

FINANCIAL STATEMENTS

New Zealand Lottery Grants Board

For the year 1 July 2007 to 30 June 2008

AUDIT REPORT

TO THE READERS OF THE NEW ZEALAND LOTTERY GRANTS BOARD'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

The Auditor-General is the auditor of the New Zealand Lottery Grants Board (the Board). The Auditor-General has appointed me, Jo Smail, using the staff and resources of Audit New Zealand, to carry out the audit on his behalf. The audit covers the financial statements of the Board for the year ended 30 June 2008.

UNQUALIFIED OPINION

In our opinion

- The financial statements of the Board on pages 74 to 78
 - comply with generally accepted accounting practice in New Zealand and
 - fairly reflect
 - the Board's financial position as at 30 June 2008 and
 - the results of its operations for the year ended on that date.

The audit was completed on 31 October 2008, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Secretary of Internal Affairs and the Auditor, and explain our independence.

BASIS OF OPINION

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

RESPONSIBILITIES OF THE SECRETARY OF INTERNAL AFFAIRS AND THE AUDITOR

The Secretary of Internal Affairs is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Board as at 30 June 2008 and the results of its operations for the year ended on that date. The Secretary of Internal Affairs' responsibilities arise from the Public Finance Act 1989 and the Gambling Act 2003.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and the Public Finance Act 1989.

INDEPENDENCE

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship or interests in the Board.



Jo Smail

Audit New Zealand

On behalf of the Auditor-General
Wellington, New Zealand

STATEMENT OF RESPONSIBILITY

The Secretary for Internal Affairs is responsible for the preparation of the financial statements and the judgements used therein.

The attached financial statements have been prepared on the basis of generally accepted accounting principles and are consistent with of the Public Finance Act 1989 and section 290 of the Gambling Act 2003.

Internal control procedures are considered to be sufficient to provide reasonable assurance as to the integrity and reliability of financial reporting.

In our opinion these financial statements fairly reflect the financial position and the results of operations of the New Zealand Lottery Grants Board for the year ended 30 June 2008.



Brendan Boyle
Secretary for Internal Affairs
31 October 2008



Sarah Hill
Secretary, New Zealand Lottery Grants Board

STATEMENT OF PURPOSE

The New Zealand Lottery Grants Board exists to make decisions on the allocation of profits received from New Zealand Lotteries.

These decisions are limited to the allocations to Lottery Distribution Committees, the Minister of Internal Affairs (Discretionary Fund) and the three statutory bodies in accordance with Sections 276, 278, and 279 of the Gambling Act 2003 (the Act) and are detailed in Note 6 of the financial statements for "Profits of New Zealand Lotteries". The three statutory bodies named in Section 279 of the Act, are Creative New Zealand, Sport and Recreation New Zealand (SPARC), and the New Zealand Film Commission.

These financial statements comprise the accounts of the New Zealand Lottery Grants Board.

The operations of the Lottery Distribution Committees are reported in the financial statements for "Profits of New Zealand Lotteries". The operations of the Statutory Bodies are reported in the annual accounts of these entities.

STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

The New Zealand Lottery Grants Board is defined as a Crown Entity by the fourth schedule of the Public Finance Act 1989.

These financial statements have been prepared in accordance with the Public Finance Act 1989. For the purposes of financial reporting, the New Zealand Lottery Grants Board is a public benefit entity.

Reporting Period

The reporting period for these financial statements is the year ended 30 June 2008.

Statement of Compliance

These financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand equivalents to IFRS (NZIFRS) and other applicable Financial Reporting Standards, as appropriate for public benefits entities. These are the New Zealand Lottery Grants Board's first financial statements complying with NZIFRS and NZIFRS 1 has been applied.

ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening NZIFRS balance sheet as at 1 July 2006 for the purposes of the transition to NZIFRS.

The measurement base applied is that of historical cost.

The accrual basis of accounting has been used unless otherwise stated. These financial statements are presented in New Zealand dollars rounded to the thousand.

Judgements and Estimates

The preparation of financial statements in conformity with NZIFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in

the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if revision affects both current and future periods.

Budget Figures

The budget figures are those approved by the Minister of Internal Affairs at the beginning of the financial year.

The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by the Secretary for Internal Affairs for the preparation of the financial statements.

Revenue

Revenue comprises the profits of the New Zealand Lotteries Commission, income from investments and other miscellaneous revenue.

Revenue is measured at the fair market value of consideration received or receivable.

Board Expenses

Board expenses are the costs of the Board including room hire, sundry expenses, Members' travel costs and fees.

Board expenses are measured at the fair market value of consideration paid.

Goods and Services Tax (GST)

These accounts have been prepared on a GST exclusive basis.

Changes in Accounting Policies

Accounting policies are changed only if the change is required by a standard or interpretation or otherwise provides more reliable and more relevant information.

Other than changes arising from adoption of NZIFRS there have been no changes in accounting policies.

Explanation of transition to NZIFRS

The Lottery Grants Board's financial statements for the year ended 30 June 2008 are the first financial statements that comply with NZIFRS. NZIFRS 1 has been applied in preparing these financial statements.

The Lottery Grants Board transition date is 1 July 2006. The opening NZIFRS balance sheet has been prepared as at that date. The

reporting date of these financial statements is 30 June 2008. The Lottery Grants Board's NZIFRS adoption is 1 July 2007.

In preparing these consolidated financial statements in accordance with NZIFRS 1, the mandatory exceptions from full retrospective application of NZIFRS have been applied. No optional exemptions have been applied.

The Lottery Grants Board is required to make the following mandatory exceptions from retrospective application.

- Estimates exception
- Estimates under NZIFRS at 1 July 2006 are consistent with estimates made for the same date under previous NZ GAAP.

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 unless it is impracticable to do so.

Reconciliation of Equity

There have been no material adjustments to the statements of financial position as at 1 July 2006 and 30 June 2007 on transition to NZIFRS.

Reconciliation of surplus for the year ended 30 June 2007

There have been no material adjustments to the statement of financial performance as at 30 June 2007 on transition to NZIFRS.

Statement of Cash Flows

There have been no material adjustments to the statement of cash flows as at 30 June 2007 on transition to NZIFRS.

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2008

	Note	Actual 2008 \$	Budget 2008 \$	Actual 2007 \$
Revenue				
Lotto and Lottery Profits		156,821,445	147,502,000	147,500,000
Total Revenue		156,821,445	147,502,000	147,500,000
Expenditure				
Board Members' Fees	5	16,290	32,648	23,792
Committee Members' Fees for Members' Meetings	5	6,068	15,207	11,082
Other Expenses	4	5,757	27,144	19,781
Distribution to "Profits of New Zealand Lotteries"	1	156,793,331	147,427,000	147,445,345
Total Expenditure		156,821,445	147,502,000	147,500,000
Net Disposable Income		0.00	0.00	0.00
Net Surplus/(Deficit)	2	0.00	0.00	0.00

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2008

	Note	Actual 2008 \$	Budget 2008 \$	Actual 2007 \$
Net Assets		0.00	0.00	0.00

The attached accounting policies and notes to the accounts form part of, and should be read in conjunction with, these financial statements.

STATEMENT OF COMMITMENTS

AS AT 30 JUNE 2008

At its meeting on 2 July 2008 the New Zealand Lottery Grants Board approved allocations to the Distribution Committees, the Minister of Internal Affairs (Discretionary Funds) and the Statutory Boards amounting to \$152,500,000 for the year ended 30 June 2009 (Meeting held on 20 June 2007, allocations of \$156,821,445 for the year ended 30 June 2008).

The 2008/2009 allocations will be funded by profits of \$152,500,000 based on estimates given at this time, to be received from the New Zealand Lotteries Commission (Profits received during 2007/2008 were \$156,821,445).

The Board has no significant commitments at at 30 June 2008. (2007: Nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1

DISTRIBUTION TO "PROFITS OF NZ LOTTERIES"

Revenue less Board expenses is distributed to "Profits of New Zealand Lotteries" and recognised as income in those accounts.

NOTE 2

OPERATING SURPLUS/(DEFICIT)

The New Zealand Lottery Grants Board (The "Board") had nil surplus or deficit for the year ended 30 June 2008 (2007: Nil), neither did it have assets, liabilities or equity as at 30 June 2008 (2007: Nil). The Board expenses were paid from a bank account operated by "Profits of New Zealand Lotteries". At year end, all surplus is distributed to the Profits of New Zealand Lotteries.

Therefore it is not appropriate for the Board to produce a Statement of Movements in Equity or Statement of Cash Flows.

NOTE 3

RELATED PARTIES AND KEY MANAGEMENT PERSONNEL

The New Zealand Lottery Grants Board exists to make decisions on the allocation of profits received from New Zealand Lotteries. The operations of the Lottery Distribution Committees are reported in the financial statements for "Profits of New Zealand Lotteries".

The operations of the Statutory Bodies are reported in the annual accounts of these entities. The Secretary for Internal Affairs is Trustee of the profits received from the New Zealand Lotteries Commission under the Gambling Act 2003.

The Department of Internal Affairs provides administrative services to the New Zealand Lottery Grants Board, Distribution Committees and the Minister of Internal Affairs on an arm's length basis.

The key management personnel has been identified as the six members of the New Zealand Lottery Grants Board. They were paid fees from the NZ Lottery Grants Board and not from the Profits of the New Zealand Lotteries.

The aggregate value of grants approved relating to key management personnel during the year ended 30 June 2008 amounted to \$11,200 (30 June 2007: \$4,900), although there was no exercise of control or influence in the approval process.

NOTE 4

OTHER EXPENSES

	Actual 2008 \$	Actual 2007 \$
Bank fees	4,447	4,292
Printing	1,310	15,489
Other expenses	5,757	19,781

NOTE 5

DISCLOSURE OF FEES

The total fees paid to the New Zealand Lottery Grants Board and Committee Presiding Members for attendance at Board and Presiding Members' meetings during the year 1 July 2007 to 30 June 2008 are shown below.

	Total Fees (Gross) 2007/2008	Total Fees (Gross) 2006/2007
Lottery Grants Board Members' Fees		
Harrington, P.	5,130	5,478
Mohi, M. M.	4,860	8,766
Nowland-Foreman, G.	6,300	9,548
Total	16,290	23,792

Distribution Committees' Presiding Members' Fees

For attendance at the Presiding Members Policy Advisory Group Meetings.

Bradley, M. P.	300	1,000
Coughlan, P.	390	780
Dale, P. C.	390	390
Dick, A. J.	390	780
Diver, F.	390	390
Gaze, F.	-	300
Holloway, L.	540	540
Jackson, B.	-	870
Kerridge, P.	435	1,450
Rea, L. J.	-	300
Rigarlsford, A. J.	-	210
Scott, R.	390	-
Sharp, Y. L.	390	390
Sharpe, P.	390	300
Shields, M. K.	540	540
Si'Ulepa, P.	420	-
Taylor, D.	323	-
Thomas, B. A.	390	802
Wetere, K. T.	-	870
White, J. J.	390	780
Wright, J. A.	-	390
	6,068	11,082

