REVENUE FROM CONTRACTS WITH CUSTOMERS</b>			
Sales including GST	1,480,000	1,537,476	1,520,358
GST	88,939	92,566	92,364
<b>Sales excluding GST</b>	<b>1,391,061</b>	<b>1,444,910</b>	<b>1,427,994</b>
<b>REVENUE FROM CONTRACTS WITH RETAILERS</b>			
Telecommunications and terminal maintenance fee	3,101	5,062	5,248
Retailers establishment fees	272	301	315
	3,373	5,363	5,563
<b>Total revenue from contracts</b>	<b>1,394,434</b>	<b>1,450,273</b>	<b>1,433,557</b>

#### 4. Cost of sales

	<b>FY25 Budget \$'000</b>	<b>FY24 Forecast \$'000</b>	<b>FY23 Actual \$'000</b>
Lottery duty	81,400	84,561	83,621
Problem gambling levy	3,000	3,168	3,097
Retailers' commission and MyLotto transaction fees	66,872	67,471	62,935
Prizes paid and payable	742,642	747,312	731,148
Prize reserve account	53,292	79,669	78,734
Interest transferred to prize reserve account	2,200	1,212	2,149
Ticket costs	6,347	5,773	5,646
Cost of goods sold to retailers	300	117	57
<b>Total cost of sales</b>	<b>956,053</b>	<b>989,283</b>	<b>967,387</b>

#### 5. Promotion and retail support

	<b>FY25 Budget \$'000</b>	<b>FY24 Forecast \$'000</b>	<b>FY23 Actual \$'000</b>
Media advertising	13,974	13,110	12,639
Media production and draw	4,976	3,337	4,708
Point of sale, game stationery and distribution	4,767	4,212	2,656
Promotion and retail support other	1,959	2,240	1,360
<b>Total promotion and retail support</b>	<b>25,676</b>	<b>22,899</b>	<b>21,363</b>



# Te papatohu Directory

## Auckland office

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Telephone	0800 695 6886

## Board members

Roger Sharp	Chair
David Tapsell	Deputy Chair
Kim Gordon	
Trish Oakley	
Mark Todd	
Erica Hodgson	

## 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](https://mylotto.co.nz)

