



21 February 2024

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

2024 HALF YEAR RESULTS APPENDIX 4D AND INTERIM FINANCIAL REPORT

The Lottery Corporation Limited (**The Lottery Corporation**) attaches for immediate release the following documents:

1. Appendix 4D - Results for Announcement to the Market; and
2. Interim Financial Report for the half year ended 31 December 2023.

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

For more information

Media: Rick Wallace, Senior Manager Corporate Affairs +61 3 9737 5724

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Appendix 4D



Results for announcement to the market

Half year report for the 6 months ended 31 December 2023
The Lottery Corporation Limited (ABN 21 081 925 706)

Results	\$m	% change increase/(decrease)
Revenue from ordinary activities	1,884.9	(2%)
Profit from ordinary activities after tax attributable to members	217.4	26%
Net profit for the period attributable to members	217.4	26%

Dividend	Record date	Payment date	Amount per share	Franked amount per share
Final dividend	30 August 2023	20 September 2023	6.0 ¢	6.0 ¢
Interim dividend	29 February 2024	28 March 2024	8.0 ¢	8.0 ¢

Dividend reinvestment plan

The Lottery Corporation Limited's Dividend Reinvestment Plan (DRP) will operate in respect of the interim dividend, with the last date for receipt of election notices being 1 March 2024. 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 28 March 2024 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 ⁽ⁱ⁾	December 2023 \$	December 2022 \$
Net tangible asset backing per ordinary share	(1.17)	(1.17)
Net tangible asset backing per ordinary share including licences	(0.86)	(0.84)

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

Supplementary information

The previous corresponding period is the half year ended 31 December 2022.

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 2023 and the Media Release lodged with the ASX on 21 February 2024.

This Appendix 4D should be read in conjunction with The Lottery Corporation Limited's Annual Report 2023 which was published on 23 August 2023 and any public announcements made in the period by The Lottery Corporation in accordance with the continuous disclosure requirements of the Corporations Act 2001 (Cth) and the ASX Listing Rules.

The Lottery Corporation Limited

Interim Financial Report
for the half year ended 31 December 2023



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 2023 (**1H24**).

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)⁽ⁱ⁾
- Sue van der Merwe (Managing Director and CEO)
- Harry Boon
- Anne Brennan
- Doug McTaggart⁽ⁱⁱ⁾
- John O'Sullivan
- Megan Quinn
- Stephen Morro (appointed as a Non-executive Director on 11 December 2023)

(i) To retire as a Director on 31 March 2024.

(ii) To commence as Chairman on 1 March 2024.

2. Principal activities

The principal activities of the Group during the half year comprised the operation of a portfolio of lottery and Keno games. There have been no significant changes to the nature of the principal activities of the Group during 1H24.

3. Review and results of operations

1H24 Group Result

The Group's revenue for 1H24 decreased 1.8% on the prior corresponding period (pcp) to \$1,884.9m. A summary statement of the Group's results is set out in the table over the page.

The Group's net profit after tax (NPAT) for 1H24 was \$217.4m, an increase of \$44.5m or 25.7% on the pcp.

EBIT for 1H24 was \$320.5m, an increase of 2.8% or \$8.8m on the pcp.

EBIT (before significant items) for 1H24 was \$347.0m, a decrease of 3.8% or \$13.8m on the pcp.

Earnings per share (EPS) for 1H24 was 9.8 cents per share, up 2.0 cents per share or 25.6% compared to the pcp.

EPS (before significant items) for 1H24 was 8.8 cents per share, down 0.5 cents per share or 5.4% compared to the pcp.

Group results for the half year ended 31 December 2023	1H24 \$m	1H23 \$m
Revenue	1,884.9	1,920.2
EBITDA	371.5	365.1
EBITDA (before significant items)	399.1	409.4
EBIT	320.5	311.7
EBIT (before significant items)	347.0	360.8
NPAT	217.4	172.9
NPAT (before significant items)	195.0	207.3
EPS – cents per share	9.8	7.8
EPS – cents per share (before significant items)	8.8	9.3
Interim dividend (fully franked) – cents per share	8.0	8.0
Special dividend ⁽ⁱ⁾ (fully franked) – cents per share	-	1.0

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

Additional information relating to the dividend for 1H24 is set out in section 5 below.

1H24 Highlights

Solid business performance	<ul style="list-style-type: none"> Revenue resilient amid softer consumer conditions Benefits of a diversified and balanced portfolio evident Solid results versus a pcp that benefited from timing of Saturday lotto Mid-Year Megadraw and unusually large Lucky Lotteries Super jackpots
Proactive management initiatives delivering results	<ul style="list-style-type: none"> Oz Lotto game change increased the probability of large jackpots which helped to deliver \$70m and \$90m jackpots Strong retention of 9% Powerball subscription price increase 200bps commission rate increase, supporting small business sustainability Increased Lotteries digital penetration
Ongoing strategic execution	<ul style="list-style-type: none"> Initiative to further enhance the customer experience - it starts with convenience Significant progress on new game development - Weekday Windfall Heightened activity to enhance value of existing licences Continue to deliver plan that has driven long-term growth
Delivering value for stakeholders	<ul style="list-style-type: none"> Interim dividend 8.0cps, payout ratio 91% Significant taxes to governments (\$885m) and commissions to retailers and venue partners (\$347m) Continued delivery of low-spend, mass participation products; promoting responsible play and contributing to communities

4. Business results

Lotteries

Lotteries results for the half year ended 31 December 2023	1H24 \$m	1H23 \$m
Revenue	1,738.3	1,772.8
EBITDA	343.1	349.6
EBIT	307.3	315.9

Lotteries revenue was \$1,738.3m, down 1.9% on the pcp, and EBITDA was \$343.1m, down 1.9% on the pcp.

Lotteries volumes in 1H24 were resilient amid softer economic conditions. While customer participation levels remained healthy, there was a modest decrease in frequency and spend as customers looked for the best value proposition in The Lottery Corporation's weekly offer of games. Active portfolio and jackpot sequence management helped to moderate these impacts.

The benefits of a diversified portfolio were evident with the 2022 Oz Lotto game change helping to deliver \$70m and \$90m jackpots, offsetting the impact of lower-than-expected jackpots for Powerball. Overall turnover in the jackpot games segment (Oz Lotto and Powerball) was down 2% in a half where aggregate jackpot outcomes were broadly in line with model outcomes and with the prior period.

Turnover in the base games segment (Saturday lotto, Monday & Wednesday lotto, Set for Life, Lucky Lotteries, Instant Scratch-Its and other smaller games) was down 9.3%. The segment was cycling a prior period which featured both a Mid-Year Megadraw (due to timing), and a record Lucky Lotteries Super Jackpot.

Like-for-like turnover for base games, and the base weeks of jackpot games, generally remained within 2-4% of 1H23 levels despite the downturn in the broader economy.

The positive impacts from the Powerball price change and retail commissions increase (implemented in May 2023) helped drive Lotteries revenue.

1H24 also saw digital share growth resume (up 120bps to 39.6%) following a period of consolidation of COVID era gains.

The Lottery Corporation had an estimated 9.6m active customers across all Lotteries channels.

In 1H24, the EBITDA/Revenue margin remained steady at 19.7%. The increase in operating expenses included the impact of the move to standalone technology arrangements as part of the separation from Tabcorp Holdings Limited and inflation, offset by an increase in variable contribution (VC) margin. This VC margin increase was primarily due to increased commissions, increased interest revenue from Set for Life-related term deposits and the final step up in fees from the Jumbo Interactive Limited reseller agreement.

Keno

Keno results for the half year ended 31 December 2023	1H24 \$m	1H23 \$m
Revenue	146.6	147.4
EBITDA	56.0	59.8
EBIT	39.7	44.9

Keno revenue was \$146.6m, down 0.5% on the pcp and EBITDA was \$56.0m, down 6.4% on the pcp.

Keno posted a strong retail performance, with turnover growth in Queensland and NSW supported by increased footfall in venues and a continued uplift in local area marketing initiatives.

This was largely offset by lower digital turnover in the first quarter of 1H24, which stabilised in 2Q24, following the initial impact of competition in Victoria.

Keno earnings were impacted by the transfer of some digital turnover from the ACT to lower margin Victoria as required under our new Victorian Keno licence, changes to fees paid by venue partners following a move to a variable fee model, and an increase in operating expenses. This contributed to a reduction in the EBITDA/Revenue margin from 40.6% to 38.2%.

5. Dividend

The Directors have determined to pay an interim ordinary dividend of 8.0 cents per share, fully franked, and in line with the pcg, which represents approximately 91% of 1H24 NPAT before significant items.

The Company's dividend reinvestment plan (DRP) will operate in respect of the interim dividend, with no discount or underwriting applicable. The Company intends to purchase shares on market to satisfy its obligations under the DRP.

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 8. 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

21 February 2024



**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 2023, 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.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive, stylized font.

Ernst & Young

A handwritten signature in black ink, appearing to be 'Michael Collins', written in a cursive style.

Michael Collins
Partner
21 February 2024

Financial Report



Income statement

For the half year ended 31 December 2023

	Note	December 2023 \$m	December 2022 \$m
Revenue	A4	1,884.9	1,920.2
Other income/(loss)	A4	1.6	(0.5)
Government taxes and levies		(1,033.7)	(1,091.1)
Commissions and fees		(313.8)	(289.1)
Employment costs		(67.2)	(56.6)
Communication and technology costs		(25.3)	(21.8)
Advertising and promotions		(20.0)	(20.8)
Separation costs	A1	(26.7)	(43.7)
Other expenses		(28.3)	(31.5)
Depreciation and amortisation	A4	(52.1)	(48.6)
Impairment	A4	1.1	(4.8)
Profit before income tax and net finance costs		320.5	311.7
Finance income	A4	11.7	0.6
Finance costs	A4	(67.6)	(61.0)
Profit before income tax		264.6	251.3
Income tax expense	A5	(47.2)	(78.4)
Net profit after tax		217.4	172.9
Other comprehensive income			
Items that may be reclassified to profit or loss			
Change in fair value of cash flow hedges taken to equity		(3.3)	(61.6)
Income tax relating to these items		2.3	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		(1.0)	(41.7)
Total comprehensive income for the period		216.4	131.2
Earnings per share:			
Basic and diluted earnings per share	A2	9.8	7.8
Dividends per share:			
Interim dividend	A3	8.0	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 2023

	Note	December 2023 \$m	June 2023 \$m
Current assets			
Cash and cash equivalents	C2	720.9	434.5
Receivables		116.0	41.8
Prepayments		16.2	13.6
Derivative financial instruments	B3	10.0	14.1
Other financial assets	B1	192.8	306.4
Other		111.3	116.0
Total current assets		1,167.2	926.4
Non current assets			
Receivables		7.7	8.0
Other financial assets	B1	183.9	50.7
Licences		698.6	716.0
Other intangible assets		2,254.2	2,255.4
Property, plant and equipment		70.9	72.7
Right-of-use assets		75.6	74.3
Prepayments		0.9	1.3
Derivative financial instruments	B3	201.3	264.8
Other		0.8	1.3
Total non current assets		3,493.9	3,444.5
TOTAL ASSETS		4,661.1	4,370.9
Current liabilities			
Payables	C1	1,022.9	883.9
Lease liabilities		11.9	10.4
Current tax liabilities		26.2	36.2
Provisions		15.0	14.0
Derivative financial instruments	B3	9.0	10.8
Other		94.1	103.1
Total current liabilities		1,179.1	1,058.4
Non current liabilities			
Payables	C1	338.6	325.2
Interest bearing liabilities	B2	2,536.7	2,459.8
Lease liabilities		81.5	79.0
Deferred tax liabilities		159.2	164.7
Provisions		9.5	9.6
Other		8.2	9.4
Total non current liabilities		3,133.7	3,047.7
TOTAL LIABILITIES		4,312.8	4,106.1
NET ASSETS		348.3	264.8
Equity			
Issued capital		782.6	779.6
Retained earnings		728.2	644.3
Reserves		(1,162.5)	(1,159.1)
TOTAL EQUITY		348.3	264.8

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

Cash flow statement

For the half year ended 31 December 2023

	Note	December 2023 \$m	December 2022 \$m
Cash flows from operating activities			
Net cash receipts in the course of operations		1,991.8	2,015.2
Payments to suppliers, service providers and employees		(560.3)	(472.9)
Payments to government (including GST)		(980.1)	(1,015.1)
Finance income received		10.4	0.6
Finance costs paid		(61.8)	(59.7)
Income tax paid		(97.5)	(67.3)
Income tax benefit received in respect of settlement of pre-demerger tax litigation matters	A5	37.1	-
Net cash flows from operating activities		339.6	400.8
Cash flows from investing activities			
Payment for property, plant and equipment and intangibles		(28.6)	(21.4)
Transfers to term deposits relating to certain lottery games		(19.1)	(26.9)
Net cash flows used in investing activities		(47.7)	(48.3)
Cash flows from financing activities			
Net drawdown/(payment) from/(to) revolving bank facilities		135.0	(220.0)
Payment of lease liabilities		(5.0)	(4.7)
Dividends paid		(116.6)	-
On-market share purchase for dividend reinvestment plan		(16.9)	-
Net outlay to purchase shares		(2.0)	(6.3)
Net cash flows used in financing activities		(5.5)	(231.0)
Net increase in cash held		286.4	121.5
Cash at beginning of period		434.5	316.2
Cash at end of period		720.9	437.7

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 2023

	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	
2023								
Balance at 1 July 2023	2,225.8	785.9	(6.3)	644.3	(29.3)	(1,137.1)	7.3	264.8
Profit for the period	-	-	-	217.4	-	-	-	217.4
Other comprehensive income	-	-	-	-	(1.0)	-	-	(1.0)
Total comprehensive income	-	-	-	217.4	(1.0)	-	-	216.4
Dividends paid	-	-	-	(133.5)	-	-	-	(133.5)
Share based payments expense	-	-	-	-	-	-	2.6	2.6
Transfers	-	-	5.0	-	-	-	(5.0)	-
Net outlay to purchase shares	-	-	(2.0)	-	-	-	-	(2.0)
Balance at 31 December 2023	2,225.8	785.9	(3.3)	728.2	(30.3)	(1,137.1)	4.9	348.3
		Total issued capital \$782.6m			Total reserves (\$1,162.5m)			
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
Net 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)			

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 2023

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 2023 (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 21 February 2024 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 2023 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 2023 financial report.

The Directors are of the opinion that the Company is a going concern, and have prepared the financial report on this basis.

The Group's balance sheet reflects a net current asset deficiency as follows:

	Note	December 2023 \$m	June 2023 \$m
Current assets			
Cash and cash equivalents ⁽ⁱ⁾	C2	720.9	434.5
Receivables		116.0	41.8
Other financial assets ⁽ⁱⁱ⁾	B1	192.8	306.4
SA Lotteries monies held in trust		92.4	100.4
Other		45.1	43.3
Total current assets		1,167.2	926.4
Current liabilities			
Payables - Prize liabilities and customer account balances		721.0	582.1
Payables - other		301.9	301.8
SA Lotteries monies held in trust		92.4	100.4
Other		63.8	74.1
Total current liabilities		1,179.1	1,058.4
Net current asset deficiency		(11.9)	(132.0)

(i) Includes restricted cash balances

401.5 354.0

(ii) Other financial assets are held to fund payments to winners of certain lottery games, where winnings are payable for up to 20 years.

The net current asset deficiency largely arises due to prize liabilities and customer account balances totalling \$721.0m being classified as current liabilities under Australian Accounting Standards.

The Group maintains cash balances of \$720.9m (of which \$401.5m is restricted). The Group holds other financial assets (current) of \$192.8m required to be held to satisfy licence conditions to fund winnings of certain lottery games payable for up to 20 years. The Group has access to undrawn debt facilities of \$535.0m (June 2023: \$670.0m) to meet working capital and licence requirements, including settlement of prizes payable and customer account balances.

Working capital movements are impacted by the timing of lottery draws, receipt of customers' entries, prize settlements, jackpot activity, new winners for long-term annuity prizes, and shorter-term cash investments relating to long-term annuity prizes to drive higher returns.

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

A Group performance

- A1 Segment information
- A2 Earnings per share
- A3 Dividends
- A4 Revenue and expenses
- A5 Income tax
- A6 Subsequent events

B Capital and risk management

- B1 Other financial assets
- B2 Interest bearing liabilities
- B3 Derivative financial instruments
- B4 Fair value measurement

C Operating assets and liabilities

- C1 Payables
- C2 Cash and cash equivalents

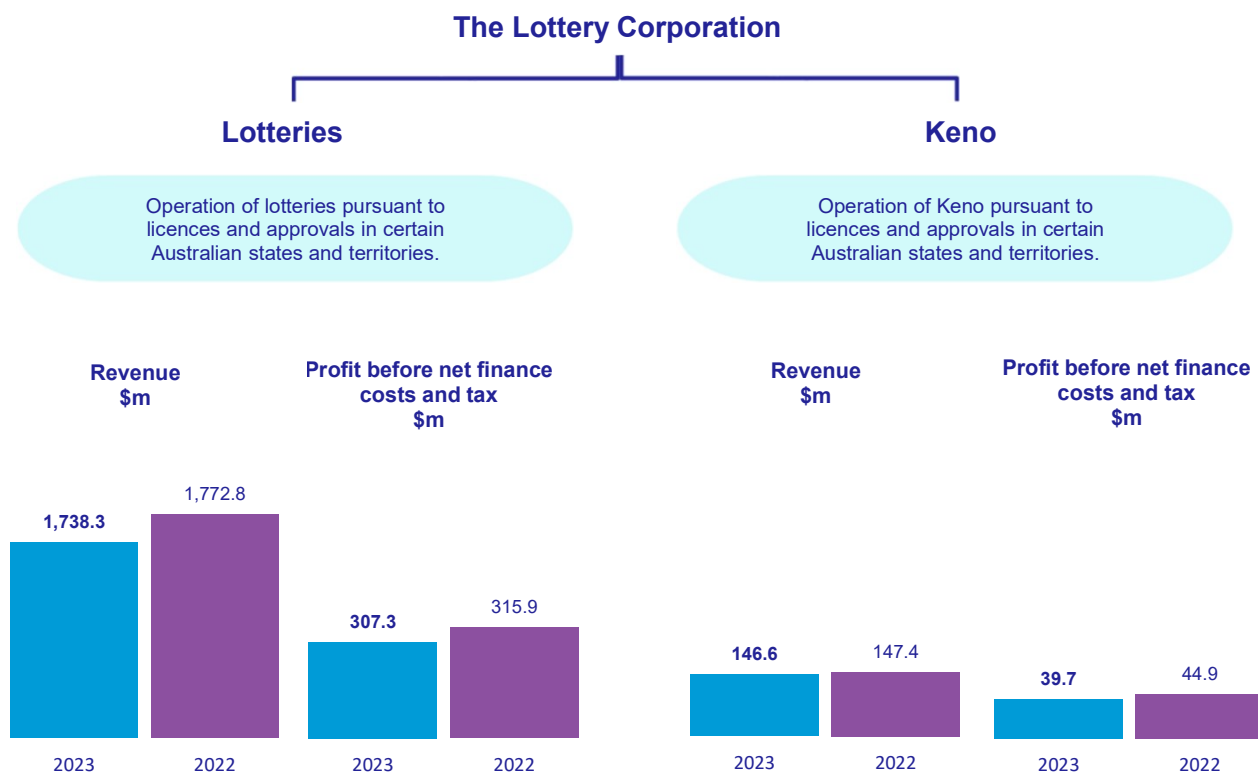
Notes to the financial statements: Group performance
For the half year ended 31 December 2023

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.



Notes to the financial statements: Group performance

For the half year ended 31 December 2023

SECTION A - GROUP PERFORMANCE (CONTINUED)

A1 Segment information (continued)

	Lotteries \$m	Keno \$m	Total \$m
December 2023			
Segment revenue ⁽ⁱ⁾	1,738.3	146.6	1,884.9
Segment profit before net finance costs and tax ⁽ⁱ⁾	307.3	39.7	347.0
December 2022			
Segment revenue ⁽ⁱ⁾	1,772.8	147.4	1,920.2
Segment profit before net finance costs and tax ⁽ⁱ⁾	315.9	44.9	360.8

(i) Includes interest revenue, refer to note A4.

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

	Revenue		Profit before income tax	
	December 2023 \$m	December 2022 \$m	December 2023 \$m	December 2022 \$m
Segment total (per above)	1,884.9	1,920.2	347.0	360.8
Unallocated items:				
- significant items:				
- separation costs ⁽ⁱ⁾	-	-	(26.7)	(43.7)
- impairment ⁽ⁱⁱ⁾	-	-	1.1	(4.8)
- other	-	-	(0.9)	(0.6)
	-	-	(26.5)	(49.1)
- finance income	-	-	11.7	0.6
- finance costs	-	-	(67.6)	(61.0)
Total per income statement	1,884.9	1,920.2	264.6	251.3

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

(ii) Current period comprises a partial reversal of the write down of assets in respect of surplus corporate lease space, which was recognised in the prior period.

A2 Earnings per share

	December 2023 \$m	December 2022 \$m
Earnings used in calculation of earnings per share (EPS) attributable to shareholders	217.4	172.9
	December 2023 Number (m)	December 2022 Number (m)
Weighted average number of ordinary shares used in calculating basic EPS	2,225.8	2,225.8
Effect of dilution from Performance Rights	1.7	0.3
Weighted average number of ordinary shares used in calculating diluted EPS	2,227.5	2,226.1

Notes to the financial statements: Group performance

For the half year ended 31 December 2023

SECTION A - GROUP PERFORMANCE (CONTINUED)

A3 Dividends

	December 2023 Cents per share	December 2022 Cents per share	December 2023 \$m	December 2022 \$m
Fully franked dividends declared and paid during the period:				
Prior year final dividend	6.0	-	133.5	-
	6.0	-	133.5	-
Fully franked dividends declared and recognised after balance date:				
Interim dividend	8.0	8.0	178.1	178.1
Special dividend	-	1.0	-	22.3
	8.0	9.0	178.1	200.4

A4 Revenue and expenses

	December 2023 \$m	December 2022 \$m
(a) Revenue comprises:		
Revenue from contracts with customers ⁽ⁱ⁾	1,875.3	1,914.3
Interest revenue	9.6	5.9
	1,884.9	1,920.2
(b) Other income/(loss)		
Net loss on disposal of non current assets	-	(0.7)
Other	1.6	0.2
	1.6	(0.5)
(c) Finance income		
Interest income	6.2	0.6
Interest on settlement of pre-demerger tax litigation matters ⁽ⁱⁱ⁾	5.5	-
	11.7	0.6
(d) Finance costs		
Interest costs on interest bearing liabilities	64.4	57.1
Interest costs on lease liabilities	0.8	0.8
Other	2.4	3.1
	67.6	61.0
(e) Depreciation and amortisation		
Licences	17.4	17.4
Other intangible assets	18.0	14.9
Property, plant and equipment	11.0	10.6
Right-of-use assets	5.7	5.7
	52.1	48.6
(f) Impairment ⁽ⁱⁱⁱ⁾		
Right-of-use assets	(1.1)	2.1
Leasehold improvements	-	2.2
Plant and equipment	-	0.5
	(1.1)	4.8

(i) Includes management fees recognised in relation to the Master Agent Agreement associated with the operation of SA Lotteries of \$77.4m (2022: \$77.8m).

(ii) Refer to note A5.

(iii) Current period comprises a partial reversal of the write down of assets in respect of surplus corporate lease space, which was recognised in the prior period.

Notes to the financial statements: Group performance
For the half year ended 31 December 2023

SECTION A - GROUP PERFORMANCE (CONTINUED)

A5 Income tax

	December 2023	December 2022
	\$m	\$m
The major components of income tax expense are:		
Current tax	86.0	99.3
Adjustments in respect of current income tax of previous years	1.5	0.1
Deferred tax	(3.2)	(21.0)
Settlement of pre-demerger tax litigation matters ⁽ⁱ⁾	(37.1)	-
	47.2	78.4

- (i) On 11 September 2023 Tabcorp Holdings Limited (Tabcorp) and The Lottery Corporation resolved a dispute with the Australian Taxation Office relating to the income tax treatment of payments for various licences and authorities. Under the terms of the Separation Deed dated 25 March 2022 between Tabcorp and the Company, proceeds obtained, including any interest thereon, on the settlement of matters relating to businesses conducted by the Group prior to demerger would be remitted to the Group. The settlement funds received by the Group comprises a settlement amount of \$37.1m and \$5.5m representing interest thereon.

A6 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 2023

SECTION B - CAPITAL AND RISK MANAGEMENT

B1 Other financial assets

Other financial assets are held to fund payments to winners of certain lottery games, where winnings are payable for up to 20 years.

	December 2023 \$m	June 2023 \$m
Equity instruments at fair value through other comprehensive income		
Unlisted investments – managed fund ⁽ⁱ⁾	22.8	22.3
Debt instruments at amortised cost		
Investment – term deposits ⁽ⁱ⁾	353.9	334.8
	376.7	357.1
Current	192.8	306.4
Non current	183.9	50.7
	376.7	357.1

(i) Held to satisfy various regulatory requirements per state and territory-based licences under which the Group operates. Refer to note C2 for further details.

B2 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 balance date:

Facility	Details	Facility limit \$m	Maturity	December 2023	June 2023
				\$m	\$m
Bank overdraft	Floating interest rate overdraft facility. Subject to financial undertakings as to leverage and interest cover.	100.0	Apr-24	-	-
Bank loans - unsecured	Floating interest rate revolving facility. Subject to financial undertakings as to leverage and interest cover.	400.0	Jul-25	399.4	377.0
		550.0	Jul-27	113.1	-
		950.0		512.5	377.0
US Private Placement	Fixed interest rate US dollar debt. Aggregate US dollar principal of \$1,250.0m (June 2023: \$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 2023: \$1,626.5m). Subject to financial undertakings as to leverage and interest cover.	USD 105.0	Jun-26	153.9	158.9
		USD 450.0	Jun-28	661.2	682.4
		USD 520.0	Jun-30	765.9	790.2
		USD 175.0	Jun-33	258.7	267.0
		AUD 97.3	Jun-35	92.4	92.3
		AUD 97.3	Jun-36	92.1	92.0
				2,024.2	2,082.8
				2,536.7	2,459.8
Current				-	-
Non current				2,536.7	2,459.8
				2,536.7	2,459.8

Notes to the financial statements: Capital and risk management

For the half year ended 31 December 2023

SECTION B - CAPITAL AND RISK MANAGEMENT (CONTINUED)

B3 Derivative financial instruments

The Group holds the following derivative financial instruments, all at fair value based on level 2 observable inputs (refer to note B4):

	December 2023 \$m	June 2023 \$m
Current assets		
Cross currency interest rate swaps	0.3	1.2
Interest rate swaps	9.7	12.9
	10.0	14.1
Non current assets		
Cross currency interest rate swaps	184.8	235.7
Interest rate swaps	16.5	29.1
	201.3	264.8
	211.3	278.9
Current liabilities		
Cross currency interest rate swaps	9.0	10.8
	9.0	10.8

B4 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 2023 \$m	June 2023 \$m	December 2023 \$m	June 2023 \$m
Financial liabilities				
US Private Placement	2,024.2	2,082.8	1,937.8	1,964.3

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 2023.

Notes to the financial statements: Operating assets and liabilities

For the half year ended 31 December 2023

SECTION C - OPERATING ASSETS AND LIABILITIES

C1 Payables

	December 2023 \$m	June 2023 \$m
Current		
Payables ⁽ⁱ⁾	1,022.9	883.9
Non current		
Payables ⁽ⁱⁱ⁾	338.6	325.2

(i) Includes prize liabilities and customer account balances totalling \$721.0m (June 2023: \$582.1m).

(ii) Comprises prizes payable to the winners of certain lottery games where winnings are payable for up to 20 years (refer to note B1).

C2 Cash and cash equivalents

	December 2023 \$m	June 2023 \$m
Cash and cash equivalents comprise:		
Cash on hand and in banks - significant restrictions ⁽ⁱ⁾	401.5	354.0
Cash on hand and in banks - available for corporate use	319.4	80.5
	720.9	434.5

(i) Significant restrictions

The Group operates under state and territory-based licences which have various regulatory requirements in place that restrict the Group's use of certain cash balances and other financial assets (refer to note B1) for payment of lotteries duties and licence fees and to satisfy customer prize payment obligations. These restrictions arise under the trading conditions for each licence in connection with the Group's liability obligations and vary by jurisdiction. Cash on hand and in banks subject to restrictions as presented are held in accounts segregated from cash held for general use for corporate purposes where required.

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 2023 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

21 February 2024

Independent Auditor's Review Report





**Building a better
working world**

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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 2023, 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, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply 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 2023 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.

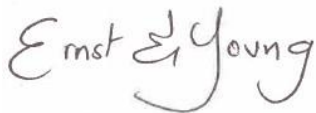
Directors' responsibilities for the half-year financial report

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 responsibilities for the review of the half-year financial report

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 2023 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*.

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.



Ernst & Young



Michael Collins
Partner
Melbourne
21 February 2024

