

FINANCIAL STATEMENTS

New Zealand Lottery Grants Board
for the year 1 July 2006 to 30 June 2007

AUDIT REPORT

TO THE READERS OF THE NEW ZEALAND LOTTERY GRANTS BOARD'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

The Auditor-General is the auditor of the New Zealand Lottery Grants Board (the Board). The Auditor-General has appointed me, J R Smaill, 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 2007.

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 2007; and
 - the results of its operations for the year ended on that date.

The audit was completed on 31 October 2007, 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 Secretary of Internal Affairs;
- 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 2007 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. The 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.



J R Smaill
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements of the New Zealand Lottery Grants Board for the year ended 30 June 2007 included on the Department of Internal Affairs' web site. The Secretary of Internal Affairs is responsible for the maintenance and integrity of the Department of Internal Affairs' web site. We have not been engaged to report on the integrity of the Department of Internal Affairs' web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 31 October 2007 to confirm the information included in the audited financial statements presented on this web site.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF RESPONSIBILITY

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

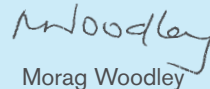
The attached financial statements have been prepared on the basis of generally accepted accounting principles and are consistent with of the Public Finance Act 1989.

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

In our opinion the financial information presented in the Statements and Notes to the Financial Statements fairly reflect the financial position and operations of the New Zealand Lottery Grants Board for the year ended 30 June 2007.



Annette Offenberger
Acting Secretary for Internal Affairs
31 October 2007



Morag Woodley
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 FOR THE YEAR ENDED 30 JUNE 2007

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.

MEASUREMENT SYSTEM

These financial statements have been prepared on the basis of historical cost.

ACCOUNTING POLICIES

The following particular accounting policies, which materially affect the measurement of financial performance and financial position, have been applied.

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 profits from the New Zealand Lotteries Commission. Revenue is recognised when earned and is recorded in the accounting period to which it relates.

Board Expenses

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

GST

These financial statements have been prepared on a GST exclusive basis.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies since the date of the last audited financial statements. All policies applied are consistent with those used in the previous year.

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2007

	Note	Actual 2007 \$	Budget 2007 \$	Actual 2006 \$
Revenue				
Lotto and Lottery Profits		147,500,000	138,607,000	138,589,000
Total Revenue		147,500,000	138,607,000	138,589,000
Expenditure				
Board Members' Fees	4	23,792	23,240	14,310
Committee Members' Fees for Presiding Members' Meetings	4	11,082	48,830	12,963
Other Expenses		19,781	1,500	12,733
Distribution to "Profits of New Zealand Lotteries"	1	147,445,345	138,533,430	138,548,994
Total Expenditure		147,500,000	138,607,000	138,589,000
Net Disposable Income		0	0	0
Net Surplus/(Deficit)	2	0	0	0

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2007

	Actual 2007 \$	Budget 2007 \$	Actual 2006 \$
Net Assets	0	0	0

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 2007

At its meeting on 20 June 2007 the New Zealand Lottery Grants Board approved allocations to the Distribution Committees, the Minister of Internal Affairs (Discretionary Fund) and the Statutory Bodies amounting to \$147,500,000 for the year ended 30 June 2008. (Meeting held on 21 June 2006, allocations of \$124,328,032 for the year ended 30 June 2007).

The 2007/08 allocations will be funded by profits of \$147,500,000 based on estimates given at this time, to be received from the New Zealand Lotteries Commission. (Profits received during 2006/07 were \$147,500,000).

The Board has no other significant commitments at 30 June 2007. (2006: Nil)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1

EXPENDITURE

Revenue less Board expenses is reported in the financial statements of "Profits of New Zealand Lotteries".

NOTE 2

OPERATING SURPLUS/(DEFICIT)

The New Zealand Lottery Grants Board (The "Board") had nil surplus or deficit for the year ended 30 June 2007 (2006: Nil), neither did it have assets, liabilities or equity as at 30 June 2007 (2006: Nil). The Board expenses were paid from a bank account operated by "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

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, the Distribution Committees and the Minister of Internal Affairs on an arms length basis.

These transactions are reported in the financial statements of "Profits of New Zealand Lotteries".

NOTE 4**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 2006 to 30 June 2007, are shown below.

Lottery Grants Board Members' Fees

For attendance at Board Meetings and as Board Liaison at Distribution Committee Meetings.

	Total Fees (Gross) 2006/2007		Total Fees (Gross) 2005/2006
	\$		\$
Harington, P	5,478.00	Harington, P	4,860.00
Mohi, M.M	8,766.00	Mohi, M.M	4,140.00
Nowland-Foreman, G	9,548.00	Nowland-Foreman, G	5,310.00
Total	23,792.00	Total	14,310.00

Distribution Committees' Presiding Members' Fees

For attendance at the Presiding Members Policy Advisory Group Meetings.

Austin, M.	0.00	Austin, M.	390.00
Bradley, M.P.	1,000.00		
Coughlan, P.	780.00	Coughlan, P.	780.00
Dale, P.C.	390.00	Dale, P.C.	910.20
Dick, A.J.	780.00	Dick, A.J.	1,040.00
Diver, F.	390.00	Diver, F.	1,040.00
Gaze, F.	300.00		
Holloway, L.	540.00		
Jackson, B.	870.00	Jackson, B.	870.00
Kerridge, P.	1,450.00	Kerridge, P.	1,160.00
Le Gros, G.S.	0.00	Le Gros, G.S.	202.50
Mulqueen, M.F.	0.00	Mulqueen, M.F.	390.00
Rea, L.J.	300.00		
Rigarlsford, A.J.	210.00		
Riseborough, A.J.	0.00	Riseborough, A.J.	420.00
Sharp, Y.L.	390.00	Sharp, Y.L.	1,040.00
Sharpe, P.	300.00		
Shields, M.K.	540.00	Shields, M.K.	1,080.00
Thomas, B.A.	802.32	Thomas, B.A.	1,040.00
Thompson, J.	0.00	Thompson, J.	780.00
Wetere, K.T.	870.00		
White, J.J.	780.00	White, J.J.	1,040.00
Wright, J.A.	390.00	Wright, J.A.	780.00
	11,082.32		12,962.70

FINANCIAL STATEMENTS

Profits of New Zealand Lotteries
for the year 1 July 2006 to 30 June 2007

AUDIT REPORT

TO THE READERS OF THE PROFITS OF THE NEW ZEALAND LOTTERIES' FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

The Auditor-General is the auditor of the Profits of New Zealand Lotteries. The Auditor-General has appointed me, J R Smaill, 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 Profits of New Zealand Lotteries for the year ended 30 June 2007.

Unqualified Opinion

In our opinion:

- The financial statements of the Profits of New Zealand Lotteries on pages 82 to 96:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the Profits of New Zealand Lotteries' financial position as at 30 June 2007; and
 - the results of its operations and cash flows for the year ended on that date.

The audit was completed on 31 October 2007, 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 Secretary of Internal Affairs;
- 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 Profits of New Zealand Lotteries as at 30 June 2007 and the results of its operations and cash flows 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. The 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 Profits of New Zealand Lotteries.



J R Smaill

Audit New Zealand

**On behalf of the Auditor-General
Wellington, New Zealand**

Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements of the Profits of New Zealand Lotteries for the year ended 30 June 2007 included on the Department of Internal Affairs' web site. The Secretary of Internal Affairs is responsible for the maintenance and integrity of the Department of Internal Affairs' web site. We have not been engaged to report on the integrity of the Department of Internal Affairs' web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 31 October 2007 to confirm the information included in the audited financial statements presented on this web site.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 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, the results of operations and the cashflows of the profits of New Zealand Lotteries for the year ended 30 June 2007.



Annette Offenberger
Acting Secretary for Internal Affairs
31 October 2007



Morag Woodley
Secretary, New Zealand Lottery Grants Board

STATEMENT OF PURPOSE

These financial statements comprise the accounts of the Profits of New Zealand Lotteries.

New Zealand Lotteries are Lotteries promoted, organised and conducted by the New Zealand Lotteries Commission under Part 3, subpart 2 of the Gambling Act 2003.

The profits of New Zealand Lotteries, less any costs of administration and miscellaneous expenditure, are distributed by Lottery Distribution Committees and the Minister of Internal Affairs for community purposes, and

are expended on specified statutory purposes by the three statutory bodies named in Section 279 of the Act, being Creative New Zealand, Sport and Recreation New Zealand (SPARC) and the New Zealand Film Commission.

The New Zealand Lottery Grants Board allocates the profits of New Zealand Lotteries to the 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.

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2007

REPORTING ENTITY

Under the provisions of the Gambling Act 2003, the Secretary for Internal Affairs is responsible for keeping the accounts of the Profits of New Zealand Lotteries. These accounts are prepared consistent with the Public Finance Act 1989.

MEASUREMENT SYSTEM

These financial statements have been prepared on the basis of historical cost.

ACCOUNTING POLICIES

The following particular accounting policies, which materially affect the measurement of financial performance and financial position, have been applied.

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.

Profits from the New Zealand Lotteries Commission are recognised when advised by the Commission, while investment and other revenue is recognised when earned and is reported in the financial period to which it relates.

Depreciation

The Department of Internal Affairs owns all of the fixed assets used by staff servicing the New Zealand Lottery Grants Board, the Distribution Committees and their Sub-Committees. An asset service charge is paid which represents the depreciation expense of the assets used.

Financial Instruments

The Secretary for Internal Affairs is party to financial instrument arrangements as part of the every day management of the Profits of New Zealand Lotteries. These financial instruments include Bank Accounts, Investments, Accounts Receivable, Accounts Payable and Loans.

All financial instruments are recognised in the Statement of Financial Position, all revenue and expenditure associated with Financial Instruments is recognised in the Statement of Financial Performance.

Investments

Premiums or discounts on investments are amortised over the life of the investment on a yield to maturity basis.

Statement of Cashflows

Cash means cash held in bank accounts, call deposits and other highly liquid investments, which Profits of New Zealand Lotteries invests as part of its day-to-day cash management.

Operating activities include cash received from all income sources of Profits of New Zealand Lotteries, and records the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing Activities are those activities relating to changes in equity and debt capital structure of Profits of New Zealand Lotteries and those activities relating to the cost of servicing Profits of New Zealand Lotteries equity capital.

Grants Approved

The net grants approved by the Distribution Committees in the financial period are recognised as an expense in the Statement of Financial Performance.

GST

These financial statements have been prepared on a GST exclusive basis, except for accounts receivable and accounts payable in the Statement of Financial Position, which are GST inclusive.

Receivables

Accounts Receivable are recorded at estimated realisable value.

Taxation

Profits of New Zealand Lotteries are exempt from the payment of Income tax in terms of the Income Tax Act 2004. Accordingly, no charge for Income tax has been provided for.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies since the date of the last audited financial statements. All policies applied are consistent with those used in the previous year.

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2007

	Note	Actual 2007 \$	Budget 2007 \$	Actual 2006 \$
Revenue				
Lotto and Lottery Profits		147,445,345	138,533,430	138,548,994
Interest Revenue	1	6,008,647	5,000,000	3,845,766
Sundry Income		1,750		701
Total Revenue		153,455,742	143,533,430	142,395,461
Expenditure				
Administration Expenses		3,664,447	3,720,079	2,941,850
Asset Service Charge		293,563	306,865	246,127
Audit Fee		35,045	35,000	33,627
NZ IFRS Audit Fee		8,405	0	0
Distribution Committees' Fees	9	109,799	118,194	89,995
Personnel		3,681,040	3,925,367	3,925,693
Public relations		171,495	163,800	164,874
Total Expenditure		7,963,794	8,269,305	7,402,166
Net Disposable Income		145,491,948	135,264,125	134,993,295
Less Grants Approved	2	127,835,588	124,729,522	109,698,659
Net Surplus/(Deficit)		17,656,360	10,534,603	25,294,636

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

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2007

	Note	Actual 2007 \$	Budget 2007 \$	Actual 2006 \$
Net Operating Surplus/(Deficit) for the year		17,656,360	10,534,603	25,294,636
Total recognised revenues and expenses		17,656,360	10,534,603	25,294,636
Movements in Equity for the year		17,656,360	10,534,603	25,294,636
Equity brought forward as at 1 July		65,848,241	65,848,241	40,553,605
Equity as at 30 June	3	83,504,600	76,382,844	65,848,241

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2007

	Note	Actual 2007 \$	Budget 2007 \$	Actual 2006 \$
Equity				
Funds Allocated to Distribution Committees	3	1,802,403	1,500,000	1,614,099
Accumulated Funds	3	81,702,197	74,882,844	64,234,142
Total Funds Employed (Equity)	3	83,504,600	76,382,844	65,848,241
Assets				
Current assets				
Cash, Call Investments	5	1,339,012	1,500,000	1,350,757
GST Receivable		3,075,199	2,500,000	3,353,890
Accounts Receivable	6	8,893,000	0	24,589,000
Accrued Interest		993,257	750,000	661,178
Investments	5	93,138,281	94,652,844	57,159,821
Total Current Assets		107,438,749	99,402,844	87,114,646
Total Assets		107,438,749	99,402,844	87,114,646
Liabilities				
Current Liabilities				
Related Parties Accounts payable Department of Internal Affairs	7	712,036	800,000	938,190
Accounts Payable (Other)		77,991	220,000	170,986
Grants Payable	2	23,144,122	22,000,000	20,157,229
Total Current Liabilities		23,934,149	23,020,000	21,266,405
Working Capital		83,504,600	76,382,844	65,848,241
Net Assets		83,504,600	76,382,844	65,848,241

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2007

	Note	Actual 2007 \$	Budget 2007 \$	Actual 2006 \$
Cash Flows from Operating Activities				
Cash was Provided From:				
Lottery Profits		163,080,262	163,196,000	123,396,540
GST Received		278,692	7,593,058	0
Interest Received		5,676,568		3,403,751
Sundry Receipts		1,750		700
		169,037,272	170,789,058	126,800,991
Cash was Applied To:				
Grants Paid	2	124,848,695	124,729,522	106,913,067
Administration Expenses		8,181,009	8,342,875	7,501,990
Expenses Paid on behalf of the New Zealand Lottery Grants Board		40,853	74,395	4,006
GST Paid				919,006
		133,070,557	133,146,792	115,338,069
Net Cash Flows from Operating Activities		35,966,715	37,642,266	11,462,922
Cash Flows from Investing Activities				
Cash was Provided From:				
Net Sale of Term Investments		(35,978,460)	(37,493,023)	(11,639,683)
Net Cash Flows from Investing Activities	8	(35,978,460)	(37,493,023)	(11,639,683)
Cash Flows from Financing Activities				
Cash was Provided From:				
		0	0	0
Cash was Applied To:				
		0	0	0
Net Cash Flows from Financing Activities		0	0	0
Net Increase / (Decrease) in Cash Held		(11,745)	149,243	(176,761)
Add Opening Cash		1,350,757	1,350,757	1,527,518
Closing Cash		1,339,012	1,500,000	1,350,757
Cash, Call Investments				
		1,339,012	1,500,000	1,350,757
Closing Cash		1,339,012	1,500,000	1,350,757

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

RECONCILIATION OF NET CASH FLOWS FROM OPERATIONS WITH NET SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES FOR THE YEAR ENDED 30 JUNE 2007

	Actual 2007 \$	Budget 2007 \$	Actual 2006 \$
Net Surplus/(Deficit) per Statement of Financial Performance	17,656,360	10,534,603	25,294,636
Add/(Deduct) Movements in Working Capital Items			
(Decrease) / Increase in Grants Payable	2,986,893	1,842,771	2,785,592
(Decrease) / Increase in Accounts Payable	(319,150)	(89,176)	(63,825)
Decrease / (Increase) Accrued Interest	(332,079)	(88,822)	(442,015)
Decrease / (Increase) Accounts Receivable	15,696,000	24,589,000	(15,192,460)
Decrease / (Increase) GST Receivable	278,691	853,890	(919,006)
Net Cash Flows from Operating Activities	35,966,715	37,642,266	11,462,922

STATEMENT OF COMMITMENTS

AS AT 30 JUNE 2007

There are no significant commitments at 30 June 2007. (2006: Nil)

STATEMENT OF CONTINGENT LIABILITIES

AS AT 30 JUNE 2007

There were no contingent liabilities at 30 June 2007. (2006: Nil)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1 INTEREST FROM INVESTMENTS

	Actual 2007 \$	Actual 2006 \$
Bank of New Zealand Current Account	16,065	11,048
Money Market Investments	5,992,582	3,834,718
	6,008,647	3,845,766

NOTE 2 GRANTS PAYABLE

	Actual 2007 \$	Actual 2006 \$
Balance as at 1 July	20,157,229	17,371,637
Plus Grants Approved	127,835,588	109,698,659
	147,992,817	127,070,296
Less Grants Paid	(124,848,695)	(106,913,067)
Balance as at 30 June	23,144,122	20,157,229

NOTE 3
COMMITTEES' FUNDS

	Note	\$	Actual 2007 \$	Actual 2006 \$
Undistributed Committees' Funds as at 1 July			1,614,099	1,311,258
Transfers to Accumulated Funds from Defunct Committees		(202,515)	(202,515)	(118,500)
Funds after Transfers			1,411,584	1,192,758
Add Funds Allocated for the year	4	128,226,407		110,120,000
Less Grants Approved for the year	2	(127,835,588)		(109,698,659)
			390,819	421,341
Undistributed Committees' Funds as at 30 June			1,802,403	1,614,099
ACCUMULATED FUNDS				
Accumulated Funds as at 1 July			64,234,142	39,242,347
Net Surplus / (Deficit)			17,656,360	25,294,636
Transfers to Accumulated Funds from Defunct Committees		202,515	202,515	118,500
Add Grants Approved for the year	2	127,835,588		109,698,659
Less Funds Allocated for the year	4	(128,226,407)		(110,120,000)
			(390,819)	(421,341)
Accumulated Funds as at 30 June			81,702,197	64,234,142
Total Equity as at 30 June			83,504,600	65,848,241

NOTE 4 ALLOCATIONS

	% of Total 2007	% of Total 2006	Actual 2007 \$	Actual 2006 \$
Distribution Committees				
Community Committees				
National	9.3	9.8	11,902,709	10,800,000
Outdoor Safety	5.7	6.0	7,315,000	6,650,000
Regional				
Northland	1.0	0.9	1,254,882	965,875
Auckland	4.8	4.3	6,098,286	4,735,683
Waikato	1.8	1.7	2,305,657	1,862,123
Bay of Plenty/Gisborne	1.6	1.5	2,063,577	1,606,280
Hawke's Bay	0.9	0.8	1,153,222	834,256
Taranaki	0.6	0.5	751,770	568,464
Manawatu-Whanganui	1.1	1.0	1,347,642	1,066,883
Wellington/Wairapa	1.5	1.6	1,962,659	1,781,887
Canterbury/Kaikoura	1.8	1.9	2,312,680	2,035,638
West Coast/Nelson-Marlborough	1.0	0.9	1,247,233	1,043,892
Otago/Southland	1.2	1.2	1,594,404	1,312,019
Environment and Heritage	6.5	6.7	8,364,925	7,349,000
Health Research	2.2	2.3	2,816,000	2,560,000
Marae Heritage & Facilities	5.5	5.0	7,072,510	5,531,000
Pacific Provider Development Fund	0.3	0.2	355,483	200,000
Individuals with Disabilities	4.7	3.2	6,036,794	3,547,000
Lottery General Fund	0.0		25,662	
Disestablished Committees	0.0		27,306	
Minister of Internal Affairs	0.2	0.1	315,516	150,000
Statutory Bodies				
Creative New Zealand	16.6	16.9	21,310,000	18,600,000
Sport and Recreation New Zealand (SPARC)	24.1	25.6	30,890,000	28,220,000
New Zealand Film Commission	7.6	7.9	9,702,490	8,700,000
Total Allocations	100	100	128,226,407	110,120,000

NOTES: \$128,226,407 was allocated for 2006/2007 by the New Zealand Lottery Grants Board.

Allocations made during the year ended 30 June 2007:

New Zealand Film Commission \$208,455 and New Zealand Film Archive \$43,035 on 6 December 2006

Minister's Discretionary Fund \$150,000 on 2 May 2007.

NOTE 5**FINANCIAL INSTRUMENTS****Fair Value**

Financial instruments are disclosed in the Statement of Financial Position at their carrying value.

The carrying value of investments at 30 June 2007 was \$93,138,281 (2006: \$57,159,821).

The market value of investments at 30 June 2007 was \$93,530,229 (2006: \$57,350,488).

Currency and Credit Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

There is no currency risk given that all the financial instruments dealt with are denominated in New Zealand dollars.

Credit risk is the risk that a third party will default on its obligation, causing profits of New Zealand Lotteries to incur a loss.

Credit risk is reduced by investing up to fixed limits, only in New Zealand Government Stock, Government Guaranteed Stock Bank Deposit, Promissory Notes

carrying a Standard and Poors rating of not less than A2 and Commercial Paper issued or endorsed by selected registered banks in New Zealand. These limits reduce the credit risk exposure to any one financial institution and/or financial instrument.

Concentration of credit risk with respect to accounts receivable is high, due to the reliance on the NZ Lotteries Commission for 99% of revenue for the Profits of New Zealand Lotteries. Reliance is placed in the fact that the NZ Lotteries Commission is a going concern. In addition the allocation of grants by Committees is closely monitored to ensure that commitments are matched by revenue.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Board's investments in money market investments and NZ Government Guaranteed Stock give rise to interest rate risk.

NOTE 5 contd

Interest rate risk is managed through investing only in short term instruments.

The following maturity and interest rate information applies to investments held at 30 June 2007:

	Effective Interest Rate %	June 2007 Under 1 Year \$	Effective Interest Rate %	June 2006 Under 1 Year \$
Investments: Short Term				
Term Deposits	8.19	33,500,000	7.82	15,000,000
Commercial Paper	8.18	59,638,281	7.75	42,159,821
Total Current Investments		93,138,281		57,159,821
Cash, Call Investments	8.00	1,339,012	7.02	1,350,757
Totals		94,477,293		58,510,578

NOTE 6**ACCOUNTS RECEIVABLE**

	Actual 2007 \$	Actual 2006 \$
Extra profits from New Zealand Lotteries Commission	8,893,000	24,589,000
Total Accounts Receivable	8,893,000	24,589,000

NOTE 7**RELATED PARTIES**

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, the Distribution Committees and the Minister of Internal Affairs on an arms length basis.

The services provided include personnel, the provision of assets, accommodation, administration and other services costing \$7,628,299 in the 2006/2007 year. (\$7,172,866 in the 2005/2006 year).

At 30 June 2007 profits of New Zealand Lotteries owed \$712,036 in relation to services provided. (30 June 2006 \$938,190).

NOTE 8**STATEMENT OF CASH FLOWS NET OFF**

In order to summarise the investment flows, thereby providing a more meaningful disclosure, the investment inflows/outflows have been netted.

NOTE 9**DISCLOSURE OF FEES**

The total of fees paid to the Distribution Committee members for the year 1 July 2006 to 30 June 2007 are shown below.

Distribution Committee Members' Fees

For attendance at Meetings and Reading Fees 2006/2007

	2006/2007		2005/2006
	Total Fees		Total Fees
Adlam, R.B.	201		
Anderson, T.	543	Anderson, T.	540
Ammunson, P.	637		
Austin, M.A.	1,651	Austin, M.A.	1,040
Ayrton, C.H.	1,318		
Bennett, S. M.	2,827	Bennett, S. M.	2,311
Bradley, M. P.	1,139	Bradley, M. P.	1,200
Bridgeman, N. C.	0.00	Bridgeman, N. C.	900
Burdon, M. C.	1,116	Burdon, M. C.	900
Cameron, A.V.	543		
Cardno, F.G.	216		
Canning, J. W.	0.00	Canning, J. W.	540
Coughlan, P.	2,042	Coughlan, P.	500
Cram, F.	0.00	Cram, F.	780
Cuthbert, B. G.	1,080	Cuthbert, B. G.	1,613
Dale, C.J.	216		
Dale, P. C.	1,672	Dale, P. C.	1,170
Dick, A. J.	1,885	Dick, A. J.	1,430
Diver, F. I.	2,639	Diver, F. I.	1,170
Fagaloa,T.C.	0.00	Fagaloa,T.C.	210
Faitotonu, S.	938	Faitotonu, S.	1,200
Fitzmaurice, V.	1,115	Fitzmaurice, V.	1,200
Foley/Gallagher J. M.	0.00	Foley/Gallagher J. M.	900
Fox, R.	1,779	Fox, R.	900
Gallagher, J.M.	1,580		
Gaze, F.	1,352		
Ghani, A.	714	Ghani, A.	900
Grammer, B.	2,205	Grammer, B.	735
Greening W. A. J.	1,515	Greening W. A. J.	1,200
Hanley, W. P.	1,064	Hanley, W. P.	600

NOTE 9.....contd
DISCLOSURE OF FEES

	2006/2007		2005/2006
	Total Fees		Total Fees
Henry, L. A.	2,067	Henry, L. A.	1,900
Holloway, L.	1,327	Holloway, L.	1,080
Howe, T.	1,726	Howe, T.	2,520
Issacs, O.	787	Issacs, O.	900
Jackson, B.	2,581	Jackson, B.	2,465
Jones, A. S.	458	Jones, A. S.	900
Kahotea, D. T.	1,044	Kahotea, D. T.	1,559
Kerridge P. E.	5,150	Kerridge P. E.	1,813
Kingi, I.	0.00	Kingi, I.	1,013
Kippenberger, L.M.	1,870		
Kirby, G.	0.00	Kirby, G.	1,013
Laban, K.C.	648		
La Grouw J. M.	0.00	La Grouw J. M.	900
Lawton, B	543	Lawton, B	540
Le Gros G.	724	Le Gros G.	810
Lee, M.	782	Lee, M.	600
Leighton, E.P.	243		
Leutele, S.S.	829	Leutele, S.S.	1,000
Magill, R.	871		
Manuel, R. T.	624	Manuel, R. T.	900
Maru, B.T.	1,285		
Mayor. T	0.00	Mayor. T	300
McAllister, E.	953	McAllister, E.	900
McConnell, A. C.	402	McConnell, A. C.	700
Morrison, B.J.	490		
Mulqueen, M. F.	784	Mulqueen, M. F.	1,170
Muru, J.	952	Muru, J.	900
Namana, M.K.	569		
Needham, A.	385		
Nicholl, W. L.	1,513	Nicholl, W. L.	2,100
Olsen, S. N.	870	Olsen, S. N.	900
Paewai, O. N. M.	1,027	Paewai, O. N. M.	1,200
Pardoe, M. E.	938	Pardoe, M. E.	900
Pugh, S. L.	1,206	Pugh, S. L.	1,200
Pyke, M.	0.00	Pyke, M.	400
Poynter, C.	201	Poynter, C.	600

NOTE 9.....contd
DISCLOSURE OF FEES

	2006/2007		2005/2006
	Total Fees		Total Fees
Raleque,U.L.	352	Raleque,U.L.	525
Rasalingam, N.	1,080	Rasalingam, N.	645
Rea L. J.	2,189	Rea L. J.	2,100
Reilly, K. M.	1,737	Reilly, K. M.	1,200
Rigarlsford, A. J.	2,500		735
Riseborough, A. J.	0.00	Riseborough, A. J.	1,400
Ryan-Bell, M. E.	1,105	Ryan-Bell, M. E.	600
Scott, R. E.	1,920	Scott, R. E.	2,100
Scott, R. S.	1,013	Scott, R. S.	900
Severinsen, G. R.	0.00	Severinsen, G. R.	400
Sharp, Y. L.	1,752	Sharp, Y. L.	780
Sharpe P.	1,273	Sharpe P.	1,200
Shields, M.K.	1,826		
Shortland, M.	436		
Si'ulepa, N.I	469		700
Skelton, C.	0.00	Skelton C.	600
Soper D. E. H.	1,935	Soper D. E. H.	900
Sorensen, D.	563	Sorensen, D.	525
Sunitsch T.	1,039	Sunitsch T.	900
Talbot, K. W.	1,477	Talbot, K. W.	1,613
Tankersly, L.	201	Tankersly, L.	806
Taylor, D. W.	2,108	Taylor, D. W.	1,785
Te Hira, N.	1,017	Te Hira, N.	1,200
Thomas, B. A.	2,396	Thomas, B. A.	1,170
Thompson, J. Y.	1,983	Thompson, J. Y.	2,440
Thompson, S. M.	462	Thompson, S. M.	600
Tuuta, C. B.	0.00	Tuuta, C. B.	600
Urlich, C. E.	1,173	Urlich, C. E.	600
Van der Heyden A. R	944	Van der Heyden A. R	900
Walsh, V.	1,751	Walsh, V.	2,498
Wetere K. T.	4,077	Wetere K. T.	810
White, J. J.	1,905	White, J. J.	1,560
Williams, H. M.	477	Williams, H. M.	161
Wilson, L.	1,685	Wilson, L.	2,363
Wright, J. A.	1,118	Wright, J. A.	1,560
Total fees for 2006/2007	109,799	Total fees for	89,995

NOTE 10**FIRST TIME ADOPTION OF NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (NZIFRS)****Background**

The New Zealand Lottery Grants Board will adopt New NZIFRS in its audited financial statements for the year ended 30 June 2008. This is in line with adoption of NZIFRS in the consolidated financial statements of the New Zealand Government reporting entity. The following information is disclosed in accordance with NZ FRS-41: Disclosing the Impact of Adopting New Zealand Equivalents to International Accounting Standards.

Transitional Planning

To prepare for and manage the transition the New Zealand Lottery Grants Board reviewed policy to:

- identify and understand the impact of adopting NZ IFRS
- review and update, where necessary, the accounting policies to ensure they are fully compliant with NZ IFRS
- prepare a restated opening Statement of Financial Position as at 1 July 2007
- ensure the New Zealand Lottery Grants Board has systems and processes in place to produce the information required by NZIFRS.

Key Differences Arising in Accounting Policies

No key differences in accounting policies are expected to arise from adoption of NZIFRS are:

Cautionary Note

The information provided in this note is for indicative purposes only. The actual impact of the transition to NZIFRS on New Zealand Lottery Grants Board financial statements may vary from the information presented above. Primarily this will only be due to further changes or amendments to the NZIFRS platform, and any variations are likely to be immaterial.



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