

Lotto New Zealand Statement of Performance Expectations

For the financial year ending 30 June 2027

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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 2026 to 30 June 2027 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.

Kim Gordon
Deputy Chair

Jason Delamore
Chief Executive Officer

Angela Dixon
Audit & Risk Committee Chair

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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 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, Powerball, Strike, 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 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 FY27 financial year (ending 30 June 2027) 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 consistent annual contributions of more than $400 million in profits, representing growth of around 20% over the period.

We are budgeting for a profit of $425 million in FY27, based on a normal year of jackpot activity and with the Powerball matrix change implemented in the first half of the reporting period.

This forecast profit is higher than the results in FY25 and our updated forecast for FY26. Both periods benefitted from strong revenue off the back of several high jackpots, including a Must Be Won draw in November 2025.

A look back at FY25:

$1,627 billion
sales

$395 million
transferred to the Lottery Grants Board

$878 million
in prizes paid out

48%
of sales were online and 52% instore

Our performance drivers

There will be a significant and enduring structural change to the gambling industry in FY27 with the arrival in New Zealand of up to 15 licensed online casinos, following a regulatory overhaul by the Government. These operators will be unable to offer lottery games that compete with our main family of draw-based games (Lotto, Powerball, Strike), which account for about 84% of Lotto NZ sales.

However, they will now be allowed to legally advertise across all mainstream mediums to promote their products. These products will likely include instant win games (like Instant Kiwi) and Keno along with a range of other gambling options, with high jackpots that could rival our Powerball game.

We expect the first online casino licences to be approved early in the 2027 calendar year, at which point successful applicants will be able to immediately begin advertising in line with the regulations. We expect online casino operations to have a non-material financial impact on Lotto NZ revenue in FY27 due to the short window in the reporting period in which they will be able to operate and the regulatory protection of our main games.

Besides changing the competitive landscape, the arrival of these entities will also bring about changes in the way New Zealanders interact with gambling and perceive the wider industry. Lotto NZ has a strong legacy as a publicly-owned lottery that offers relatively low risk products, focuses deeply on harm minimisation and returns 100% of profits to the community. While we are well-placed to continue delivering on our statutory purpose, we will be focused in FY27 on understanding the new operating environment and evolving as needed.

The single biggest driver of Lotto NZ's performance in any given year is the performance of our flagship Powerball game, and the frequency and size of its high jackpots. In FY27, we will be increasing the number of Powerballs from 10 to 14, in what is known as a matrix change or odds change. This change was publicly announced in March 2026. It will go live in the first half of FY27.

This change will make it more likely that the Division 1 prize will jackpot each week. This change is designed to encourage an incremental uplift in sales activity, particularly from infrequent players who only buy tickets when the jackpot is higher. We will also introduce a new prize division and boost the total number of weekly winners, ensuring the game remains compelling and relevant to sustain consistently high returns to the Lottery Grants Board. Lotto and Strike are not being updated as part of the changes.

FY27 will be another important year for Lotto NZ as we near the midpoint of our five-year strategy, focused on boldly transforming the customer experience while driving responsible growth.

Project EDGE was successfully delivered in September 2025, providing Lotto NZ with new core and interactive gaming systems in one of the most strategically important projects in the past two decades, delivering a new and more modern retail experience.

Building on these foundations, we have now moved our technology focus to Project Frontier, which will deliver a new MyLotto website and apps. This transformative programme of work will greatly enhance the online experience and create stronger connections between retail stores and digital platforms. The first phase of this project is targeted for delivery towards the end of FY27 or early in FY28.

We support the forthcoming introduction of a consistent age restriction across all our products. All games will move to an 18+ age requirement during FY27, aligning our draw-based games with Instant Kiwi. The number of individuals aged under 18 who buy tickets for our draw-based games is thought to be negligible and we therefore do not expect a noticeable financial impact when this change is made.

We expect to hear back from the World Lottery Association early in FY27 on the outcome of our Responsible Gambling Framework recertification application. We have held Level 4 - the highest standard of accreditation - since 2016.

With the successful completion of the EDGE programme of work, delivered under budget, no further profit retentions are required in FY26 or FY27 to complete our ongoing cycle of investment, including Project Frontier.

This financial forecast was finalised and approved during a period of geopolitical and geoeconomic uncertainty. We therefore note that business costs, consumer spending, and other drivers of financial performance may vary from expectations.

Cost management

While Lotto NZ is an autonomous Crown Entity and operates without taxpayer funding, we acknowledge the heightened Government focus on strong fiscal discipline across the public sector. We continue to take a strategic approach to cost management. While we remain focused on delivering our programme of investment, that will continue to increase profits and community returns, we seek every opportunity to reduce consumption costs. Our key measure of performance is to maintain community returns at around 25 cents for every dollar of revenue.

Our operating costs are projected to be $104.4 million in FY27, representing 6% of revenue.

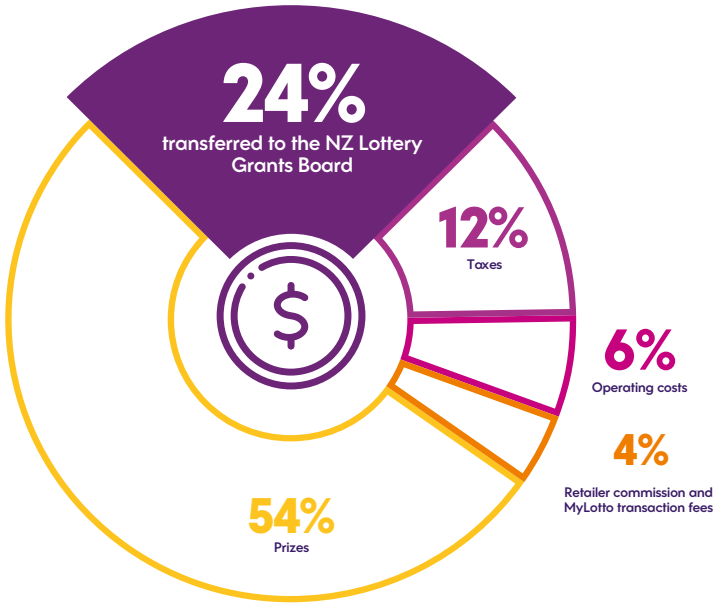


Returns to the community

	2026/27 Target	2025/26 Forecast	2025/26 Target	2024/25 Actual	2023/24 Actual
Sales ($m) (incl GST)	1,723.9	1,693.2	1,575.7	1,626.9	1,710.9
Operating expenses ($m)	104.4	103.9	106.8	102.8	97.9
Operating expenses (%)	6.0	6.1	6.8	6.3	5.7
Net profit ($m)	424.9	401.4	360.8	405.1	434.0
Paid to the NZ Lottery Grants Board ($m)	424.9	401.4	350.8	395.1	434.0



How Lotto NZ revenue was distributed for every $1 of combined sales in FY25:



Current performance and expectations for FY26

We expect to significantly exceed our projected sales budget of $1.58 billion for FY26, largely due to the unprecedented $55 million Must Be Won draw held in November 2025 - the largest jackpot in Lotto NZ history. The Powerball jackpot also reached $20 million or more in August 2025, March 2026 and June 2026.

In the same half-year period, 49% of ticket sales came through online MyLotto purchases - up from 48% in the FY25 period - with the balance of transactions made in retail stores.

Costs in the six months to 31 December 2025 were 13% below forecast.

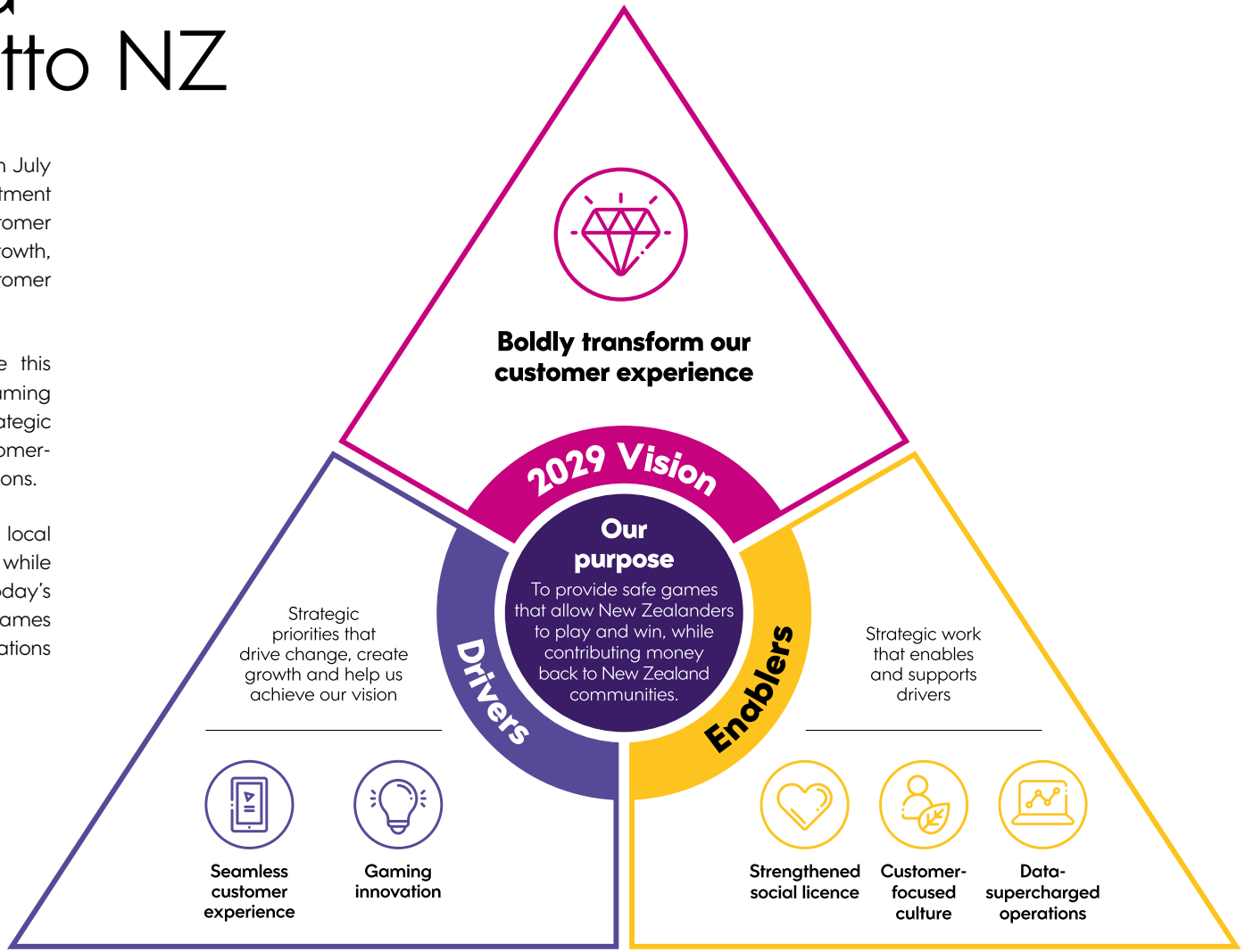
Lotto NZ's strategic focus areas

Ngā aronga rautaki a Lotto NZ

Our current five-year strategy was introduced in July 2024. It focuses on targeted and sequenced investment in our technology platforms to transform our customer experience, setting a pathway for responsible growth, and a vision of boldly transforming our customer experience by 2029.

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 focused on remaining the trusted local provider of New Zealand's national lottery while evolving to stay competitive and relevant in today's environment. Minimising harm from our games through public education and responsible operations also remains a priority.




Easy Play Options
Triple Dip
Lotto
New Zealand
Lotto

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

	2026/27 Target	2025/26 Forecast	2025/26 Target	2024/25 Actual	2023/24 Actual
Lotto NZ's brand health[1]	65	67	60	65	63
Channel experience - digital (%)[2]	85	86	80	87	n/a
Channel experience - retail (%)[2]	85	85	80	88	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:

	2026/27 Target	2025/26 Forecast	2025/26 Target	2024/25 Actual	2023/24 Actual
Implementation of product roadmap[3]	Omnichannel enhancements	Powerball matrix change	Powerball matrix change	Stike change completed	n/a
Maintain current financial margins for new games[3]	Yes	Yes	Yes	Yes	n/a
All new games meet pre and post launch harm minimisation thresholds[3]	Yes	Yes	Yes	Yes	n/a

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

Strategic enablers
Ngā āheitanga rautaki

1 2 3

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.
- We recognise our responsibility to uphold Te Tiriti o Waitangi.
- Delivering on our emissions reduction plan and implementing a waste management programme, in line with leading practice and through our value chain.

Measures:	2026/27 Target	2025/26 Forecast	2025/26 Target	2024/25 Actual	2023/24 Actual
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	0.7	0.6
Toitū net carbon zero certification	Yes	Yes	Yes	Yes	Yes
New harm minimisation tools introduced	BA tool automation	BA tool automation	BA tool automation	Harm Risk Index introduced	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.

New performance metric

- In FY27 we are introducing a new measure - our organisational gender pay gap. This metric measures the gender pay gap across the whole organisation.
- It is a comparison of the median pay of all women in the organisation and the median pay of all men.
- This measure is commonly reported in the public and private sectors. We are adding it as an additional metric alongside the pay equity gap - the difference between men and women in similar roles - that Lotto NZ has previously reported.
- We're committed to building a diverse and inclusive workforce that offers a wide range of opportunities to employees across all levels of the organisation, regardless of gender.

Measures:

	2026/27 Target	2025/26 Forecast	2025/26 Target	2024/25 Actual	2023/24 Actual
Employee engagement score	7.8	7.8	7.6	7.9	7.8
Pay equity gap variance (%)[4]	+/- 1.0	+/- 1.0	+/- 1.0	0.88	1.3
Organisational gender pay gap (%)[5]	15.0	16.9	n/a	n/a	n/a
Equitable gender representation in leadership (%)[6]	50.0	50.0	50.0	50.0	50.0
Employee alignment with strategy[7]	8.0	8.0	7.6	8.0	n/a

[4] Pay equity gap variance: The average base salary differences of permanent employees on the same pay grades.
[5] Organisational gender pay gap: This is a new target introduced in FY27. It refers to the median gender pay gap across the organisation.
[6] Equitable gender representation in leadership: The percentage of female people leaders.
[7] 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:

	2026/27 Target	2025/26 Forecast	2025/26 Target	2024/25 Actual	2023/24 Actual
New games linked to data analytics	Yes	Yes	Yes	Yes	n/a
Grow digitally enabled players (10%)[8]	+10.0	+10.0	+10.0	+3.4	n/a
Retail network availability (%)	99.95	99.95	99.95	100	n/a
Core gaming system availability (%)	99.97	99.97	99.97	100	n/a
MyLotto availability (%)	99.95	99.95	99.95	100	n/a

[8] Digitally enabled players: A methodology update was implemented in 2025/26. Digitally enabled players are now defined as customers who have a MyLotto account. In 2024/25, the definition encompassed a broader range of qualifying criteria.


TE WAKA POUNAMU
MOANA NUI

Statement of expectations June 2027
Te tauāki o ngā kawatau o Hune 2027

PROSPECTIVE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDING 30 JUNE	FY27 Budget $'000	FY26 Forecast $'000	FY25 Actual $'000
CONTINUING OPERATIONS			
Revenues from contracts (note 3)	1,618,737	1,597,451	1,534,561
Interest income	3,900	6,360	13,498
Other income	300	(54)	135
Total revenue	**1,622,937**	**1,603,757**	**1,548,194**
Cost of sales (note 4)	1,093,623	1,098,461	1,040,267
Gross profit	**529,314**	**505,296**	**507,927**
EXPENSES			
Employee remuneration	33,506	32,269	29,710
Promotion and retail support	27,413	25,235	23,442
IT and telecommunications	22,274	25,413	19,688
Gaming system expenses	4,798	6,582	11,481
Other expenses	7,508	7,238	4,811
Intangible asset amortisation	5,382	4,338	7,798
Property, plant and equipment depreciation	2,134	1,496	4,484
Right-of-use assets depreciation	1,112	1,038	1,020
Finance costs	272	298	347
Total expenses	**104,399**	**103,907**	**102,781**
Profit before distributions to the New Zealand Lottery Grants Board	**424,915**	**401,389**	**405,146**
Distribution of profit to the New Zealand Lottery Grants Board	424,915	401,389	395,146
Profit for the year	-	-	10,000
Total comprehensive income	**-**	**-**	**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	**FY27 Budget $'000**	**FY26 Forecast $'000**	**FY25 Actual $'000**
Equity at beginning of the year	**79,591**	**79,591**	**69,591**
Total comprehensive income for the year	-	-	10,000
Equity at the end of the year	**79,591**	**79,591**	**79,591**

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	FY27 Budget $'000	FY26 Forecast $'000	FY25 Actual $'000
ASSETS			
Current assets			
Cash and cash equivalents	49,247	62,346	139,084
Term deposits	85,000	85,000	87,466
Receivables and contract assets	5,400	5,400	3,632
Prepayments	16,665	16,665	14,312
Inventories	2,200	2,200	2,234
Total current assets	**158,512**	**171,611**	**246,728**
Non-current assets			
Property, plant and equipment	2,465	3,575	4,736
Intangibles	63,852	47,501	27,555
Right-of-use assets	2,984	4,096	4,467
Total non-current assets	**69,301**	**55,172**	**36,758**
Total assets	**227,813**	**226,783**	**283,486**

PROSPECTIVE STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE	**FY27 Budget $'000**	**FY26 Forecast $'000**	**FY25 Actual $'000**
LIABILITIES			
Current liabilities			
Creditors, other payables and contract liabilities	80,828	62,919	130,574
Prize reserve account	60,942	76,718	65,388
Employee entitlements	2,800	2,800	2,813
Short term financial derivatives	-	-	67
Lease liabilities	1,002	1,102	916
Total current liabilities	**145,572**	**143,539**	**199,758**
Long term liabilities			
Lease liabilities	2,650	3,653	4,137
Total long term liabilities	**2,650**	**3,653**	**4,137**
Total liabilities	**148,222**	**147,192**	**203,895**
EQUITY			
Retained earnings	79,591	79,591	69,591
Profit for the year	-	-	10,000
Total equity	**79,591**	**79,591**	**79,591**
Total liabilities and equity	**227,813**	**226,783**	**283,486**

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	FY27 Budget $'000	FY26 Forecast $'000	FY25 Actual $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Sales	1,616,637	1,593,194	1,533,565
Other receipts	2,100	4,257	5,402
Net GST received	-	-	(16,307)
Prize payments	(899,520)	(912,085)	(909,103)
Lottery duty	(94,814)	(93,124)	(88,312)
Retailers' commission	(73,994)	(69,626)	(63,407)
Employee costs	(33,506)	(32,269)	(29,113)
Other payments	(84,693)	(85,171)	(69,378)
Net cash flow from operating activities	**432,210**	**405,176**	**363,347**
CASH FLOWS FROM INVESTING ACTIVITIES			
Net (increase)/decrease in term deposits	-	2,466	1,682
Sale of property, plant and equipment	100	100	128
Interest received	3,628	6,063	13,498
Purchase of property, plant and equipment	(1,013)	(1,003)	(1,392)
Purchase of intangibles	(21,734)	(24,284)	(18,096)
Net cash flow from investing activities	**(19,019)**	**(16,658)**	**(4,180)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Discharge of annuity prize liabilities	-	-	(40)
Repayment of borrowings and leasing liabilities	(1,103)	(298)	(927)
Interest paid	(272)	(298)	(347)
Payments to the New Zealand Lottery Grants Board	(424,915)	(464,660)	(424,169)
Net cash flow from financing activities	**(426,290)**	**(465,256)**	**(425,483)**
Net increase/(decrease) in cash balances	(13,099)	(76,738)	(66,316)
Opening cash and cash equivalents balance	62,346	139,084	205,400
Closing cash and cash equivalents balance	**49,247**	**62,346**	**139,084**

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 whakatau

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 2025.

Standards and Interpretations issued but not yet effective

Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by Lotto New Zealand for the forecast financial statements. These are noted below.

NZ IFRS 18 Presentation and Disclosure in Financial Statements

In May 2024, the External Reporting Board (XRB) issued NZ IFRS 18 Presentation and Disclosure in Financial Statements, which replaces NZ IAS 1. NZ IFRS 18 introduces a new defined structure for the statement of comprehensive income, enhanced requirements for disaggregation, and new disclosures for management defined performance measures. Lotto New Zealand is currently assessing the impact of NZ IFRS 18 on its financial reporting and does not intend to early adopt the standard. The application date for this standard is for accounting periods beginning on or after 1 January 2027, the application date for Lotto New Zealand is 1 July 2027.

There are no other new standards or amendments to existing standards which have or are expected to have a material impact on Lotto New Zealand.

Comparatives

The 30 June 2025 figures are those published in the Integrated Report 2024/25.

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.

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

Estimates and assumptions

In preparing these forecast 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	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 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 2025/26 and for 2026/27 are as follows:

- There will be no major outages affecting our lottery systems.
- There will be no changes in lottery duty and the problem gambling levy which will continue to be levied on Lotto NZ on the same basis as the previous financial year.
- 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 2026/27.

3. Revenues

	FY27 Budget $'000	FY26 Forecast $'000	FY25 Actual $'000
REVENUE FROM CONTRACTS WITH CUSTOMERS			
Sales including GST	1,723,889	1,693,170	1,626,934
GST	107,252	99,976	97,628
Sales excluding GST	**1,616,637**	**1,593,194**	**1,529,306**
REVENUE FROM CONTRACTS WITH RETAILERS			
Telecommunications and terminal maintenance cost recovery	1,620	3,887	4,880
Retailers estabilshment fees	480	370	375
	2,100	4,257	5,255
Total revenue from contracts	**1,618,737**	**1,597,451**	**1,534,561**

4. Cost of sales

	FY27 Budget $'000	FY26 Forecast $'000	FY25 Actual $'000
Lottery duty	94,814	93,124	89,481
Problem gambling levy	5,674	5,468	3,194
Retailers' commission and MyLotto transaction fees	73,994	69,626	63,321
Prizes paid and payable	881,571	847,392	810,822
Prize reserve account	17,949	64,693	61,851
Interest transferred to prize reserve account	2,100	2,967	5,821
Ticket costs	17,221	15,235	5,593
Cost of goods sold to retailers	300	(44)	184
Total cost of sales	**1,093,623**	**1,098,461**	**1,040,267**


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

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Paul Divers	Chief Retail Officer
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Shannon Kelly	Chief People and Communications Officer
Leah Neilson	Chief Marketing Officer
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Find out more at
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