



23 February 2023

ASX Market Announcements Office
ASX Limited
20 Bridge Street
Sydney NSW 2000

**RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2022
FOR ANNOUNCEMENT TO THE MARKET**

The Lottery Corporation Limited (**The Lottery Corporation**) encloses for immediate release the following information:

1. Appendix 4D
2. Interim Financial Report for the half year ended 31 December 2022.

This announcement was authorised for release by the Board of The Lottery Corporation.

For more information

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Appendix 4D



Results for announcement to the market

Half year report for the 6 months ended 31 December 2022

The Lottery Corporation Limited (ABN 21 081 925 706)

Results	\$m	% change increase/(decrease)
Revenue from ordinary activities	1,920.2	15%
Profit from ordinary activities after tax attributable to members ⁽ⁱ⁾	172.9	(13%)
Net profit for the period attributable to members	172.9	(13%)

(i) The Results are not directly comparable to the prior period as they include the Keno segment profit before interest and tax of \$44.9m (refer to note A1 in the Financial Report) following the acquisition of that business in May 2022, separation costs of \$43.7m (refer to note A1 in the Financial Report) and finance costs of \$59.8m relating to debt transferred to The Lottery Corporation Limited on demerger from Tabcorp Holdings Limited.

Dividend	Record date	Payment date	Amount per share	Franked amount per share
Interim dividend	2 March 2023	23 March 2023	8.0 ¢	8.0 ¢
Special dividend	2 March 2023	23 March 2023	1.0 ¢	1.0 ¢
Total dividend per share (interim plus special)			9.0 ¢	9.0 ¢

The Lottery Corporation determined not to pay a final dividend in respect of the year ended 30 June 2022.

Dividend reinvestment plan

The Lottery Corporation Limited's Dividend Reinvestment Plan (DRP) will operate in respect of the interim and special dividend, with the last date for receipt of election notices being 3 March 2023. No discount is applicable to shares allocated to participants and no brokerage, commission or other transaction costs will be payable by participants on shares acquired under the DRP. Shares will be allocated on 23 March 2023 and will rank equally in all respects with existing shares. The price at which shares are allocated is the daily volume weighted average market price of The Lottery Corporation Limited shares sold in the ordinary course of trading on the Australian Securities Exchange over a period of 10 business days beginning on the second business day after the dividend record date. The Company intends to purchase shares on market to satisfy its obligations under the DRP.

Net tangible asset backing ⁽ⁱⁱ⁾	December 2022 \$	June 2022 \$	December 2021 \$
Net tangible asset backing per ordinary share	(1.17)	(1.23)	(0.75)
Net tangible asset backing per ordinary share including licences	(0.84)	(0.89)	(0.53)

(ii) Net tangible assets includes liabilities in relation to leasing and the corresponding right-of-use assets.

Information for the year ended 30 June 2022 is included as the Company demerged from the Tabcorp Holdings Limited Group effective 1 June 2022. The number of shares at December 2021 has been restated to reflect the number of shares outstanding following the change in the Company's capital structure.

Supplementary information

The previous corresponding period is the half year ended 31 December 2021.

For additional Appendix 4D disclosures, and further commentary on these results, refer to the accompanying Interim Financial Report (which includes the Directors' Report) for the half year ended 31 December 2022 and the Media Release lodged with the ASX on 23 February 2023.

Comparable financial information has been included in the Directors' Report to enhance comparability between financial half years ended 31 December 2022 and 31 December 2021.

This Appendix 4D should be read in conjunction with The Lottery Corporation Limited's Annual Report 2022 which was published on 29 September 2022.

The Lottery Corporation Limited

Interim Financial Report
for the half year ended 31 December 2022



The Lottery Corporation Limited
ABN 21 081 925 706

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Directors' Report



Directors' Report

The Directors of The Lottery Corporation Limited (**The Lottery Corporation**, or the **Company**) present their report for the consolidated entity comprising the Company and its subsidiaries (the **Group**) in respect of the half year ended 31 December 2022 (**1H23**).

1. Directors

The names of the Company's Directors in office at any time during or since the end of the half year are set out below. Directors were in office for the entire period unless otherwise stated.

- Steven Gregg (Chairman)
- Sue van der Merwe (Managing Director and CEO)
- Anne Brennan
- Harry Boon
- Doug McTaggart (appointed as a non-executive director on 31 October 2022)
- John O'Sullivan (appointed as a non-executive director on 31 October 2022)
- Megan Quinn (appointed as a non-executive director on 31 October 2022).

2. Principal activities

The Group is Australia's leading lottery and Keno operator with a portfolio of high-profile brands and games. There have been no significant changes to the nature of the principal activities of the Group during 1H23.

3. Review and results of operations

1H23 Group Result

The Group's revenue for 1H23 increased 15.4% on a reported basis on the prior corresponding period (pcp) to \$1,920.2m. A summary statement of the Group's results is set out in the table over the page.

The Group's reported net profit after tax (NPAT) for 1H23 was \$172.9m, a decrease of \$25.3m or 12.8% on the pcp. The current period includes the results of the Keno segment following acquisition in May 2022 (refer to note D1 in the Financial Report), in addition to pre-tax separation costs of \$43.7m (refer to note A1 in the Financial Report) and finance costs of \$59.8m relating to debt transferred to the Group on demerger from Tabcorp Holdings Limited (Tabcorp).

Reported EBIT before significant items for 1H23 was \$360.8m, an increase of 25.6% or \$73.5m on 1H22.

Earnings per share (EPS) including significant items for 1H23 was 7.8 cents per share, down 1.1 cents or 12.4% per share compared to the pcp¹.

To enhance comparability between 1H23 and 1H22 and to provide more insight into the underlying performance of the business, equivalent financial information has also been included in this report, referred to as **Comparable** results.

The Comparable results are stated before significant items and include:

- the earnings from the operational trading of Keno for the periods prior to the date of acquisition by The Lottery Corporation

¹ The weighted average number of ordinary shares for the corresponding period has been restated to reflect the change in the Company's capital structure as a result of the demerger from Tabcorp, as if the change had occurred at the beginning of the corresponding period.

- additional amortisation associated with the fair value uplift to licences upon the acquisition of Keno, as if the acquisition had taken place at the beginning of the corresponding period
- the estimated ongoing incremental cash corporate and operating costs associated with the demerger from Tabcorp (which took effect in June 2022).

Comparable results is 'non-IFRS' information and has not been subject to audit or review assurance procedures.

Group results for the half year ended 31 December 2022	Reported 1H23 \$m)	Reported 1H22 \$m	Comparable 1H23 \$m	Comparable 1H22 \$m
Revenue	1,920.2	1,664.6	1,920.2	1,783.6
EBITDA	365.1	316.4		
EBITDA before significant items	409.4	316.4	409.4	353.5
EBIT	311.7	287.3		
EBIT before significant items	360.8	287.3	360.8	308.4
NPAT	172.9	198.2		
NPAT before significant items	207.3	198.2		
EPS – cents per share (including significant items)	7.8	8.9		
EPS – cents per share (before significant items)	9.3	8.9		
Interim dividend (fully franked) – cents per share	8.0	-		
Special dividend ⁽ⁱ⁾ (fully franked) – cents per share	1.0	-		

(i) Special dividend relates to the period 1 June 2022 to 30 June 2022

Additional information relating to the dividends for 1H23 is set out in section 5 below.

1H23 Highlights

Delivering strong financial performance	<ul style="list-style-type: none"> • Group revenue up 7.7% on pcp (on a Comparable basis). • Group EBITDA before significant items up 15.8% on the pcp (on a Comparable basis).
Delivering value for shareholders	<ul style="list-style-type: none"> • Increase in the target dividend payout ratio to 80 to 100% of full year NPAT before significant items. • Maiden dividends announced - interim dividend for 1H23 of 8.0 cps and special dividend of 1.0 cps for June 2022, both fully franked.
Driving Game Portfolio Performance	<ul style="list-style-type: none"> • Further growth in both jackpot and base game categories, which continue to complement each other.
Enhancing omni-channel model and customer experience	<ul style="list-style-type: none"> • Significant increase in active registered customers • Launched innovative Store Syndicates product online, driving omni-channel adoption and supporting retailers. • Return to venue campaigns for Keno helped drive strong retail growth.
Establishing The Lottery Corporation as a stand-alone entity	<ul style="list-style-type: none"> • Launched new Vision, Purpose and Principles; strong early team engagement; strong governance frameworks embedded. • Separation from Tabcorp remains on track; continued people, systems and vendor separation activity.

4. Business Results

Lotteries

Lotteries results for the half year ended 31 December 2022	Reported 1H23 \$m	Reported 1H22 \$m	Comparable 1H23 \$m	Comparable 1H22 \$m
Revenue	1,772.8	1,664.6	1,772.8	1,664.6
EBITDA	349.6	316.4	349.6	312.5
EBIT	315.9	287.4	315.9	283.5

Lotteries revenue increased by 6.5% on the pcp, and EBITDA increased by 11.9% on the pcp (on a Comparable basis). This strong result was principally driven by:

- record product performance via active portfolio and jackpot sequence management
- growth across all distribution channels and an improved digital mix (up from 36.9% in the pcp to 38.4% in 1H23) which drove margin improvement.

The Group's jackpot games (Powerball and Oz Lotto) grew turnover by 11.1% on the pcp.

Powerball experienced strong growth in 1H23 (turnover up 17.8% on the pcp). This was underpinned by management of a temporary accelerated jackpot sequence implemented between September 2022 and December 2022 and generally favourable jackpot outcomes. These factors contributed to a record-breaking \$160m draw that was reached in six weeks.

In Oz Lotto, unfavourable jackpot outcomes contributed to lower turnover (down 5.5% on the pcp).

The Group's base games (Monday & Wednesday Lotto, Saturday Lotto, Set for Life, Instant Scratch-Its and Lucky Lotteries) grew turnover by 1.2%, cycling the strong COVID tailwind in 1H22.

During the half, several game initiatives were introduced to encourage play across the portfolio following the increase in player volumes delivered by big jackpot events. These included additional \$10m Saturday Lotto draws, while Monday and Wednesday Lotto Cashcade and Double Dividend offers were timed to follow Superdraw events.

The number of active registered customers (being the number of registered customers who have purchased a lottery ticket in the prior 12 months) grew by 221,000 in the half to 4.3m, continuing a long-term positive trend (from 3.0m in 1H19).

The retail channel delivered continued turnover growth (up 3.5% on the pcp). Digital turnover continued to grow strongly (up 10.6% on the pcp) and accounted for 38.4% of all turnover in 1H23.

The EBITDA/revenue margin improved from 18.8% to 19.7% (on a Comparable basis), primarily due to the lift in digital share of turnover, a further step up in fees from the Jumbo reseller agreement and interest income on Set for Life deposits.

Keno

Keno results for the half year ended 31 December 2022	Reported 1H23 \$m	Reported 1H22 \$m	Comparable 1H23 \$m	Comparable 1H22 \$m
Revenue	147.4	-	147.4	119.0
EBITDA	59.8	-	59.8	41.0
EBIT	44.9	-	44.9	24.9

Keno delivered revenue of \$147.4m, up 23.9% on the pcp (on a Comparable basis) and EBITDA of \$59.8m, up 45.9% on the pcp (on a Comparable basis).

The return to unrestricted trade in New South Wales, Victoria, and the Australian Capital Territory and an increase in footfall in Queensland following the COVID pandemic contributed to this strong revenue growth. A series of promotions and activities also supported the return to pre-COVID purchasing and visitation behaviours, such as the 'Play the Numbers You Know' campaign.

Retail turnover increased 49.7% on the pcp, while digital turnover declined 10.9% compared to the pcp. Both the retail and digital results reflect the COVID related closures and restrictions in 1H22. Digital as a share of overall Keno turnover (14.7% in 1H23) is more than double the pre-COVID level (6.9% in 1H20).

The Comparable EBITDA/revenue margin improved from 34.5% to 40.6%, primarily due to NSW venues being closed in the prior period. NSW is the largest Keno market and The Lottery Corporation's co-licensee arrangements in NSW means it reports its share of NSW Keno variable contribution as revenue.

5. Capital management and dividends

Capital Management

The Board has reviewed the Group's capital settings and capital allocation framework.

As part of this review, it has revised its target leverage (Net Debt/EBITDA) level for increased flexibility to 3.0x to 4.0x (previously 3.5x to 4.0x). Leverage as at 31 December 2022 was 2.6x, which reflects the Group's recent strong financial performance.

It has also increased the target dividend payout ratio to 80 to 100% (previously 70 to 90%) of full year NPAT before significant items.

Dividends

The Directors have determined to pay:

- an interim dividend of 8.0 cents per share, fully franked, which represents approximately 86% of 1H23 NPAT before significant items; and
- a special dividend of 1.0 cents per share, fully franked, in relation to June 2022 NPAT before significant items. This covers the period post the demerger from Tabcorp but prior to the commencement of the 2023 financial year.

The Directors have also determined to establish a dividend re-investment plan (**DRP**). The Company notes that this will be offered to shareholders with a registered address in Australia or New Zealand in respect of the interim dividend and special dividend. No discount will be applied to shares allocated under the plan for both dividends. The DRP is anticipated to be satisfied in full by an on-market purchase of shares.

6. Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 9. This auditor's independence declaration forms part of this Directors' Report.

7. Rounding of amounts

Dollar amounts in the Financial Report and the Directors' Report have been rounded to the nearest hundred thousand unless specifically stated to be otherwise, in accordance with the Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

Signed in accordance with a resolution of the Directors:



Steven Gregg
Chairman



Sue van der Merwe
Managing Director and Chief Executive Officer

23 February 2023



**Building a better
working world**

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Auditor's Independence Declaration to the Directors of The Lottery Corporation Limited

As lead auditor for the review of the half-year financial report of The Lottery Corporation Limited for the half-year ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b) no contraventions of any applicable code of professional conduct in relation to the review; and
- c) no non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of The Lottery Corporation Limited and the entities it controlled during the financial period.

Ernst & Young

Michael Collins

Partner

23 February 2023

Financial Report



Income statement
For the half year ended 31 December 2022

	Note	December 2022 \$m	December 2021 \$m
Revenue	A4	1,920.2	1,664.6
Other income/(loss)	A4	(0.5)	-
Government taxes and levies		(1,091.1)	(999.9)
Commissions and fees		(289.1)	(245.4)
Employment costs		(56.6)	(41.7)
Communication and technology costs		(21.8)	(19.6)
Advertising and promotions		(20.8)	(22.1)
Separation costs	A1	(43.7)	-
Other expenses		(31.5)	(19.5)
Depreciation and amortisation	A4	(48.6)	(29.1)
Impairment	A4	(4.8)	-
Profit before income tax and net finance costs		311.7	287.3
Finance income		0.6	-
Finance costs	A4	(61.0)	(1.2)
Profit before income tax		251.3	286.1
Income tax expense		(78.4)	(87.9)
Net profit after tax		172.9	198.2
Other comprehensive income			
Items that may be reclassified to profit or loss			
Change in fair value of cash flow hedges taken to equity		(61.6)	-
Income tax relating to these items		19.8	-
Items that will not be reclassified to profit or loss			
Change in fair value of equity instruments		0.1	-
Other comprehensive income for the period, net of income tax		(41.7)	-
Total comprehensive income for the period		131.2	198.2
Earnings per share:			
Basic and diluted earnings per share	A2	7.8	8.9
Dividends per share:			
Interim dividend	A3	8.0	-
Special dividend	A3	1.0	-

The income statement should be read in conjunction with the accompanying notes.

Balance sheet
As at 31 December 2022

	Note	December 2022 \$m	June 2022 \$m
Current assets			
Cash and cash equivalents		437.7	316.2
Receivables		89.2	47.9
Prepayments		8.3	4.2
Derivative financial instruments	B2	8.0	1.3
Other financial assets		289.4	225.5
Other		116.3	111.6
Total current assets		948.9	706.7
Non current assets			
Receivables		8.4	8.7
Other financial assets		52.6	89.3
Licences		733.3	750.7
Other intangible assets		2,241.3	2,230.6
Property, plant and equipment		63.6	71.5
Right-of-use assets		78.5	84.5
Prepayments		1.7	2.1
Derivative financial instruments	B2	234.8	271.0
Other		1.7	2.2
Total non current assets		3,415.9	3,510.6
TOTAL ASSETS		4,364.8	4,217.3
Current liabilities			
Payables	C1	1,029.2	830.2
Lease liabilities		9.9	9.6
Current tax liabilities		44.4	12.2
Provisions		12.6	13.0
Derivative financial instruments	B2	6.0	0.9
Other		100.4	100.4
Total current liabilities		1,202.5	966.3
Non current liabilities			
Payables	C1	308.5	291.0
Interest bearing liabilities	B1	2,199.6	2,389.2
Lease liabilities		82.9	86.5
Deferred tax liabilities		179.5	220.2
Provisions		9.3	9.0
Other		11.0	12.3
Total non current liabilities		2,790.8	3,008.2
TOTAL LIABILITIES		3,993.3	3,974.5
NET ASSETS		371.5	242.8
Equity			
Issued capital		779.6	785.9
Retained earnings		752.4	579.5
Reserves		(1,160.5)	(1,122.6)
TOTAL EQUITY		371.5	242.8

The balance sheet should be read in conjunction with the accompanying notes.

Cash flow statement
For the half year ended 31 December 2022

	December 2022 \$m	December 2021 \$m
Cash flows from operating activities		
Net cash receipts in the course of operations	2,015.2	1,768.3
Payments to suppliers, service providers and employees	(472.9)	(379.0)
Payments to government (including GST)	(1,015.1)	(930.5)
Finance income received	0.6	-
Finance costs paid	(59.7)	(0.5)
Income tax paid	(67.3)	(66.1)
Net cash flows from operating activities	400.8	392.2
Cash flows from investing activities		
Payment for property, plant and equipment and intangibles	(21.4)	(8.4)
Transfers to term deposits relating to certain lottery games	(26.9)	(19.3)
Net cash flows used in investing activities	(48.3)	(27.7)
Cash flows from financing activities		
Net cash flows from revolving bank facilities	(220.0)	-
Repayment of loan from Tabcorp Group	-	(242.3)
Payment of lease liabilities	(4.7)	(0.5)
Payment for on-market share purchase	(6.3)	-
Net cash flows used in financing activities	(231.0)	(242.8)
Net increase in cash held	121.5	121.7
Cash at beginning of period	316.2	211.9
Cash at end of period	437.7	333.6

The Group operates under various state based licences which have regulatory requirements in place that restrict the Group's use of certain cash balances. The carrying amount of these cash balances included within the consolidated financial statements is \$308.4m (June 2022: \$200.4m).

The cash flow statement should be read in conjunction with the accompanying notes.

Statement of changes in equity
For the half year ended 31 December 2022

	Number of ordinary shares m	Issued capital		Retained earnings \$m	Reserves			Total equity \$m
		Ordinary shares \$m	Treasury shares \$m		Hedging \$m	Demerger \$m	Other \$m	
2022								
Balance at 1 July 2022	2,225.8	785.9	-	579.5	14.7	(1,137.1)	(0.2)	242.8
Profit for the period	-	-	-	172.9	-	-	-	172.9
Other comprehensive income	-	-	-	-	(41.8)	-	0.1	(41.7)
Total comprehensive income	-	-	-	172.9	(41.8)	-	0.1	131.2
Share based payments expense	-	-	-	-	-	-	3.8	3.8
Outlay to purchase shares	-	-	(6.3)	-	-	-	-	(6.3)
Balance at 31 December 2022	2,225.8	785.9	(6.3)	752.4	(27.1)	(1,137.1)	3.7	371.5
		Total issued capital	\$779.6m			Total reserves	(\$1,160.5m)	
2021								
Balance at 1 July 2021	8.3	8.3	-	288.1	-	-	(0.1)	296.3
Profit for the period	-	-	-	198.2	-	-	-	198.2
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	198.2	-	-	-	198.2
Balance at 31 December 2021	8.3	8.3	-	486.3	-	-	(0.1)	494.5
		Total issued capital	\$8.3m			Total reserves	(\$0.1m)	

The statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to the financial statements: About this report

For the half year ended 31 December 2022

ABOUT THIS REPORT

The Lottery Corporation Limited (The Lottery Corporation or the Company) is a company incorporated and domiciled in Australia. The general purpose condensed consolidated half year financial report of the Company for the six months ended 31 December 2022 (half year financial report) comprises the Company and its subsidiaries (the Group).

The half year financial report was authorised for issue by the Board of Directors on 23 February 2023 and has been prepared in accordance with AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001* (Cth), and with IAS 34 'Interim Financial Reporting'.

This half year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* (Cth).

The accounting policies used are consistent with those applied in the 30 June 2022 financial report.

The Company demerged from Tabcorp Holdings Limited (Tabcorp) effective 1 June 2022. In preparation for the demerger, Tabcorp completed an internal restructure in May 2022 which included the transfer of the Keno business to The Lottery Corporation Group. Management elected to apply the acquisition method for business combinations to account for the Keno business acquisition. Consequently, the Group's prior period income statement and related notes do not include the results from the Keno business.

The Group's balance sheet reflects a net current asset deficiency of \$253.6m at 31 December 2022 (June 2022: \$259.6m). This largely arises due to prize liabilities and customer account balances totalling \$700.0m (June 2022: \$599.9m) being classified as current liabilities under Australian Accounting Standards. The Group maintains cash balances of \$437.7m (June 2022: \$316.2m) of which \$308.4m is restricted (June 2022: \$200.4m) and undrawn debt facilities of \$890.0m (June 2022: \$670.0m) to meet working capital and licence requirements, including settlement of prize money and customer account balances as required.

Note disclosures in this half year financial report have been grouped into the following four sections:

A Group performance

- A1 Segment information
- A2 Earnings per share
- A3 Dividends
- A4 Revenue and expenses
- A5 Subsequent events

B Capital and risk management

- B1 Interest bearing liabilities
- B2 Derivative financial instruments
- B3 Fair value measurement

C Operating assets and liabilities

- C1 Payables

D Other disclosures

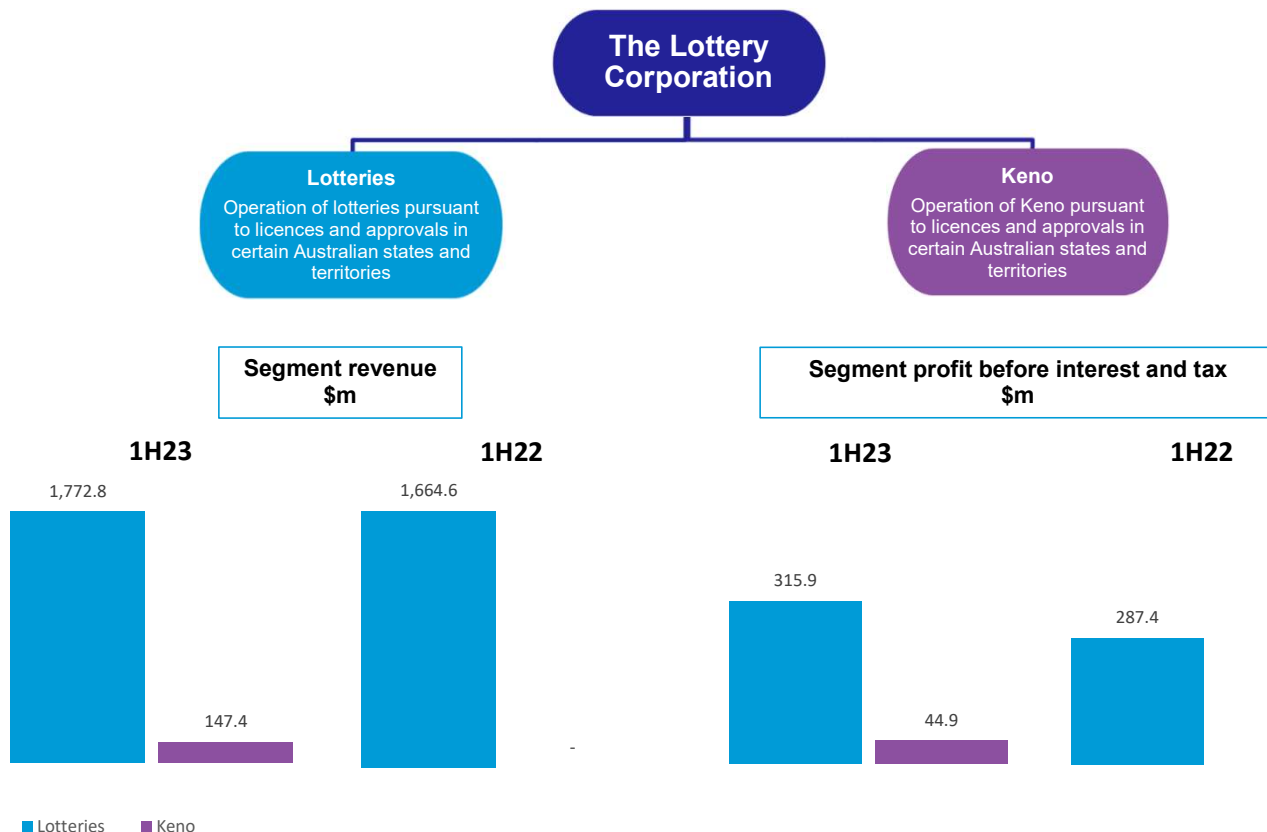
- D1 Business combinations
- D2 Impairment testing

SECTION A - GROUP PERFORMANCE

A1 Segment information

Operating segments reflect the business level at which financial information is provided to the Managing Director and Chief Executive Officer (Chief Operating Decision Maker), for decision making regarding resource allocation and performance assessment. The measure of segment profit used excludes significant items not considered integral to the ongoing performance of the segment. Intersegment pricing is determined on commercial terms and conditions.

The Group has two operating segments at period end. The Keno segment reflects the results of the Keno business following the acquisition in May 2022.



Notes to the financial statements: Group performance
For the half year ended 31 December 2022

SECTION A - GROUP PERFORMANCE (CONTINUED)

A1 Segment information (continued)

	Lotteries \$m	Keno \$m	Total \$m
December 2022			
Segment revenue	1,772.8	147.4	1,920.2
Segment profit before interest and tax	315.9	44.9	360.8
December 2021			
Segment revenue	1,664.6	-	1,664.6
Segment profit before interest and tax	287.4	-	287.4

A reconciliation of segment result to the Group's income statement is as follows:

	Revenue		Profit before income tax	
	December 2022 \$m	December 2021 \$m	December 2022 \$m	December 2021 \$m
Segment total (per above)	1,920.2	1,664.6	360.8	287.4
Unallocated items:				
- significant items:				
- separation costs ⁽ⁱ⁾	-	-	(43.7)	-
- impairment	-	-	(4.8)	-
- other	-	-	(0.6)	-
	-	-	(49.1)	-
- finance income	-	-	0.6	-
- finance costs	-	-	(61.0)	(1.2)
- other	-	-	-	(0.1)
Total per income statement	1,920.2	1,664.6	251.3	286.1

(i) Predominantly relates to costs associated with the replication and separation of technology infrastructure and systems post demerger.

A2 Earnings per share

	December 2022 \$m	December 2021 \$m
Earnings used in calculation of earnings per share (EPS) attributable to shareholders	172.9	198.2
	December 2022 Number (m)	December 2021 Number (m)
Weighted average number of ordinary shares used in calculating basic EPS ⁽ⁱ⁾	2,225.8	2,225.8
Effect of dilution from Performance Rights	0.3	-
Weighted average number of ordinary shares used in calculating diluted EPS ⁽ⁱ⁾	2,226.1	2,225.8

(i) The weighted average number of ordinary shares for the comparative period has been restated to reflect the change in the Company's capital structure as a result of the demerger from Tabcorp, as if the change had occurred at the beginning of the comparative period.

Notes to the financial statements: Group performance
For the half year ended 31 December 2022

SECTION A - GROUP PERFORMANCE (CONTINUED)

A3 Dividends

	December 2022	December 2021	December 2022	December 2021
	Cents per share	Cents per share	\$m	\$m
Fully franked dividends declared after balance date to be recognised in subsequent period:				
Interim dividend	8.0	-	178.1	-
Special dividend	1.0	-	22.3	-
	9.0	-	200.4	-

A4 Revenue and expenses

	December 2022	December 2021
	\$m	\$m
(a) Revenue comprises:		
Revenue from contracts with customers ⁽ⁱ⁾	1,920.2	1,664.6
(b) Other income/(loss)		
Net loss on disposal of non current assets	(0.7)	-
Other	0.2	-
	(0.5)	-
(c) Finance costs		
Interest costs on interest bearing liabilities	57.1	-
Interest costs on lease liabilities	0.8	0.1
Corporate recharge ⁽ⁱⁱ⁾	-	0.7
Other	3.1	0.4
	61.0	1.2
(d) Depreciation and amortisation		
Licences	17.4	12.4
Other intangible assets	14.9	6.9
Property, plant and equipment	10.6	2.7
Right-of-use assets	5.7	0.9
Corporate recharge ⁽ⁱⁱⁱ⁾	-	6.2
	48.6	29.1
(e) Impairment ⁽ⁱⁱⁱ⁾		
Right-of-use assets	2.1	-
Leasehold improvements	2.2	-
Plant and equipment	0.5	-
	4.8	-

(i) Includes management fees recognised in relation to the Master Agent Agreement associated with the operation of SA Lotteries of \$77.8m (2021: \$68.8m).

(ii) Represents recharge for lease interest, depreciation and amortisation on corporate assets owned by Tabcorp, representing usage by the Group prior to the demerger.

(iii) Comprises write down of assets in respect of surplus corporate lease space.

A5 Subsequent events

Other than the events disclosed elsewhere in this report, no additional matters or circumstances have arisen since the end of the half year, that may significantly affect the Group's operations, the results of those operations or the state of affairs of the Group.

Notes to the financial statements: Capital and risk management

For the half year ended 31 December 2022

SECTION B - CAPITAL AND RISK MANAGEMENT

B1 Interest bearing liabilities

The Group borrows money from financial institutions and debt investors in the form of bank loans, overdraft and foreign currency denominated notes.

The following table details the debt position of the Group at 31 December:

Facility	Details	Facility limit \$m	Maturity	December	June
				2022 \$m	2022 \$m
Bank overdraft	Floating interest rate overdraft facility. Subject to financial undertakings as to leverage and interest cover (reporting commences on 30 June 2023).	100.0	Apr-23	-	-
Bank loans - unsecured	Floating interest rate revolving facility. Subject to financial undertakings as to leverage and interest cover (reporting commences on 30 June 2023).	400.0	Jul-25	156.6	338.8
		550.0	Jul-27	-	37.3
		950.0		156.6	376.1
US Private Placement	Fixed interest rate US dollar debt. Aggregate US dollar principal of \$1,250.0m (June 2022: \$1,250.0m). Cross currency interest rate swaps are in place for all US dollar debt. These swaps hedge the underlying US dollar debt amounts payable, resulting in the aggregate Australian dollar amount payable at maturity being \$1,626.5m (June 2022: \$1,626.5m). Subject to financial undertakings as to leverage and interest cover (reporting commences on 30 June 2023).	USD 105.0	Jun-26	155.6	153.1
		USD 450.0	Jun-28	668.3	657.7
		USD 520.0	Jun-30	773.9	761.6
		USD 175.0	Jun-33	261.5	257.4
		AUD 97.3	Jun-35	92.0	91.8
		AUD 97.3	Jun-36	91.7	91.5
			2,043.0	2,013.1	
				2,199.6	2,389.2
Current				-	-
Non current				2,199.6	2,389.2
				2,199.6	2,389.2

B2 Derivative financial instruments

The Group holds the following derivative financial instruments, all at fair value based on level 2 observable inputs (refer to note B3):

	December	June
	2022	2022
	\$m	\$m
Current assets		
Interest rate swaps	7.4	1.3
Cross currency interest rate swaps	0.6	-
	8.0	1.3
Non current assets		
Cross currency interest rate swaps	200.3	240.4
Interest rate swaps	34.5	30.6
	234.8	271.0
	242.8	272.3
Current liabilities		
Cross currency interest rate swaps	6.0	-
Interest rate swaps	-	0.9
	6.0	0.9

Notes to the financial statements: Capital and risk management
For the half year ended 31 December 2022

SECTION B - CAPITAL AND RISK MANAGEMENT (CONTINUED)

B3 Fair value measurement

The fair value of financial assets and financial liabilities is estimated for recognition, measurement and disclosure purposes at each balance date. Various methods are available to estimate the fair value of a financial instrument, and comprise:

- Level 1 - calculated using quoted prices in active markets.
- Level 2 - estimated using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 - estimated using inputs for the asset or liability that are not based on observable market data.

The carrying amount of financial assets or liabilities recognised in the financial statements is deemed to be the fair value unless stated below:

	Carrying amount		Fair value	
	December	June	December	June
	2022	2022	2022	2022
	\$m	\$m	\$m	\$m
Financial liabilities				
US Private Placement	2,043.0	2,013.1	1,916.9	1,982.9

The fair value of the Group's financial instruments is estimated as follows:

US Private Placement

Fair value is calculated using discounted future cash flow techniques, where estimated cash flows and estimated discount rates are based on market data at balance date, in combination with restatement to foreign exchange rates at balance date (level 2 in fair value hierarchy).

Cross currency interest rate and interest rate swaps

Fair value is calculated using discounted future cash flow techniques, where estimated cash flows and estimated discount rates are based on market data at balance date (level 2 in fair value hierarchy).

Equity instruments at fair value through other comprehensive income

Fair value is referenced to market prices prevailing at balance date (level 2 in fair value hierarchy).

There have been no significant transfers between level 1 and level 2 during the half year ended 31 December 2022.

Notes to the financial statements: Operating assets and liabilities

For the half year ended 31 December 2022

SECTION C - OPERATING ASSETS AND LIABILITIES

C1 Payables

	December 2022 \$m	June 2022 \$m
Current		
Payables ⁽ⁱ⁾	1,029.2	830.2
Non current		
Payables ⁽ⁱⁱ⁾	308.5	291.0

(i) includes prize liabilities and customer account balances totalling \$700.0m (June 2022: \$599.9m).

(ii) includes prizes payable to the winners of certain lottery games where winnings are payable for up to 20 years.

SECTION D - OTHER DISCLOSURES

D1 Business combinations

In May 2022 of the prior financial year, the Group acquired 100% of the Keno business from Tabcorp. The accounting for the Keno acquisition had been provisionally determined as at 30 June 2022, as the process of fair valuing Keno's net assets was still in progress. The process has now been finalised, and no adjustments were required to the amounts disclosed at 30 June 2022.

D2 Impairment testing

As outlined in note C3 of the Group's 30 June 2022 financial report, following the acquisition of the Keno business from Tabcorp in May 2022 and recognition of its net assets at fair value, the Keno cash generating unit (CGU) was recorded at its recoverable amount at 30 June 2022. As a result, adverse movements in key assumptions may lead to an impairment. The key estimates and assumptions used to determine the fair value less costs of disposal of a CGU at 30 June 2022 were based on management's expectations after considering past experience and external information, and were considered achievable.

In accordance with the Australian Accounting Standards and the Group's accounting policies, the Group has assessed each CGU at period end to determine whether there were any indications of impairment, and concluded that there were no indicators of impairment.

Directors' declaration

In the opinion of the Directors of The Lottery Corporation Limited:

- (a) the financial statements and notes of the Group are in accordance with the *Corporations Act 2001* (Cth), including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half year ended on that date; and
 - (ii) complying with Accounting Standards and *Corporations Regulations 2001* (Cth); and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors.



Steven Gregg
Chairman



Sue van der Merwe
Managing Director and Chief Executive Officer

23 February 2023

Independent Auditor's Review Report





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Independent Auditor's Review Report to the Members of The Lottery Corporation Limited

Conclusion

We have reviewed the accompanying half-year financial report of The Lottery Corporation Limited (the Company) and its subsidiaries (collectively the Group), which comprises the Balance Sheet as at 31 December 2022, Income Statement, Cash Flow Statement and Statement of Changes in Equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance for the half-year ended on that date; and
- b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity (ASRE 2410). Our responsibilities are further described in the Auditor's responsibilities for the review of the half-year financial report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



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A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A handwritten version of the EY logo, with 'Ernst & Young' written in a cursive script.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Michael Collins'.

Michael Collins
Partner
Melbourne
23 February 2023

