



*NZ Lotteries
supporting New Zealand
communities and making
dreams come true*

Half Year Report 2010

for the six months ended 31 December 2009



Half Year Report 2010

for the six months ended 31 December 2009



Results

for the six months ended 31 December 2009

Financial Performance

We are pleased to be able to report satisfactory sales and profit figures for the first six months of the 2009/10 financial year.

As we noted in last year's half year report, sales and profit for the six months to 31 December 2008 were exceptionally high because they benefited from an unprecedented long Powerball jackpot run that culminated in a \$30 million "must be won" draw. As expected, sales and profit for the six months to 31 December 2009 were below the results recorded in the previous year. Sales for the half year amounted to \$399.5 million, \$42.8 million (or 9.7%) down on the same period last year. However, when compared with 2007/08 and budget, sales were up 7.4% and 3.6% respectively. Similarly, the profit for the first six months of the year of \$81.7 million was \$10.5 million (11.4%) below the same period last year, but 13% up on 2007/08 and 7.4% up on budget.

In relation to sales, expenses equated to 7.0% as against a budgeted 7.3%, and were below the previous year by \$1.6 million.

As budgeted, payments totalling \$71 million were made to the NZ Lottery Grants Board for onward distribution to fund sporting, arts and community activities around the country. This was unchanged from the same period last year.

Our Products

Sales of the Lotto family of products (Lotto, Powerball and Strike) were \$263.8 million, 18.1% down on the corresponding period in the previous year, but 10.3% up on the year before. Sales benefited from a Powerball jackpot run that took the First Division prize pool to \$22 million before it was won in October.

Instant Kiwi sales were \$53.7 million, 3.5% lower than in the same period last year. Instant Kiwi is an impulse purchase for most customers and the downturn in the economy appears to be having a negative impact on sales.

Keno sales, steady in the previous year, moved up by \$1 million (7.9%) to \$13.8 million.

Big Wednesday sales were relatively strong, particularly in the early months of the half year. This reflected increased customer interest following Big Wednesday's "must be won" jackpot run at the end of the previous financial year. Sales of \$62.7 million were up by 21.3% on the corresponding period last year when sales were adversely affected by competition from Powerball as it jackpotted through to \$30 million.

Bullseye was launched in October – earlier than we had assumed in our budget. Sales so far have been satisfactory, although not quite meeting our expectations.



Highlights of the First Half

Our new Lotto 'Wish List' brand campaign started the period in July with the launch of new television advertising which also linked directly to our in-store advertising. A Wish List Lotto sales promotion followed in November, giving New Zealanders the opportunity to make their own wish list dreams come true.

A total of 65 players won Lotto First Division in the period, winning an average of \$423,957 each. Lotto embraced winter in July with a Hot 100 promotion and prizes ranging from \$10,000 to \$100,000. A Boys Toys Father's Day promotion in September featured 10 Holden SS V supercars and 10 Harley-Davidson FLSTF Fatboy motorcycles. Lotto's Wish List promotion in November gave away 20 prizes of \$250,000. There were also 200 prizes won in Lotto's Holiday 200 promotion in December, ranging from \$5,000 to \$1 million.

The live Lotto TV draw featured 26 Winning Wheel winners from July to December, who won cash ranging from \$100,000 to \$1 million. Two Winning Wheel players spun and won the top prize of \$1 million.

Powerball First Division was struck four times during the period, with prizes of \$4 million, \$5.5 million, \$6.5 million and a record-breaking \$22.4 million, the largest Powerball prize won by a single ticket.

Six players won Big Wednesday First Division, winning prizes worth between \$1.8 million and \$6.7 million.

*We want to
thank all customers,
retailers and staff for
their continuing support*

*\$71 million for
onward distribution to
New Zealand communities*



Instant Kiwi celebrated its 20th birthday in September, with the launch of two special 20th birthday tickets. We also brought back an all time favourite Instant Kiwi television advertisement, the bungy jumping fisherman, during the birthday period.

Our new daily game, Bullseye, launched in October with sales beginning on 12 October and the first draw held on 19 October. A well attended retailer road show was held in September to introduce Bullseye to our retail network.

NZ Lotteries hosted a successful Asia Pacific Lottery Association conference during November. The three-day programme was held in Auckland and involved more than 140 lottery delegates visiting from nineteen countries.

A new retail store design was finalised during the period with the first new units installed in Lotto stores in November. The refreshed design aids the selling process for our retailers by providing more space to display products and in-store point of sale material. Our network of retail stores remains the key strength of our business and is New Zealand's largest retail network.

Sales through MyLotto, our online sales channel, now comprise around 3.6% of total sales. A new online ticket checking experience that simulates the live draws was introduced in July to positive customer feedback.

Prospects for the Full Year

At this point we are reasonably well placed to meet our targets for sales and profit for the full year and our forecast distribution to the NZ Lottery Grants Board. However, as always, the eventual outcome will largely depend on the length of jackpot runs.

We appreciate the support from our loyal players and retailers, and their continued enthusiasm for our products and brands. We also thank our staff for their work to continually improve our business.

During the half year, NZ Lotteries welcomed two new board members, Richard Janes and Richard Holden. We also farewelled John Wright and would like to acknowledge his work as a member of the board.

Financial Statements

Income Statement

for the six months ended 31 December 2009

	Note	31/12/09 6 months \$000	31/12/09 Budget \$000	31/12/08 6 months \$000	30/06/09 12 months \$000
Revenues					
Revenues	2	384,377	369,531	425,648	872,666
Cost of sales	3	274,814	265,232	303,924	622,666
Gross profit		109,563	104,299	121,724	250,000
Expenses					
Promotion and retail support		12,992	12,314	14,589	29,323
Property, plant and equipment depreciation	4	3,116	3,278	3,061	6,148
Computer software amortisation		357	517	639	934
Gaming system expenses excluding depreciation		3,063	3,314	2,972	6,188
Employee benefits		4,984	5,031	5,035	10,319
Other	5	3,303	3,713	3,168	7,405
Loss on building revaluation		-	-	-	402
Total expenses		27,815	28,167	29,464	60,719
Profit		81,748	76,132	92,260	189,281
Distribution to the New Zealand Lottery Grants Board		71,000	71,000	71,000	189,281
Profit after distribution to the New Zealand Lottery Grants Board		10,748	5,132	21,260	-

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

Statement of Movements in Equity

for the six months ended 31 December 2009

	Note	31/12/09 6 months \$000	31/12/09 Budget \$000	31/12/08 6 months \$000	30/06/09 12 months \$000
Profit after distribution to the New Zealand Lottery Grants Board		10,748	5,132	21,260	-
Total recognised revenues and expenses for the period		10,748	5,132	21,260	-
Equity at beginning of the period		42,163	42,163	41,713	41,713
Net profit for the period as above		10,748	5,132	21,260	-
Gain on land revaluation		-	-	-	450
Equity at the end of the period	17	52,911	47,295	62,973	42,163

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

Balance Sheet

as at 31 December 2009

	Note	31/12/09 \$000	31/12/08 \$000	30/06/09 \$000
Assets				
Current assets				
Cash and cash equivalents	6,8	69,656	79,895	102,543
Term deposits	7,8	30,256	30,052	19,778
Debtors and other receivables	9	4,708	2,679	4,844
Prepayments		4,135	3,488	5,203
Inventories	10	2,441	2,409	1,842
Total current assets		111,196	118,523	134,210
Non-current assets				
Property, plant and equipment	11	27,126	31,271	29,798
Computer software	12	2,568	2,731	2,665
Total non-current assets		29,694	34,002	32,463
Total assets		140,890	152,525	166,673
Liabilities				
Current liabilities				
Creditors and other payables	13	60,286	61,753	88,514
Annuity prize liabilities	14	880	1,225	850
Employee entitlements		718	692	635
Total current liabilities		61,884	63,670	89,999
Long term liabilities				
Annuity prize liabilities	14	1,339	3,959	1,852
Employee entitlements		-	-	54
Total long term liabilities		1,339	3,959	1,906
Prize reserve account	15	24,756	21,923	32,605
Total liabilities		87,979	89,552	124,510
Equity				
Retained earnings	17	51,297	61,809	40,549
Asset revaluation reserve	16,17	1,614	1,164	1,614
Total equity		52,911	62,973	42,163
Total liabilities and equity		140,890	152,525	166,673

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



Judy Kirk

CHAIR

18 February 2010



Chris Curley

CHAIR, AUDIT AND RISK COMMITTEE

Statement of Cash Flows

for the six months ended 31 December 2009

	Note	31/12/09 6 Months \$000	31/12/08 6 Months \$000	30/06/09 12 Months \$000
Cash flows from operating activities				
Ticket sales		384,703	428,729	866,938
Net GST (paid)/received		(1,724)	70	2,166
Other receipts		3,152	3,336	6,451
Prize payments		(226,979)	(257,745)	(512,244)
Lottery duty		(24,096)	(24,805)	(49,421)
Retailers' commission		(27,460)	(30,889)	(62,402)
Employee costs		(5,171)	(5,143)	(9,896)
Other payments		(24,933)	(23,811)	(49,205)
Net cash flow from operating activities	18	77,492	89,742	192,387
Cash flows from investing activities				
Net (increase)/reduction in term deposits		(10,478)	(30,052)	(19,778)
Sale of property, plant and equipment		67	70	98
Interest received		2,320	4,060	6,676
Purchase of property, plant and equipment		(1,277)	(1,018)	(2,219)
Purchase of computer software		(350)	(26)	(165)
Net cash flow from investing activities		(9,718)	(26,966)	(15,388)
Cash flows from financing activities				
Discharge of annuity prize liabilities		(880)	(1,225)	(3,300)
Payments to the New Zealand Lottery Grants Board		(99,781)	(72,319)	(161,819)
Net cash flow from financing activities		(100,661)	(73,544)	(165,119)
Net (decrease)/increase in cash balances		(32,887)	(10,768)	11,880
Opening cash and cash equivalents balance		102,543	90,663	90,663
Closing cash and cash equivalents balance	6	69,656	79,895	102,543

The net GST component of operating activities reflects the net GST paid to, or received from, the Inland Revenue Department. The net term deposits component of investing activities reflects the term deposits placed less the amounts that matured during the year.

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

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

Statement of Commitments

as at 31 December 2009

	31/12/09 \$000	31/12/08 \$000	30/06/09 \$000
Capital commitments approved and contracted			
Property, plant and equipment	112	33	194
Computer software	48	-	289
Total capital commitments	160	33	483
Non-cancellable operating lease commitments, payable			
Not later than one year	377	374	377
Later than one year and not later than two years	207	374	377
Later than two years and not later than five years	55	252	73
Total non-cancellable operating lease commitments	639	1,000	827
Other non-cancellable contracts			
Not later than one year	10,308	8,716	13,645
Later than one year and not later than two years	4,457	4,270	2,722
Later than two years and not later than five years	11,160	12,122	7,533
Later than five years	1,266	-	2,688
Total other non-cancellable contracts	27,191	25,108	26,588
Total commitments	27,990	26,141	27,898

NZ Lotteries has non-cancellable operating leases for its offices other than the freehold land and building at 117 Khyber Pass Road, Auckland. These lease operating commitments are included in the table above. Further details are as follows:
 Christchurch office - the lease runs until June 2013 with two renewal options of four years each. The annual rental is \$36,415.
 Wellington office - the lease runs until July 2011 with a further right of renewal option for three years. The annual rental is \$340,788.

Other non-cancellable contracts primarily relate to the retailer network, gaming system maintenance, media, and other contracts for service.

Statement of Contingent Liabilities and Contingent Assets

as at 31 December 2009

There were no contingent liabilities or contingent assets at either 31 December 2009, 31 December 2008 or 30 June 2009.

Notes to the Financial Statements

1. Statement of accounting policies for the 6 months ended 31 December 2009

Reporting Entity

These are the New Zealand Lotteries Commission's six monthly financial statements.

Basis of Preparation

Audit opinion

Audit New Zealand have reviewed these financial statements and nothing came to their attention that caused them to believe that the financial statements do not fairly reflect the operations and cashflows of the Commission for the six months ended 31 December 2009 and its assets and liabilities as at that date.

This review was limited and a full audit was not performed and accordingly Audit New Zealand have not expressed an audit opinion on the financial statements.

The comparative figures have been extracted from published financial statements.

Accounting compliance

These financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (GAAP). They comply with all New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) including NZ IAS 34 (Interim Financial Reporting Standards) and other applicable financial reporting standards except NZ IAS 1 (Presentation of Financial Statements), NZ IAS 36 (Impairment of Assets), NZ IFRS 7 (Financial Instruments; disclosures), NZ IAS 24 (Related Party Disclosures) and NZ IAS 19 (Employee Benefits). NZ Lotteries' full year financial statements comply with all applicable standards. Non-compliance with these standards does not materially affect the half year financial statements.

NZ Lotteries has determined that it is a profit-oriented entity for the purpose of complying with New Zealand GAAP and NZ IFRS.

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.

Budget figures

The budget figures are those approved prior to the beginning of the financial year by the board and subsequently confirmed by the Minister of Internal Affairs. The budget figures set out in these financial statements represent the portion of the annual budget figures allocated by NZ Lotteries to the first six months of the financial year.

Changes in accounting policies

There have been no changes in accounting policies since the date of the audited financial statements for the year ended 30 June 2009.

Comparatives

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 income statement on a straight line basis over the software's useful life of three to seven years.

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 income statement.

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.

Employee entitlements

Obligations for contributions to the defined contribution retirement plan are recognised in the income statement as they fall due.

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

Termination benefits are recognised in the income statement 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 NZ Lotteries' 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 limited.

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

Cash equivalents and term deposits are recorded at cost, adjusted in the case of government stock by the amortisation of any premium or discount included in the purchase price.

Annuity prize liabilities

These represent prizes payable for Lotto, Winning Wheel, Instant Kiwi and Big Wednesday 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.

Inventories

Inventories held for sale are recorded at the lower of cost (calculated using the first in, first out (FIFO) method) and net realisable value.

The write-down of inventories to net realisable value is recognised as an expense in the income statement in the period the write-down occurs.

Interest

Interest income is recognised using the effective interest rate method.

Interest on cash equivalents and term deposits relating to unpaid prizes and the prize reserve account is credited direct to the prize reserve account. Interest on other cash equivalents and term deposits is credited in the income statement.

Judgements and estimations

In preparing these financial statements, NZ Lotteries has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements 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.

Leases

Operating leases, where the lessor substantially retains the risks and rewards of ownership, are recognised in a systematic manner over the term of the lease. Leasehold improvements are capitalised and the cost is amortised over the unexpired period of the lease or the estimated useful life of the improvements, whichever is shorter. Lease incentives received are recognised evenly over the term of the lease as a reduction in rental expense.

Prize reserve account

This account is established in accordance with the requirements of the Rules governing the conduct and operation of NZ Lotteries' games. Transfers into this account comprise amounts set aside from the prize pools for games, together with prizes unclaimed after 12 months from the date of the relevant draw or game closure and interest earned on investments representing prize liabilities. Funds accumulated in this account are used exclusively for the purposes of augmenting the prize pools for various draws and games.

Property, plant and equipment

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

Revaluations

Land and buildings are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from fair value and at least every 3 years. Fair value is determined from market-based evidence by an independent valuer.

The carrying values of land and buildings are reviewed at each financial year end to ensure that those values are

not materially different to fair value. Additions between revaluations are recorded at cost.

Accounting for revaluations

The results of revaluing are credited or debited to an asset revaluation reserve for land and buildings, treated separately. Where this would result in a debit balance in the asset revaluation reserve, this balance is expensed in the income statement. Any subsequent increase on revaluation that offsets a previous decrease in value recognised in the income statement will be recognised first in the income statement up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

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 NZ Lotteries and the cost of the item can be measured reliably.

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 income statement.

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 NZ Lotteries 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 income statement as they are incurred.

Depreciation

Depreciation of property, plant and equipment, other than freehold land which is not depreciated, is calculated on a straight line basis so as to allocate the cost of the assets, or the revalued amount, over the shorter of the economic life or the relevant lease periods as follows:

Gaming computers, associated equipment and integral software	5-7 years
Other computer hardware	3 years
Leasehold improvements	1-6 years
Draw equipment	5 years
Furniture and fittings	10 years
Motor vehicles	4 years
Office equipment	5 years
Building	10-50 years

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Revenue and expense recognition

Revenues and corresponding direct expenses for Lotto (including Lotto Strike and Powerball), Keno, Big Wednesday and Bullseye are recognised when each lottery is drawn. Instant Kiwi revenue and corresponding direct expenses are recognised when retailers activate ticket stock prior to sale to players, making those tickets part of a game.

Taxation

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

The following taxes are paid by NZ Lotteries:

- Lottery duty of 5.5 cents in the dollar on GST-inclusive sales;
- Problem gambling levy of 0.20 cents in the dollar on GST-inclusive sales less prizes payable;
- Goods and services tax charged on lottery sales less related prizes payable; and
- Fringe benefit tax.

2. Revenues

	31/12/09 6 months \$000	31/12/09 Budget \$000	31/12/08 6 months \$000	30/06/09 12 months \$000
Sales				
Lotto, Lotto Strike and Powerball	263,804	252,470	322,168	589,005
Instant Kiwi	53,744	58,235	55,671	110,117
Keno	13,755	12,485	12,741	25,488
Big Wednesday	62,729	62,290	51,704	183,100
Bullseye	5,429	-	-	-
Sales including GST	399,461	385,480	442,284	907,710
Less GST	19,498	19,019	21,218	44,161
Sales excluding GST	379,963	366,461	421,066	863,549
Other revenue				
Telecommunications and terminal maintenance cost recovery	2,517	2,473	2,683	5,334
Retailers' establishment fees	268	190	255	480
Interest	1,247	387	1,329	2,728
Sundry	382	20	315	575
	4,414	3,070	4,582	9,117
Total Revenues	384,377	369,531	425,648	872,666

3. Cost of sales

	31/12/09 6 months \$000	31/12/09 Budget \$000	31/12/08 6 months \$000	30/06/09 12 months \$000
Lottery duty	21,971	21,201	24,326	49,924
Problem gambling levy	331	342	370	796
Retailers' commission & MyLotto transaction fees	27,177	26,584	30,404	62,192
Prizes paid and payable	207,361	200,187	230,270	466,810
Prize reserve account	15,369	14,123	15,537	37,089
Ticket costs	2,291	2,795	2,470	4,950
Cost of goods sold to retailers	314	-	547	905
	274,814	265,232	303,924	622,666

4. Property, plant and equipment depreciation

	31/12/09 6 months \$000	31/12/09 Budget \$000	31/12/08 6 months \$000	30/06/09 12 months \$000
The total depreciation charge for each class of assets is as follows:				
On cost				
Gaming computers and associated equipment	2,370	2,562	2,256	4,607
Other computer hardware	187	152	241	419
Leasehold improvements	111	111	112	223
Draw equipment	29	29	36	68
Furniture and fittings	56	57	55	111
Motor vehicles	105	106	100	202
Office equipment	53	55	55	107
	2,911	3,072	2,855	5,737
On cost or valuation				
Building (Khyber Pass Road, Auckland)	205	206	206	411
	3,116	3,278	3,061	6,148

5. Other expenses

	31/12/09 6 months \$000	31/12/09 Budget \$000	31/12/08 6 months \$000	30/06/09 12 months \$000
Audit fees for conducting the external audit	78	78	74	148
Audit fees for scrutineering lottery draws	61	60	67	128
Commission members' fees	71	74	62	125
Interest	1	2	2	2
Premises costs	520	517	533	1,041
IT & Telecommunications	1,090	1,137	1,000	2,484
Other	1,482	1,845	1,430	3,477
	3,303	3,713	3,168	7,405

6. Cash and cash equivalents

	31/12/09 \$000	31/12/08 \$000	30/06/09 \$000
Cash and bank balance	2,187	(25)	16
Short term deposits	67,214	79,451	102,319
Accrued interest	255	469	208
	69,656	79,895	102,543

7. Term deposits

	31/12/09 \$000	31/12/08 \$000	30/06/09 \$000
Term deposits	30,200	30,000	19,700
Accrued Interest	56	52	78
	30,256	30,052	19,778

8. Fair value of investments

The fair value of investments (based on quoted market prices) together with their maturity terms and purchase yields are as follows:

	31/12/09 Carrying amount \$000	31/12/09 Fair value \$000	31/12/09 Purchase yield %	31/12/08 Carrying amount \$000	31/12/08 Fair value \$000	31/12/08 Purchase yield %	30/06/09 Carrying amount \$000	30/06/09 Fair value \$000	30/06/09 Purchase yield %
On-call	10,414	10,414	3.40%	10,579	10,579	5.00%	6,269	6,269	3.50%
Maturing within 1 year	87,000	87,109	3.87%	98,872	98,875	5.87%	115,750	115,957	3.73%
	97,414	97,523	3.82%	109,451	109,454	5.79%	122,019	122,226	3.72%

Represented in the balance sheet as:

	31/12/09 Carrying amount \$000	31/12/09 Fair value \$000	31/12/08 Carrying amount \$000	31/12/08 Fair value \$000	30/06/09 Carrying amount \$000	30/06/09 Fair value \$000
<i>Cash and cash equivalents</i> - maturities up to three months from acquisition date	67,214	67,246	79,451	79,454	102,319	102,469
<i>Term deposits</i> - maturities of more than three months from acquisition date	30,200	30,277	30,000	30,000	19,700	19,757
	97,414	97,523	109,451	109,454	122,019	122,226

9. Debtors and other receivables

	31/12/09 \$000	31/12/08 \$000	30/06/09 \$000
Due from retailers for current games	4,647	2,635	4,776
Trade receivables	61	44	68
	4,708	2,679	4,844

The carrying value of debtors and other receivables approximates their fair value.

	31/12/09 \$000	31/12/08 \$000	30/06/09 \$000
Not past due	4,648	2,617	4,778
Past due 1-30 days	49	37	44
Past due 31-60 days	11	15	13
Past due 61-90 days	-	3	9
Past due > 91 days	-	7	-
	4,708	2,679	4,844

10. Inventories

	31/12/09 \$000	31/12/08 \$000	30/06/09 \$000
Instant Kiwi ticket stock	2,042	1,991	1,659
Other stock	399	418	183
	2,441	2,409	1,842

The write-down of inventories held for sale amounted to \$456 as at 31 December 2009. There have been no reversals of write-downs. No inventories are pledged as security for liabilities.

11. Property, plant and equipment

	31/12/09 \$000	31/12/08 \$000	30/06/09 \$000
Land - Khyber Pass Road, Auckland			
Valuation	3,750	3,300	3,300
Revaluation	-	-	450
Carrying amount at end of period	3,750	3,300	3,750

Building - Khyber Pass Road, Auckland			
Cost or valuation	5,450	7,069	7,069
Additions	-	32	36
Revaluation	-	-	(1,655)
Valuation at end of period	5,450	7,101	5,450
Accumulated depreciation at beginning of period	33	875	875
Depreciation for the period	205	206	411
Revaluation	-	-	(1,253)
Accumulated depreciation at end of period	238	1,081	33
Carrying amount at end of period	5,212	6,020	5,417
Leasehold improvements			
Cost at beginning of year	999	1,016	1,016
Disposals	-	-	(17)
Cost at end of period	999	1,016	999
Accumulated depreciation at beginning of period	545	339	339
Depreciation for the period	111	112	223
Disposals	-	-	(17)
Accumulated depreciation at end of period	656	451	545
Carrying amount at end of period	343	565	454
Gaming computer equipment			
Cost at beginning of period	30,767	31,132	31,132
Additions	875	26	35
Disposals	-	(7)	(400)
Cost at end of period	31,642	31,151	30,767
Accumulated depreciation at beginning of period	13,653	9,440	9,440
Depreciation for the period	2,370	2,256	4,607
Disposals	-	(2)	(394)
Accumulated depreciation at end of period	16,023	11,694	13,653
Carrying amount at end of period	15,619	19,457	17,114
Other computer hardware			
Cost at beginning of period	2,789	2,310	2,310
Additions	140	-	619
Disposals	-	(97)	(140)
Cost at end of period	2,929	2,213	2,789
Accumulated depreciation at beginning of period	2,006	1,726	1,726
Depreciation for the period	187	241	419
Disposals	-	-	(139)
Accumulated depreciation at end of period	2,193	1,967	2,006
Carrying amount at end of period	736	246	783

Draw equipment			
Cost at beginning of period	665	666	666
Additions	-	2	2
Disposals	-	-	(3)
Cost at end of period	665	668	665
Accumulated depreciation at beginning of period	537	472	472
Depreciation for the period	29	36	68
Disposals	-	-	(3)
Accumulated depreciation at end of period	566	508	537
Carrying amount at end of period	99	160	128
Furniture and fittings			
Cost at beginning of period	1,203	1,218	1,218
Additions	8	2	6
Disposals	(2)	(7)	(21)
Cost at end of period	1,209	1,213	1,203
Accumulated depreciation at beginning of period	475	384	384
Depreciation for the period	56	55	111
Disposals	(2)	(7)	(20)
Accumulated depreciation at end of period	529	432	475
Carrying amount at end of period	680	781	728
Motor vehicles			
Cost at beginning of period	808	742	742
Additions	234	232	327
Disposals	(188)	(182)	(261)
Cost at end of period	854	792	808
Accumulated depreciation at beginning of period	355	355	355
Depreciation for the period	105	100	202
Disposals	(142)	(144)	(202)
Accumulated depreciation at end of period	318	311	355
Carrying amount at end of period	536	481	453
Office equipment			
Cost at beginning of period	727	763	763
Additions	1	9	8
Disposals	(1)	(9)	(44)
Cost at end of period	727	763	727
Accumulated depreciation at beginning of period	524	457	457
Depreciation for the period	53	54	107
Disposals	(1)	(9)	(40)
Accumulated depreciation at end of period	576	502	524
Carrying amount at end of period	151	261	203

Work in progress			
Cost at beginning of period	768	-	-
Additions	-	-	768
Capitalised	(768)	-	-
Cost at end of period	-	-	768
Carrying amount at end of period	-	-	768
Total property, plant and equipment	27,126	31,271	29,798

NZ Lotteries' freehold land and building are stated at their 31 May 2009 valuation as determined by an independent registered valuer, TelferYoung (Auckland) Ltd, less accumulated depreciation in the case of the building. TelferYoung assessed the current market value as \$9.2 million as at 31 May 2009.

The valuers have confirmed that the \$9.0 million net book value at 31 December 2009 remains indicative of the property's current valuation.

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

12. Computer software

	31/12/09 \$000	31/12/08 \$000	30/06/09 \$000
In use			
Cost at beginning of period	5,696	5,545	5,545
Additions	328	-	151
Disposals	-	(10)	-
Cost at end of period	6,024	5,535	5,696
Accumulated amortisation at beginning of period	3,099	2,165	2,165
Amortisation for the period	357	639	934
Accumulated amortisation at end of period	3,456	2,804	3,099
Carrying amount at end of period	2,568	2,731	2,597
Work in progress			
Cost at beginning of period	68	-	-
Additions	-	-	68
Capitalised	(68)	-	-
Carrying amount at end of period	-	-	68
Total computer software	2,568	2,731	2,665

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

13. Creditors and other payables

	31/12/09 \$000	31/12/08 \$000	30/06/09 \$000
Moneys received or receivable for games not drawn at balance date	7,158	4,049	4,331
Prize liabilities	33,242	35,047	27,216
MyLotto player accounts	1,373	1,031	1,442
Trade creditors	6,414	7,965	12,023
Payable to the New Zealand Lottery Grants Board	8,000	8,000	36,781
Accrued expenses	4,099	5,661	6,721
	60,286	61,753	88,514

Creditors and other payables 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

NZ Lotteries had a bank overdraft facility as at 31 December 2009 of \$2,000,000 with Westpac Banking Corporation. The interest rate on NZ Lotteries' bank overdraft facility was 8.75% per annum if utilised.

14. Annuity prize liabilities

	31/12/09 Amounts payable \$000	31/12/09 Fair value \$000	31/12/08 Amounts payable \$000	31/12/08 Fair value \$000	30/06/09 Amounts payable \$000	30/06/09 Fair value \$000
Short term liabilities	880	880	1,225	1,225	850	850
Long term liabilities	1,500	1,339	4,920	3,959	2,110	1,852
	2,380	2,219	6,145	5,184	2,960	2,702

15. Prize reserve account

	31/12/09	31/12/08	30/06/09
	\$000	\$000	\$000
Opening balance	32,605	22,658	22,658
Amounts transferred based on game sales	15,369	15,537	37,089
Interest	1,073	2,731	3,948
Unclaimed prizes over twelve months old	6,773	8,855	14,323
Transfers to prize pools	(31,064)	(27,858)	(45,413)
	24,756	21,923	32,605

16. Asset revaluation reserve

	31/12/09	31/12/08	30/06/09
	\$000	\$000	\$000
Opening balance	1,614	1,164	1,164
Land revaluation	-	-	450
	1,614	1,164	1,614

17. Equity

	31/12/09	31/12/08	30/06/09
	\$000	\$000	\$000
Retained earnings	51,297	61,809	40,549
Asset revaluation reserve	1,614	1,164	1,614
	52,911	62,973	42,163

NZ Lotteries equity comprises retained earnings and other reserves.

In the financial statements for the six months ended 31 December 2008, the composition of equity was not disclosed. Equity has now been split between retained earnings and asset revaluation reserve. The comparative figure for asset revaluation reserve relates to the gain on land revaluation when the Khyber Pass Road building (purchased in 2005) was first valued in May 2006.

18. Reconciliation of net cash flow from operating activities with net surplus

	31/12/09 \$000	31/12/08 \$000	30/06/09 \$000
Profit after distribution to the New Zealand Lottery Grants Board	10,748	21,260	-
Adjustments for non-cash items:			
Depreciation of property, plant and equipment	3,116	3,061	6,148
Amortisation of computer software	357	639	934
Building revaluation	-	-	402
Changes in assets and liabilities			
Decrease in receivables for current games	129	3,861	1,720
Decrease in trade receivables	7	124	100
Decrease in prepayments	1,068	73	(1,642)
Increase in stock	(599)	326	893
Increase in moneys received or receivable for games	2,827	1,996	2,278
Increase in prize liabilities	6,026	(7,355)	(15,186)
Decrease in trade creditors	(7,169)	(916)	3,803
Decrease in employee entitlements	(225)	(113)	211
Decrease in prize reserve account	(7,849)	(735)	9,947
Investing activity items			
Interest receipts	(2,320)	(4,060)	(6,676)
(Gain) / loss on sale of fixed assets	(21)	(27)	(27)
Financing activity items			
Annuity prize liabilities	397	608	201
Distribution to the New Zealand Lottery Grants Board	71,000	71,000	189,281
Net cash inflow from operating activities	77,492	89,742	192,387

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

Part of the balance of cash and cash equivalents, and term deposits is restricted and may be used only for the payment of prizes.

	31/12/09 \$000	31/12/08 \$000	30/06/09 \$000
Total restricted amount	52,297	56,960	56,962

20. Related party information

NZ Lotteries is a wholly owned entity of the Crown, and has entered into a number of transactions with other entities within the Crown on an arms-length basis. Where those parties are acting in the course of their normal dealings with NZ Lotteries, related party disclosures have not been made for transactions of this nature.

There were no other related party transactions during the period.



www.mylotto.co.nz

New Zealand Lotteries Commission

+64 (4) 802 7000 TEL

+64 (4) 385 2787 FAX

54-56 Cambridge Terrace

PO Box 3145, Wellington, New Zealand

117 Khyber Pass Road,

PO Box 8929, Symonds Street, Auckland, New Zealand