A Bright Future

2023 Annual Report

The Lottery Corporation

The Lottery Corporation Limited | ABN 21 081 925 706

FY23 Financial Highlights

A successful first year, delivering value to our shareholders and laying the foundations for a bright future

Group revenue
$3,513.1M

Group EBIT
$508.4M

Group EBIT
(before significant items) (i)
$615.0M

Group NPAT
$264.8M

Group NPAT
(before significant items) (i)
$339.4M

Total ordinary dividends (ii)
14.0 **cents per share**
fully franked

Earnings per share
11.9 **cents per share**

Earnings per share
(before significant items) (i)
15.2 **cents per share**

(i) "Non-IFRS" information and unaudited.
(ii) Total ordinary dividends comprised of an interim dividend of 8.0 cps and a final dividend of 6.0 cps for FY23. Excludes special dividend of 1.0 cps paid in relation to June 2022 NPAT (before significant items).

FY23 Customer Highlights

A successful first year, delivering exciting offers and building upon our strengths of responsible gambling and customer experience

Record

$160M Powerball® jackpot

our largest lottery offer

Highest Level 4 WLA (iii) Responsible Gambling accreditation

won Best Overall Responsible Gaming Program and Best Corporate Advertising awards at 2022 WLA (iii) Summit

Made

270+ Lotteries & Keno millionaires

who collectively took home more than $1.4B (iv)

Paid

$5.1B in Lotteries & Keno prize money

with more than 196 million wins (v)

Customer growth achieved a new record high of

4.2M

active registered Lotteries customers (vi)

(iii) WLA - World Lottery Association.

(iv) Draws of the Saturday Lotto, Monday & Wednesday Lotto, Oz Lotto®, Powerball®, and Keno games had 271 $1M+ winning entries in FY23 Australia-wide (ex. WA).

(v) Prizes paid in the Saturday Lotto, Monday & Wednesday Lotto, Oz Lotto®, Powerball®, Set for Life®, Super 66®, Lotto Strike®, Instant Scratch-Its® tickets, and Keno games in FY23 Australia-wide (ex. WA).

(vi) 'Record high' when compared to number of active registered Lotteries customers as at 30 June 2022.

Contents

2023 Annual General Meeting

The 2023 Annual General Meeting will be held in person at 10:00am (Sydney time) on Thursday, 19 October 2023.

Details of the meeting (including the items of business) will be set out in the Notice of Annual General Meeting which can be found on our website at:
www.thelotterycorporation.com/investors/annual-general-meeting

2023 Corporate Governance Statement

The 2023 Corporate Governance Statement can be found on our website at:
www.thelotterycorporation.com/about/corporate-governance

Who We Are

The Lottery Corporation Limited (**The Lottery Corporation** or the **Company**) is the driving force behind Australia's leading lottery and Keno games and one of the best-performing lottery businesses in the world (i). We operate a diversified and balanced portfolio of high-profile brands under exclusive and/or long-dated licences and approvals.

Customer-led convenience is central to our unique omni-channel offering. We bring Australia's largest lottery games to an estimated 9.7 million active Lotteries customers (ii).

We operate through more than 7,200 retail points of distribution (iii), points which are integrated with our well developed digital channel across web and mobile.

We have a proud history of delivering life-changing wins to our customers and making a meaningful difference in our communities.

The Lottery Corporation has low capital intensity and highly defensive characteristics including strong cashflow generation.

More information can be found at:
www.thelotterycorporation.com

(i) The Lottery Corporation has the third-highest draw lottery game sales per capita. Source: La Fleur's Almanac 2023 (Lotto and spiel).

(ii) Active customer numbers based on Roy Morgan Gambling Monitor, April 2022 – March 2023. Based on percentage of respondents who had purchased a lottery product over the last 12 months in The Lottery Corporation's jurisdictions of operations (ex. WA), and weighted against the Australian adult population as at March 2023, based on Australian Bureau of Statistics monthly estimates.

(iii) As at 30 June 2023. Comprised of 3,869 Lotteries outlets and 3,377 Keno venues.

Letter from the Chairman & the CEO

Our brands and games have been adding excitement to the lives of Australians for more than 140 years. We are the driving force behind Australia's largest lottery games and one of the highest performing lotteries businesses globally[(i)].

Dear Shareholders,

We are pleased to present The Lottery Corporation's 2023 Annual Report.

A successful first year

FY23 marks our first, full financial year as a new standalone ASX-listed entity.

Our focus has been to ensure that the Company is successfully established and prepared for a bright future.

We have articulated our vision, purpose and principles, continued to oversee and deliver a complex separation program, established strong risk and governance processes, invested in programs to further mitigate our risks and established a framework to underpin a disciplined approach to capital management.

Our games continue to inspire dreams and entertain. The Lottery Corporation makes a difference - and generates returns for shareholders, governments, and our partners.

In FY23, we successfully delivered on our proven track record of portfolio management and continued the positive commercial momentum of the business.

Financial highlights

The Lottery Corporation continued to deliver earnings growth in FY23. On a comparable[(ii)] basis, Group revenue increased 0.2% to $3,513.1m and Group EBIT (before significant items) increased 3.5% to $615.0m. The result follows the record performance achieved in FY22 and strong performance in FY21.

Viewed against the backdrop of broader headwinds in the Australian economy and cost-of-living pressures, the result shows the resilience of lotteries in different trading conditions.

Delivering on a proven track record

In FY23 we continued to deliver to a long-term plan that's successfully driven growth over decades while introducing a suite of new, customer-centred initiatives.

These included the launch of Store Syndicates Online, a popular innovation that has allowed our retail partners to sell entries into their store syndicates to a wider population online.

In May 2023, we implemented a subscription price increase for our Powerball® lottery - the first since 2018 - along with an increase to commission rates for Lotteries retailers. The benefits of these changes are expected to continue to flow into future periods.

In Keno, we launched our integrated retail and digital offer in Victorian pubs and clubs in the second half of the year under our 20-year licence.

(i) The Lottery Corporation has the third-highest draw lottery game sales per capita. Source: La Fleur's Almanac 2023 (Lotto and spiel).

(ii) Due to the impact of the demerger on Reported results The Lottery Corporation believes Comparable results provide useful information to investors in measuring the financial performance and condition of its business. Comparable results is "non-IFRS" information and is unaudited, refer to page 13 for further information.

A bright future

We've entered FY24 with a clear focus on driving growth and delivering value to shareholders.

Our investment agenda is focused on digitally-enabled, customer-led initiatives that can supercharge the customer experience.

In terms of our distribution channels, we will continue to balance investments across retail and digital, with customer convenience the guiding principle.

As part of this, we are rolling out new terminals across our retail network to enable an improved experience for retailers and customers. A new BYO device initiative will allow us to have a Keno presence in more licensed venues and at a lower cost to serve.

These exciting initiatives will make our products more accessible and accelerate retail and digital channel convergence. They will also make the customer experience more consistent whether Australians are buying our products through our digital channels or at their local lottery outlet or Keno venue.

Above all, we prioritise providing our customers with a safe, secure and friendly environment to play our games and we continue to evolve our customer care practices. We are mindful that the cybersecurity threat landscape continues to evolve and increase in complexity for all companies - and we are working to continually improve our data, privacy and cybersecurity infrastructure over time.

Making positive impacts

Our purpose is to make positive impacts and, as part of a sustainable lotteries ecosystem, we continue to deliver on that goal.

Through FY23, we have worked to define a sustainability strategy. This strategy addresses environmental, social and governance (ESG) factors specifically relevant to the Company and its businesses and sets out how we will drive positive change as we pursue our vision to be the world's best lottery operator. We are pleased to present our first Sustainability Report (pages 32 to 47) which provides detail on our ESG aspirations. These aspirations are likely to change over time.

The impacts of online gambling have been on the Federal Government's agenda in 2023 amid growing community concern. The Lottery Corporation welcomes the government's focus as we want the safest gambling environment possible.

In April 2023, we participated in the Federal Parliament's inquiry into online gambling along with the Australian Lotteries and Newsagents Association in detailing the widely accepted evidence that lotteries are associated with low levels of gambling harm. We have been focused on making sure that lottery products are differentiated as broad-based, low spend and contributing to communities.

Capital and dividends

During FY23 The Lottery Corporation paid its first dividends to shareholders comprising an interim dividend of 8.0 cents per share (along with a special dividend of 1.0 cent per share[iii]) and a final dividend of 6.0 cents per share.

Total ordinary dividends for FY23 represented a payout ratio of 91.8% of full year net profit after tax (NPAT) (before significant items), and in line with the targeted range of 80-100% of full year NPAT (before significant items) set out in our capital allocation framework.

Our Board

As shareholders will recall, Ms Megan Quinn, Mr John O'Sullivan and Dr Doug McTaggart formally joined the Board in October 2022 as Non-executive Directors following receipt of necessary regulatory and ministerial consents. Ms Quinn, Mr O'Sullivan and Dr McTaggart were subsequently elected as Non-executive Directors at the 2022 Annual General Meeting by shareholders.

On 30 June 2023, we were pleased to announce that Mr Stephen Morro would act as an Observer to the Board from 1 July 2023 and that subject to receipt of necessary regulatory and ministerial approvals, he would be appointed as a Non-executive Director. Mr Morro has significant gaming industry experience (both in Australia and globally) and the Directors consider that his skills and experience will complement and further strengthen the Board.

Standing for re-election at the 2023 Annual General Meeting is Mr Steven Gregg (Chairman) and Mr Harry Boon. Mr Gregg's and Mr Boon's skills and experience are detailed on page 54 of this Annual Report. The Directors consider [iv] that Mr Gregg's and Mr Boon's skills, experience and corporate history continue to be of significant value to the Company.

Our people and partners

Our teams are engaged behind our vision, purpose and principles, which are driving a healthy culture within the Company. We'd like to acknowledge our people for their extensive contribution to a successful first year.

We recently launched Share in Success, an initiative that allows employees who don't already participate in an incentive plan to receive a payment when The Lottery Corporation's profit exceeds targets.

Share in Success responds to our team members' desire to share in the Company's wins and delivers that in a way that rewards them when they create shareholder value.

Our retail partners are the face of our business in the community. We thank them for another successful year and look forward to ongoing collaboration.

Conclusion

We intend to build on our track record of delivering sustainable growth while creating winning moments for our customers and positive impacts for our people and communities.

We want to thank you, our shareholders, for your support throughout our first full year as a top 50 standalone ASX-listed company and during this current exciting phase for The Lottery Corporation.

Steven Gregg
Chairman

Sue van der Merwe
Managing Director and Chief Executive Officer

(iii) Special dividend paid in relation to June 2022 NPAT (before significant items).

(iv) With Mr Gregg and Mr Boon abstaining.

Key Initiatives Delivered in FY23

Strong growth across our business was underpinned by a suite of initiatives focused around product innovation, active portfolio and jackpot sequence management, digital enhancements and retail uplift.

Dynamic campaigns across Lotteries and Keno were launched to support the return of players back to Keno venues along with increased personalisation boosting advertising efficiency and effectiveness.

Launch of Store Syndicates Online

A leading innovative online syndicate tool released in November 2022 allowing customers to also buy store syndicate entries online from local lottery outlets. This provides more support to our retailers and drives seamless customer experiences across all channels.

Keno omni-channel initiatives

We launched our integrated retail and digital channels offer in Victoria in the second half of FY23 under our 20-year licence, providing customers a seamless digital and in-venue experience and allowing pubs and clubs to generate income from digital Keno play for the first time. Queensland customers welcomed the launch of the Keno app which elevates their in-venue experience similar to New South Wales and Victoria, and allows customers to check their tickets in real-time on their personal device.

Commission increase for Lotteries retailers

Maximum commission rates for eligible Lotteries retailers were increased from 10.3% to 12.3%[i] from May 2023 and adjustments were also made to our omni-channel commission structure. For our Lotteries retailers, these changes deliver increased returns for driving performance and rewards them for supporting our omni-channel products and services. These strengthened relationships support the long-term sustainability of our retailer network.

(i) Commission as percentage of subscription for all lottery products, excl. Lucky Lotteries® Super Jackpot, Lucky Lotteries® Mega Jackpot, Instant Scratch-Its® tickets, Keno Coin Toss® and Keno games.

Active jackpot sequence management

Active game management delivered accelerated jackpot rolls and a record draw for our Powerball® lottery. Additional event draws (e.g. mid year Megadraw) were conducted and promotional offers were made to stimulate customer interest (such as Double Dividends and Cashcade Celebrations).

Powerball® lottery price increase

In May 2023 a price increase for the Powerball® lottery was successfully implemented, delivering an increase in average prizes for our customers. The benefits of this change for both our customers and our retail network will continue to flow into future periods.

Digital innovation

A continual focus on digital innovation, combined with leveraging data to personalise marketing and optimise customer experiences, saw the digital share of Lotteries turnover grow to 38.4%, driving margin improvement. Customer analytics and personalised communication continues to deliver commercial uplift, increasing the efficiency and effectiveness of our advertising.

Operating & Financial Review

Operating & Financial Review

About The Lottery Corporation

- Exclusive and/or long-dated licences.
- Diversified and balanced portfolio of high-profile and recognised brands.
- Low capital intensity.
- Significant and diverse retail distribution; further upside potential from digital growth.
- Highly defensive characteristics including strong cashflow generation.

$3,513.1M
Group revenue

$508.4M
Group EBIT

$264.8M
Group NPAT

Our business

The Lottery Corporation is Australia's leading lottery and Keno operator with a portfolio of high-profile brands and games. The Lottery Corporation's business segments consist of:

Lotteries – The Company holds exclusive and/or long-dated licences or approvals to operate in all Australian States and Territories (excluding Western Australia), with a significant retail distribution network and a strong online presence. The Lottery Corporation operates one of the highest performing lotteries businesses globally[i].

Keno – The Company is also licensed to provide Keno products to venues across New South Wales, Victoria, Queensland, South Australia and the Australian Capital Territory. Keno is supplied in licensed venues including hotels, clubs, casinos and TABs as well as online in the Australian Capital Territory and Victoria. Keno is also distributed through lottery outlets in South Australia.

(i) The Lottery Corporation has the third-highest draw lottery game sales per capita. Source: La Fleur's Almanac 2023 (Lotto and spiel).

Our licences and approvals

Lotteries

Figure 1: Lotteries licences/approvals year of maturity

(i) The Tasmanian Lotteries operates under renewable five-year permits linked to Victorian and Queensland licences.

(ii) The ACT Lotteries licence is indefinite unless revoked.

(iii) Permit to sell Instant Scratch-Its® tickets in the Northern Territory expires in 2028.

Keno

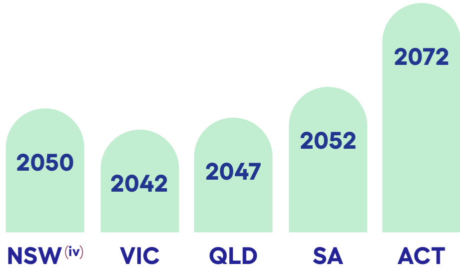


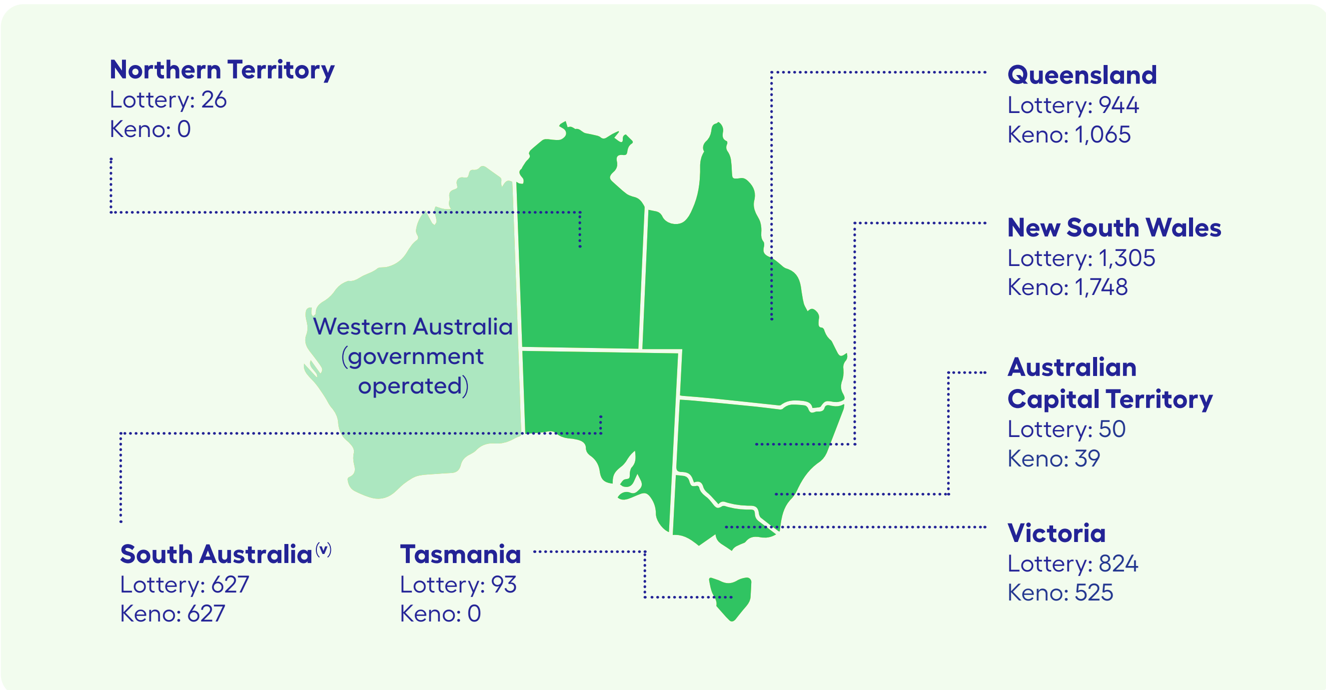
Figure 2: Keno licences/approvals year of maturity

(iv) The NSW licence is operated with ClubKeno Holdings Pty Ltd as co-licensee.

The Lottery Corporation's national reach

The Lottery Corporation has a retail network of more than 7,200 points of distribution making it one of the largest retail networks in the country. As at 30 June 2023, there were 3,869 Lotteries outlets and 3,377 Keno venues.

Figure 3: The Lottery Corporation map of retail distribution as at 30 June 2023



(v) Keno products are distributed through Lottery retail outlets in South Australia and are excluded from Keno number of venues total.

The Lottery Corporation's digital reach

The Lottery Corporation continues to successfully grow its digital presence through the release of regular website and app enhancements, data-led personalisation, and dedicated marketing focus to maximise visibility and traffic. Our business adjusted for the return of pre-COVID purchasing behaviours which, as expected, had a greater impact on our Keno business than our Lotteries business (being more closely associated with in-venue play in pubs and clubs which were closed during COVID). Our digital channel is a growing and significant part of our business, accounting for 38.4% of Lotteries turnover and 13.9% of Keno turnover in FY23.

FY23 Financial Performance

Commentary on results

Reported results

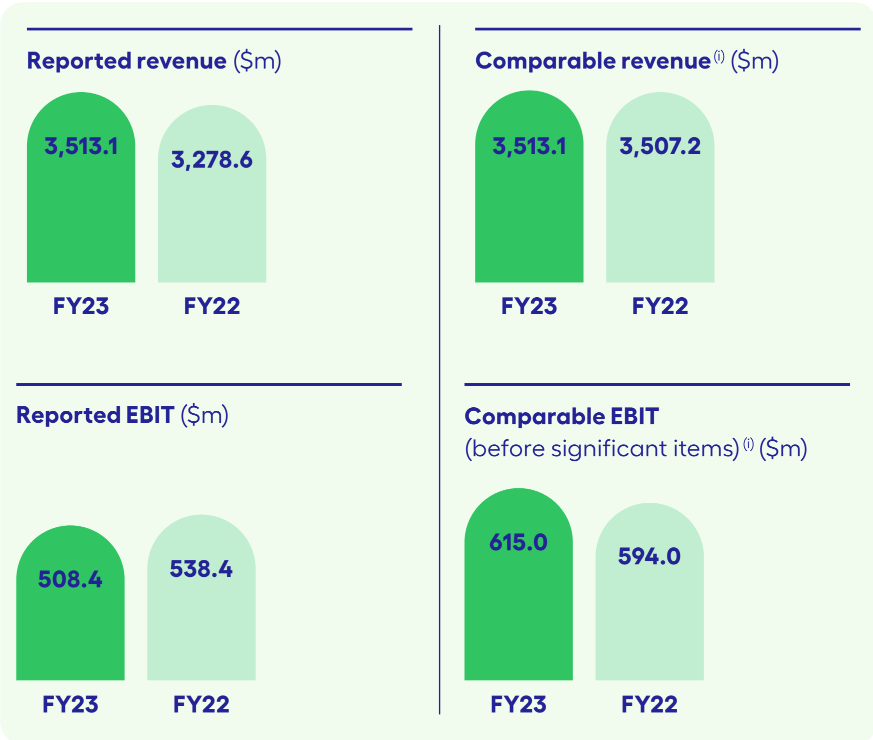
Commentary on the **Reported** results relates to the audited financial information with respect to:

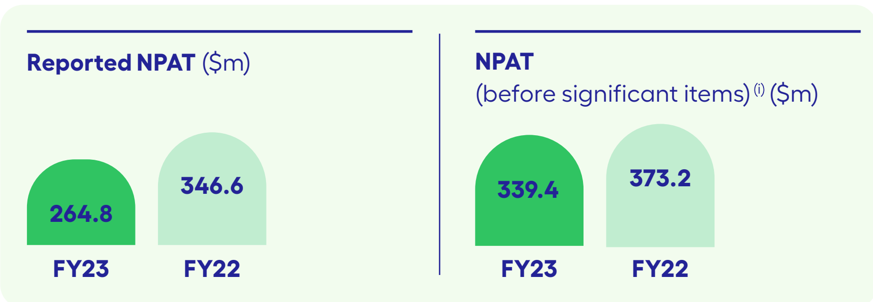
- the Lotteries business for FY23 and FY22;
- the Keno business for FY23; and
- the Keno business from the date of acquisition by The Lottery Corporation as part of the demerger from Tabcorp in May 2022 to 30 June 2022.

Comparable results

To enhance comparability between FY23 and FY22 and to provide more insight into the underlying performance of the businesses, equivalent financial information has also been included, 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;
- 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; and
- FY22 has been updated to include the estimated impact of net additional standalone operating costs ($9.0m) associated with the demerger from Tabcorp (which took effect in June 2022), as per the pro forma historical results in Section 3.13.4 of the Demerger Booklet.





(i) "Non-IFRS" information and unaudited.

Table 1: Group FY23 performance summary

	Reported			Comparable [i]		
Group results for the year ended 30 June	**FY23 $m**	FY22 $m	% Change	**FY23 $m**	FY22 $m	% Change
Revenue	**3,513.1**	3,278.6	7.2	**3,513.1**	3,507.2	0.2
Taxes, levies, commission and fees	**(2,521.4)**	(2,440.5)	3.3	**(2,521.4)**	(2,549.6)	(1.1)
Operating expenses	**(380.3)**	(229.0)	66.1	**(380.3)**	(273.0)	39.3
Depreciation and amortisation	**(98.2)**	(61.9)	58.6	**(98.2)**	(90.6)	8.4
Impairment - other	**(4.8)**	(8.8)	(45.5)	**(4.8)**	–	–
EBIT [ii]	**508.4**	538.4	(5.6)			
EBIT (before significant items) [iii]	**615.0**	547.8	12.3	**615.0**	594.0	3.5
NPAT	**264.8**	346.6	(23.6)			
NPAT (before significant items) [iii]	**339.4**	373.2	(9.1)			
EPS (before significant items) [iii] – cents per share	**15.2**	16.8	(9.5)			
EPS – cents per share	**11.9**	15.6	(23.7)			

(i) Due to the impact of the demerger on Reported results The Lottery Corporation believes Comparable results provide useful information to investors in measuring the financial performance and condition of its business. Comparable results is "non-IFRS" information and is unaudited, refer to page 13 for further information.

(ii) "Non-IFRS" information and unaudited.

(iii) "Non-IFRS" information and unaudited. For details of significant items, refer to note A1 Segment information of the Financial Report.

Review of Group performance

The Lottery Corporation and its subsidiaries (the **Group**) Reported revenue for FY23 of $3,513.1m, up 7.2% on the previous year. Group NPAT was $264.8m. Group NPAT (before significant items) was $339.4m, down 9.1% on the previous year due to the inclusion of 12 months of interest in FY23; only one month of interest was included in FY22, following the demerger from Tabcorp.

For FY22 the Reported operating result overwhelmingly relates to the Lotteries business, as it only includes Keno results for the period of ownership between May 2022 and 30 June 2022. Further details about the operational performance and results of our Lotteries business, as well as the Keno business on a comparable basis, are set out in this report.

Capital management

The Group's objectives when managing capital are to ensure the Group continues as a going concern while providing optimal returns to shareholders and other stakeholders, and to maintain an appropriate capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may alter the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. Our approach to capital management includes the following objectives.

Target	Actual
Leverage of 3.0x to 4.0x (Net debt / EBITDA (before significant items) [iv])	3.1x (as at 30 June 2023) based on FY23 EBITDA (before significant items) [iv]
Minimise the cost of borrowing	Average interest rate of 5.7% (based on drawn debt as at 30 June 2023)
Strong investment grade credit rating	S&P Rating of BBB+

(iv) "Non-IFRS" information and unaudited.

The Group targets a strong investment grade credit rating and, as at 30 June 2023, has a BBB+/stable rating. Leverage is managed primarily through the ratio of net debt to EBITDA. Net debt is gross debt (bank loans and US Private Placement at the Australian dollar principal repayable under cross currency interest rate swaps) plus lease liabilities less unrestricted cash.

Dividends

In relation to FY23 dividends, The Lottery Corporation has announced:

- A final dividend of 6.0 cents per share, fully franked, payable on 20 September 2023.
- An interim dividend of 8.0 cents per share, fully franked, paid on 23 March 2023.
- This brings total ordinary dividends (interim and final) to 14.0 cents per share, which represents a payout ratio of 91.8% of FY23 NPAT (before significant items) [iv].
- In addition, a special dividend of 1.0 cent per share was paid to eligible shareholders on 23 March 2023 in relation to June 2022 NPAT (before significant items) [iv]. This covered the period post the demerger from Tabcorp but prior to the commencement of the 2023 financial year.

A dividend reinvestment plan (DRP) was established from 1H23. Participation was offered to shareholders with a registered address in Australia or New Zealand in respect of the interim dividend and special dividend. The DRP will also apply to the final dividend for FY23. No discount applied to shares allocated under the plan for the interim and special dividends. Similarly no discount applies to shares to be allocated under the plan for the final dividend. The allocation of shares under the DRP in respect of the interim and special dividend was satisfied (and, in respect of the final dividend, will be satisfied) in full by an on-market purchase of shares.

Our Operations

Lotteries

The Lott is the official home of Australia's lotteries by Tatts, NSW Lotteries, Golden Casket and SA Lotteries, with operations in Victoria, Tasmania, Northern Territory, New South Wales, Australian Capital Territory, Queensland and South Australia.

Figure 4: The Lottery Corporation's licensed entities operate a portfolio of leading game brands. The portfolio includes 10 lottery games, consisting of core base games and jackpotting games.

The Lottery Corporation's game portfolio offers a range of top prizes that appeal to an array of consumer purchase motivations. The products range from Instant Scratch-Its® tickets offering players instant wins to Powerball® jackpots, which provides life-changing prizes.

Each game is designed, positioned and promoted to appeal to different customer segments to ensure broad appeal across the Australian adult population.

The Lottery Corporation offers its Lottery products digitally through its website and app under The Lott® brand, with the digital share of Lotteries turnover growing to 38.4% for FY23.

The business also has significant retail presence across Australia (excluding WA) through its distribution of Lottery products in 3,869 retail outlets[i] and online.

The Lottery Corporation's retail franchise network includes full-service outlets and instant-only outlets that are installed as a 'store within a store' format to provide identity under The Lott® alongside the respective licensee brands which follow a specific State based identity. Participation across these channels has resulted in the equivalent of 52.9% of the Australian adult population purchasing a lottery product in the last 12 months, which translates to an estimated 9.7 million players[ii]. Of these players, The Lottery Corporation has 4.2 million active registered customers in its Lotteries database as at 30 June 2023, which accounted for approximately 60.7% of turnover in FY23. This database enables targeted communications which supports and engages customers across multiple customer touch points.

The Lottery Corporation has also officially authorised Jumbo Interactive (ASX: JIN) and other Lotteries resellers to resell Lottery products.

(i) As at 30 June 2023.

(ii) Source: Roy Morgan Gambling Monitor, April 2022 – March 2023. Based on percentage of respondents who had purchased a lottery product over the last 12 months in The Lottery Corporation's jurisdictions of operations (ex. WA), and weighted against the Australian adult population as at March 2023, based on Australian Bureau of Statistics monthly estimates.

Table 2: Lotteries FY23 performance summary

	Reported			Comparable[iii]		
Lotteries results for the year ended 30 June	**FY23 $m**	FY22 $m	% Change	**FY23 $m**	FY22 $m	% Change
Revenue	**3,232.6**	3,254.9	(0.7)	**3,232.6**	3,254.9	(0.7)
Taxes, levies, commission and fees	**(2,391,3)**	(2,430.1)	(1.6)	**(2,391,3)**	(2,430.3)	(1.6)
Operating expenses	**(234.1)**	(224.3)	4.4	**(234.1)**	(231.9)	0.9
EBITDA (before significant items)[iv]	**607.2**	600.5	1.1	**607.2**	592.7	2.4
Depreciation and amortisation	**(68.2)**	(59.0)	15.6	**(68.2)**	(59.0)	15.6
EBIT (before significant items)[iv]	**539.0**	541.5	(0.5)	**539.0**	533.7	1.0

(iii) Due to the impact of the demerger on Reported results The Lottery Corporation believes Comparable results provide useful information to investors in measuring the financial performance and condition of its business. Comparable results is "non-IFRS" information and is unaudited, refer to page 13 for further information.

(iv) "Non-IFRS" and unaudited.

Review of FY23 performance

Reported revenue was $3,232.6m, down 0.7% and Comparable EBIT (before significant items) was up 1.0% in a period of unfavourable jackpot outcomes.

Turnover, which drives revenue, was down 1.5% on the pcp. Turnover of the core base game category[v] was up 0.5% vs pcp, while the jackpot games segment – comprised of Powerball® and Oz Lotto® jackpots – was down 3.4%.

Powerball® jackpots tracked marginally below statistical model probabilities, however, its performance was boosted by active acceleration of the jackpot sequences at certain points in the year. This helped deliver the record $160m draw in October 2022 and $100m draw in December 2022.

(v) The base game category comprises of Saturday Lotto, Monday & Wednesday Lotto, Set for Life®, Lucky Lotteries®, Instant Scratch-Its® tickets, and other smaller lotteries games.

Oz Lotto® jackpots experienced a highly unfavourable 1-in-20 year jackpot run based on statistical model probabilities. There was also some short-term transfer of customers' spending to the higher Powerball® jackpots. The May 2022 matrix change (from 45 to 47 numbers) was designed to deliver most of its benefits through larger jackpots. These model outcomes are yet to play through.

Additional base game promotional draws and offers were activated to stimulate customer interest throughout the year. These included bigger Saturday Lotto Superdraw and Megadraw events, and the use of Double Dividends and Cashcade Celebrations on Monday & Wednesday Lotto.

In terms of distribution channels, digital turnover increased by 0.4% and retail turnover decreased 2.7% - a solid result considering overall Division 1 prize money on offer, which drives store traffic, was down. Digital turnover accounted for 38.4% of all Lotteries turnover.

The introduction of Store Syndicates Online added to digital performance, and active registered Lotteries customers grew by approximately 132k in the year to 4.2 million. Across our two distribution channels, we're investing in accelerating convergence and in enhanced personalisation of digital experiences.

The EBITDA/revenue margin improved from 18.2% in the pcp to 18.8%, primarily due to increased interest revenue from Set for Life® related term deposits (on a comparable basis), a further step up in fees from the Jumbo Interactive reseller agreement and the initial benefit of increased commissions for eligible Lotteries retailers.

4.2M

active registered Lotteries customers

up 3.2% on FY22

639M+

Lottery entries sold in FY23

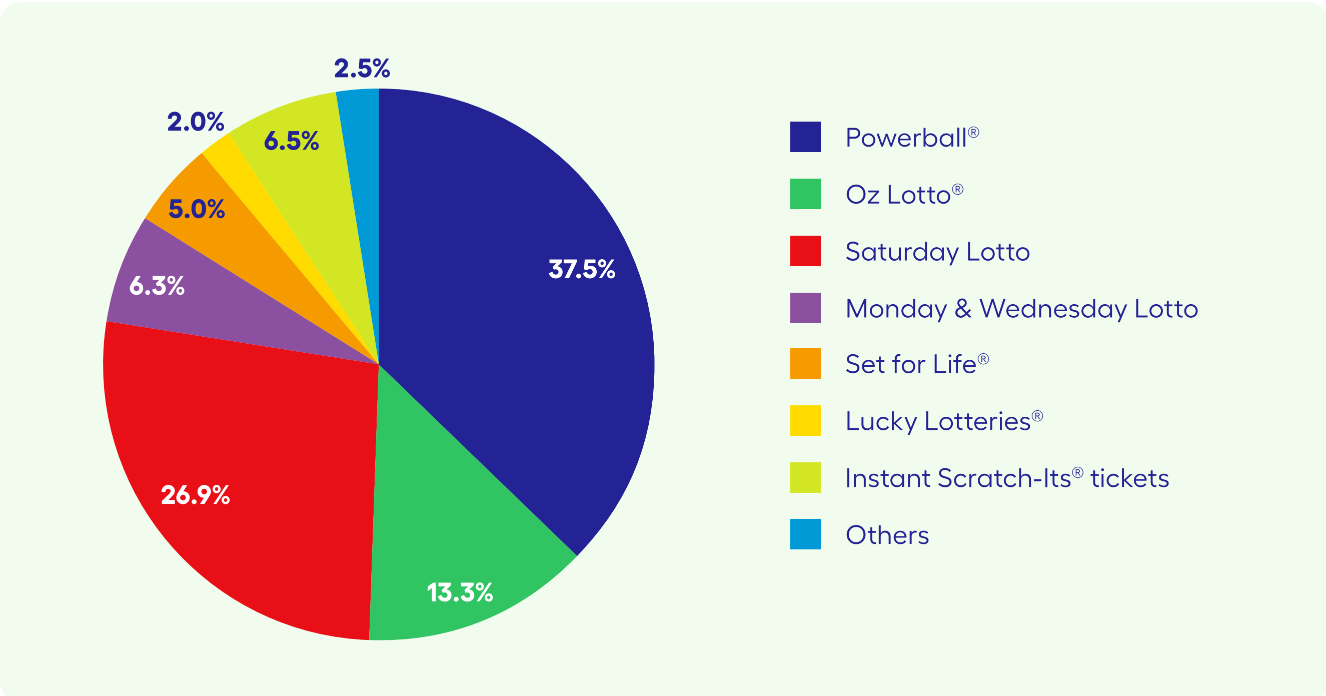
The equivalent of 52.9%

of the Australian adult population

purchased a Lottery product in the last 12 months (i)

(i) Source: Roy Morgan Gambling Monitor, April 2022 – March 2023. Based on percentage of respondents who had purchased a lottery product over the last 12 months in The Lottery Corporation's jurisdictions of operations (ex. WA), and weighted against the Australian adult population as at March 2023, based on Australian Bureau of Statistics monthly estimates.

Figure 5: FY23 Lotteries turnover by product



Keno

Keno is a random number game in which 20 numbers between 1 and 80 are randomly drawn with the chance for customers to win instant prizes and multi-million-dollar jackpots.

Keno is an interactive social game played predominantly in venues such as pubs, clubs, hotels, casinos and TABs, with games typically running every three minutes. The Lottery Corporation operates a Keno distribution network of 3,377 venues[(i)] in New South Wales, Victoria, Queensland and the Australian Capital Territory.

The Lottery Corporation holds licences/approvals to provide Keno products in licensed venues including pubs, clubs, hotels, casinos and TABs as well as online through its Australian Capital Territory and Victorian approvals.

(i) As at 30 June 2023.

Table 3: Keno FY23 performance summary

	Reported			Comparable[(ii)]		
Keno results for the year ended 30 June	**FY23 $m**	FY22 $m	% Change	**FY23 $m**	FY22 $m	% Change
Revenue	**280.5**	23.7	n.m.	**280.5**	252.4	11.1
Taxes, levies, commission and fees	**(130.1)**	(10.4)	n.m.	**(130.1)**	(119.5)	8.9
Operating expenses	**(44.4)**	(4.2)	n.m.	**(44.4)**	(41.0)	8.3
EBITDA (before significant items)[(iii)]	**106.0**	9.1	n.m.	**106.0**	91.9	15.3
Depreciation and amortisation	**(30.0)**	(2.6)	n.m.	**(30.0)**	(31.3)	(4.2)
EBIT (before significant items)[(iii)]	**76.0**	6.5	n.m.	**76.0**	60.6	25.4

(ii) Due to the impact of the demerger on Reported results The Lottery Corporation believes Comparable results provide useful information to investors in measuring the financial performance and condition of its business. Comparable results is "non-IFRS" information and is unaudited, refer to page 13 for further information.

(iii) "Non-IFRS" and unaudited.

Review of Keno FY23 performance

On a comparable basis, Keno delivered Reported revenue of $280.5m, up 11.1% on the pcp and Reported EBIT (before significant items) of $76.0m, up 25.4% on the pcp.

Keno grew strongly with reopened pubs and clubs in contrast to the first half of FY22 when closures and restrictions applied in New South Wales, Victoria and Australian Capital Territory. A dedicated marketing campaign supported the return of players to local hospitality venues and maximised the gains of the return to pre-COVID purchasing behaviour.

Turnover in the Keno retail channel grew by 23.3% and is significantly up on pre-COVID levels. The COVID tailwinds that accelerated Keno digital during the lockdowns were re-balanced across the omni-channel offering during FY23.

The EBITDA/revenue margin rose from 36.4% to 37.8%, 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.

20
year Victorian licence (granted 2022)
allowing digital distribution

Played in
3,377
venues[(iv)]

120+
million
Keno tickets sold in FY23

(iv) As at 30 June 2023, excluding South Australia.

Strategy

FY23 has been a foundational year for setting and embedding The Lottery Corporation's identity, ethos and strategy.

In addition to delivering strong financial performance, the Company endeavours to be a socially responsible lottery operator, a facilitator of life-changing events, a workplace of choice and an integral part of the Australian identity creating positive impacts. Our strategy provides a roadmap to reach these goals and lays out the path to a bright future.

OUR VISION

What is our aspiration?

To be the world's best lottery operator

OUR PURPOSE

Why do we exist?

To create positive impacts

Our vision and purpose form the forward-looking compass of our organisation. We have big aspirations to lead our industry and become the world's best lottery operator while creating positive impacts for customers, shareholders and our community.

OUR PRINCIPLES

How do we want to operate?

- Create joyful moments
- Dare to find a better way
- Be accountable and transparent
- Nurture the uniqueness of our people

Underpinning our strategy are our corporate principles which guide how we do things and together form the basis of our culture. We challenge our people to apply these principles to their day-to-day work life and consider their impacts on a wider scale.

STRATEGIC PRIORITIES

What we need to do to realise our vision?

Our strategic priorities form our long-term focus. For each of the three pillars, we believe there are key areas of opportunity which will help us shift the dial and achieve our vision. We look to regularly review and evolve these priorities to match market changes as well as the expectations from the communities we operate in.

DRIVE

Growth through game portfolio innovation and seamless customer experiences across all channels

- INNOVATE GAME PORTFOLIO
- OMNI-CHANNEL OFFERING

DEVELOP

Excellence and capability across our operations, technology that is future-fit and alliances with trusted partners

- ENHANCED FUNCTIONALITY
- COMMUNITY CONTRIBUTION

DISCOVER

Complementary new markets and earnings possibilities

- INDUSTRY & REGULATORY ENGAGEMENT
- LICENCE & OTHER OPPORTUNITIES

Strategy pillar - Drive

Innovate game portfolio

Recent changes to The Lottery Corporation's game portfolio look to better differentiate between products through strong and distinctive brands, create more jackpot opportunities, deliver sustained incremental growth and most importantly delight our customers. Changes to our games are considered in context of our full suite of offerings to ensure we are maximising market capture, relevance and reach. In May this year we successfully delivered a Powerball® lottery price increase. This change is expected to support more frequent large jackpot offers.

Omni-channel offering

We are a customer-led business. We recognise the importance of optionality to our customers and how digital and retail channels complement each other when deployed effectively. In May 2023, we implemented a commission review across the Lotteries retail network.

In an environment of lower lottery jackpot offers, we leveraged marketing and digital innovation to deliver an increase in active registered customers across Lotteries from 4.1 million (FY22) to 4.2 million (FY23) players. The launch of Store Syndicates Online in November 2022 is a digital innovation that has allowed our Lotteries retail partners to sell entries into their store syndicates to a wider population online.

Digital

We invest in a digital program that aims to align with the way customers consume media and engage with our product. The Keno digital channel was successfully launched into Victoria – which helped us to grow the number of registered Keno customers.

Retail

We continue to strengthen and diversify our physical retail footprint to meet our customers' evolving preferences. In FY23 adjustments made to our commission structure provided increased returns to our Lotteries retailers for driving performance, and also further rewarded them for supporting our omni-channel products and services.

Strategy pillar - Develop

Enhanced functionality

We continually refine our operations to provide a more seamless and personalised experience. Along with investments in the infrastructure and platforms that support customer engagement points, we have launched Store Syndicates Online which allows our digital customers to purchase entries in syndicates offered by our Lottery retail partners. In addition, the Keno app for our Queensland based customers was launched, allowing them to check their tickets in real-time on their personal device. We have also completed the transfer of the Keno contact centre from Tabcorp, streamlining our support touch points and integrating it with our Lotteries contact centre. Our data-informed approach has enabled better insights into customer behaviour and helped us to market more effectively and efficiently.

Community contribution

Our community presence is central to our purpose and fundamental to the enduring strength of our social licence, brands and products. The Lottery Corporation is committed to help make a meaningful difference to Australian communities. In partnership with the 50-50 Foundation, an Australian Charities and Not-for-profits Commission (ACNC) registered charity, we are very proud to have helped raise more than $2.7m by conducting 181 charitable game draws and awarding more than $2.3m in prizes in FY23 for a wide range of not-for-profit organisations and grassroots sporting clubs. We did this by leveraging core Lotteries capability through two charitable raffles, Play For Purpose and the 50-50 Charity Raffle.

Industry & regulatory engagement

The Lottery Corporation participates in regular, constructive engagement with industry, regulatory and government stakeholders to proactively address changes to expectations for the business and the industry landscape. This collaborative approach allows us the opportunity to find balanced solutions that uphold our high standards of responsible play. Our membership with the World Lottery Association and Asia Pacific Lottery Association allows us to be at the forefront of these important conversations.

Strategy pillar - Discover

Licence & other opportunities

Our licences to operate are our most valuable assets. We constantly explore opportunities to maximise their value for the future and evaluate new licence opportunities that align with our strategy. In FY23 The Lottery Corporation launched its digital Keno offering under its new Victorian Keno licence granted by the State Government in 2022.

To complement our strategic priorities and in line with our purpose to create positive impacts, this Annual Report also includes The Lottery Corporation's first Sustainability Report on pages 32 to 47. This report articulates our sustainable and responsible practices as well as our environmental, social and governance metrics and targets.

Material risks

The Company takes a structured approach to identifying, evaluating, and managing current and emerging risks which may affect the achievement of its strategic objectives.

The Company has adopted a risk management framework which reflects ISO 31000:2018, the international standard on risk management.

The Company has a dedicated Risk & Compliance Team which supports all business functions of The Lottery Corporation with the management of enterprise and operational risks. Key risks, issues and trends are managed by the Executive Risk Committee consisting of the Executive Leadership Team. Our enterprise risk management practices, polices and framework as well as the monitoring of key risks are overseen by the Risk & Compliance Committee as well as by the Board.

An overview of the Company's major risks and associated mitigation strategies (which also include various controls, processes and/or systems to support the management of risks) are set out below but are not exhaustive. The mitigation strategies are designed to reduce the likelihood of the risk occurring and/or to minimise the adverse consequences of the risk should any arise. However, some risks are affected by factors external to, and beyond the control of, the Company. The mitigation strategies are reviewed periodically as part of assessing the ongoing effectiveness of the Company's enterprise risk management framework.

Compliance

Achieving compliance in a highly regulated environment.

Risk description

Breaches of laws, licences, regulations, rules, permits and other approvals could result in suspension or loss of licences (or failure to renew a licence), penalties, civil and/or criminal proceedings and/or reputational damage.

FY23 commentary	Mitigations in place
The Lottery Corporation maintained its strong compliance culture during its first year of operation. It also maintained strong working relationships with regulators in relevant jurisdictions. In its first full year of operation as a standalone company, governance arrangements were strengthened, including the reconstitution of (and enhanced reporting to) the Risk & Compliance Committee of the Board.	• We have established an experienced and dedicated risk and compliance function that reports directly to the Chief Legal & Risk Officer. • We have established a risk governance and reporting framework that provides for regular reporting to the Risk & Compliance Committee (and, as appropriate, to the Board). • We have delivered training programs for employees, retailers and venues to help promote compliance with their obligations and management of key risks. • We established an appropriate testing environment and approvals processes for systems before deployment, including obtaining appropriate regulatory approvals. • We monitor and test our systems, processes and equipment as appropriate. This includes periodic reviews by our Internal Audit Team of the adequacy and effectiveness of relevant controls and an in-house Investigations Team which investigates potential breaches by retailers and venues so that appropriate remedial and/or disciplinary actions can be taken on a timely basis.

Changes in laws and the regulatory environment

Advocating for balanced and considered public policy as is appropriate to our products.

Risk description

Changes in legislation, regulation, taxation or government policy (and related judicial decisions and enforcement policy or regulatory interpretation by regulators) may adversely affect the Company's operational and financial performance.

FY23 commentary	Mitigations in place
During FY23, the Company continued to engage in regular dialogue with regulators and government. In April 2023, The Lottery Corporation participated in the Federal Parliament's inquiry into online gambling along with the Australian Lotteries and Newsagents Association. The Company is focused on differentiating lottery products as broad-based, low spend and contributing to communities. Advocacy focused on having a licensing regime which reflects the relatively lower harm profile of our products compared to others in the gambling entertainment industry.	• We have established dedicated Regulatory and Government Affairs Teams to support effective liaison and advocacy with regulators and governments. • We monitor areas of potential reform. • We invest in responsible gambling programs. • We engage regularly with regulators, governments, and key industry bodies to deepen understanding of strategies and the impact of legislative changes in respect of our Company.

Competition and disruption

Responding to disruption and competing effectively.

Risk description

Failure to adequately respond to disruption and rising competition through innovation and the creation of competitive products could have an adverse impact on our business and market share.

FY23 commentary	Mitigations in place
In FY23, the Company observed increased advertising activity by entities that offer products akin to lottery or Keno products, including from overseas. These entities may not be adequately licensed (or subject to the same regulations as the Company) in the locations where they sell their products. New competitors and disruptors may also enter the Company's traditional markets and be subject to less regulation compared with the Company. There is a risk that the Company may not be able to compete on the same terms as other operators or may face increased levels of competition from suppliers of gaming products, which could adversely affect the Company's operational and financial performance.	• We monitor the lotteries and Keno market to assess consumer behaviours and competitor/disruptor offerings. • We are focused on enhancing the value of our existing licences in various ways (including advocacy with regulators and governments) and continue to explore opportunities for licence extensions so that the Company remains competitive. • We operate in several Australian jurisdictions and market segments, which reduces reliance on any single business, product or customer category. • We regularly review our products and service offerings to attract and retain customers examples of which are set our earlier in the Operating & Financial Review. • We support an industry where all legitimate operators can compete effectively and are required to adhere to, and are held to, the same laws, regulations, licence conditions and industry codes and standards.

Financial

Compliance with financial covenants and maintaining access to funds.

Risk description

The Company is exposed to risks relating to the cost and availability of funds to support its operations, including changes in interest rates and foreign currency exchange rates, and liquidity risks which could affect its financing activities. The Company is also exposed to various financial risks arising from operating its Lotteries and Keno businesses.

FY23 commentary	Mitigations in place
As part of its arrangements with its external financiers, the Company is subject to a number of customary conditions and financial covenants, a failure to comply with which may require the Company to repay borrowings earlier than anticipated or result in increased financing costs. In FY23, the Company maintained compliance with its financial covenants.	• We monitor and evaluate the Company's compliance with financial covenants. • We have established a dedicated treasury function which oversees compliance with detailed policies approved by the Board. • We have adopted a capital management program with a range of funding sources and long dated maturities.

Technology, cybersecurity and data/privacy

Protecting technology systems and information assets.

Risk description

Technology infrastructure failures, a significant cyber incident and/or unauthorised access and use of information could impact the Company's reputation and financial performance and expose it to regulatory enforcement action or other litigation.

FY23 commentary	Mitigations in place
In FY23, consistent with good practice, the Company engaged a third party to review its privacy, data management and cybersecurity practices to identify opportunities for further improvements in these areas. The Company is committed to a culture of continuous improvement of these areas which focuses on a risk-based approach specific to its businesses.	• We have a Technology Team that dedicates resources, systems and expertise to identifying, assessing and mitigating technology, cyber and data risks. • We have adopted practices, procedures and systems to support the appropriate management of data and privacy, including through the appointment of a Privacy Officer and the establishment of a Privacy Policy. • Consistent with new legislation, market expectations and an ever increasing threat environment, we have developed a roadmap to implement enhanced data and cybersecurity practices over a three-year period. • We have established (and conducted tests of) disaster recovery and business continuity plans to manage major technology failures, cybersecurity attacks and privacy breaches should they occur. This will continue each year.

Reliance on infrastructure and third-party commercial arrangements

Reliable and effective technology infrastructure.

Risk description

A failure of, significant interruption to, or reduction in the quality of third-party products and services for a sustained period of time, may affect the Company's reputation and operating and/or financial performance.

FY23 commentary	Mitigations in place
The Company is reliant on key infrastructure and third-party commercial arrangements for the operation of aspects of its business. This includes reliance on Tabcorp for technology systems and other services under transitional services agreements entered into in connection with the Company's demerger from Tabcorp. In FY23, the Company continued to deliver on its separation program. This included evaluating new technology systems, as appropriate to support the ongoing effective performance of the business.	• We maintain commercial relationships across a diverse supplier base with clear contracts, terms of engagement, agreed service levels, regular reporting and monitoring, and appropriate risk mitigation and remediation action plans. • We have established a detailed governance framework between the Company and Tabcorp to deliver and manage the transitional services agreements.

People, health, safety and wellbeing

Maintaining the health and wellbeing of staff.

Risk description

Failure by the Company to appropriately manage team members' physical and/or psychological health and wellbeing, or a failure to comply with relevant workplace health and safety laws and regulations.

FY23 commentary	Mitigations in place
In FY23, we achieved a LTIFR[(i)], result of 0 (i.e. there were no lost time injuries during the financial year). This result was mainly due to a program that was rolled out during the financial year to educate all staff on safety processes and culture and to identify safety hazards. The most recent staff survey (conducted in July 2023) has shown that we have a strong health and safety culture with our team members indicating that they receive support at work, their manager checks in regularly with them and prioritises their wellbeing and that they have the flexibility to manage their commitments (both within and outside of work).	• The Board, the People & Remuneration Committee, the Chief People Officer and various management committees have responsibility for overseeing strategies and programs related to people, health, safety and wellbeing. • The People & Remuneration Committee has a health, safety and wellbeing standing agenda item at each meeting where they are presented with health, safety and wellbeing performance and any key issues that may have arisen or may arise. • We have implemented a health, safety and wellbeing framework (including policies, procedures, reporting, training and education) which prioritises the health and safety of our people. • We regularly survey team members to develop and implement policies and programs aimed at supporting team member wellbeing.

(i) Lost Time Injury Frequency Rate - calculated as per Australian Standard 1885.1 – 1990 Measurement and recording.

Human capital management

Creating a desirable workplace and effective succession plan.

Risk description

Failure to attract and retain key senior management and operating personnel and on fostering a high-performance culture could have an adverse impact on the performance and the execution of the Company's strategies and operations.

FY23 commentary	Mitigations in place
In FY23, the Company reviewed and made adjustments to its remuneration and performance frameworks to maintain the Company's competitiveness in attracting, motivating, recognising and retaining its high-performing staff members (across all levels). In FY23, we identified executive successors and established a leadership development framework to support these successors as well as senior management. We have also enhanced our talent acquisition function and launched a new employee value proposition which has been well received in market. Our employer brand awareness continues to grow and we are able to reach a broad range of high calibre talent.	• We have established (and we periodically review) our performance and remuneration frameworks. • We provide training and development programs to develop and motivate employees. • We conduct regular 'pulse' surveys to monitor employee engagement. • We monitor and respond to a range of metrics in this area including turnover metrics, vacancy ratios and time to fill, all of which were well under benchmark through FY23. We also monitor and review metrics related to candidate experience (through the talent acquisition process). • We continually monitor employment market trends and adapt our employer narrative and talent acquisition process as required.

Responsible gambling

Embedding customer care in how we conduct business and make decisions.

Risk description

The Company operates in the gambling entertainment industry and is committed to offering its products to the public in a responsible way but it may be exposed to material failures of its responsible gambling frameworks which could, in turn, impact consumers and/or result in reputational impacts and/or fines.

FY23 commentary	Mitigations in place
In FY23, the Company reset its responsible gambling programs and realigned initiatives to our game portfolio and player base. Our focus remains on minimising gambling harm to people and communities. Key highlights include: • An upgrade to our Lotteries monitoring to identify potential signs of gambling harm and proactively provide customers with information and support options. • Awarded the World Lottery Association's Responsible Play Award for Best Overall Responsible Gaming Program (for Level 4 Accredited Lotteries) at the October 2022 World Lottery Summit. • Established ongoing national research into the severity of problem gambling amongst our own customers and other gambling customers, to provide insights and inform future improvements to our responsible gambling programs.	• We have established an Executive Responsible Play Committee to review the effectiveness of the Company's responsible gambling strategies, monitor performance and oversee the development and implementation of improvements. • We have developed responsible gambling programs including data-based tools to monitor for potential signs of problem gambling harm, for example, material changes in customer spend on our products. • We review the effectiveness of our responsible gambling programs on an ongoing basis and update these periodically based on a variety of data and insights. This is an area that will continuously evolve, however, there is no assurance that the Company's programs will successfully limit or prevent at-risk gambling behaviours in all circumstances. • We regularly review the effectiveness of our controls to monitor and mitigate attempts by minors to purchase lottery tickets or to play Keno.

Economic

Adapting and managing to broader externalities.

Risk description

Achievement of the Company's financial objectives depends on customers continuing to spend money on its products on a discretionary basis. This is partly determined by the prevailing economic climate.

FY23 commentary	Mitigations in place
General economic factors may affect the performance of the Company including: • Movements in Australian and international stock markets, changes in interest rates, inflation and inflationary expectations and overall economic and political conditions. • Consumer sentiment to discretionary spending and community perspectives relating to our products. In FY23 the Company continued delivery of customer-centred initiatives, including Store Syndicates Online. Strong marketing campaign support also successfully transitioned Keno players back to pre-COVID levels of play. The FY23 financial results including cashflow were strong and reflected the resilience of our business.	Although the Company has negligible capacity to influence the state of Australia's economy, historical evidence indicates that lottery ticket sales are not strongly correlated with economic conditions. • We operate in several Australian jurisdictions and market segments, which reduces reliance on any single business, product or customer category. We regularly review our product offerings to meet customer demand. • We maintain a diverse portfolio of products with a wide pricing range of entry types.

Our Executives

Our Executives

Sue van der Merwe
Managing Director and Chief Executive Officer

Sue previously led Tabcorp Holdings' Lotteries & Keno business, serving as its Managing Director since the 2017 combination of Tabcorp Holdings and Tatts Group. Prior to that, she was Chief Operating Officer of Lotteries at Tatts Group.

In a career in lotteries spanning 33 years, Sue has played a central role in the successful development of the Australian industry and was instrumental in the acquisition of multiple lottery licences and the successful integration of these businesses.

She is also the Chairman of the Asia Pacific Lottery Association, sits on the World Lottery Association Executive Committee, and was inducted into the Public Gaming Research Institute's (PGRI's) Lottery Industry Hall of Fame in 2016, recognising her contribution to world lottery excellence and integrity.

Sue holds a Bachelor of Social Science, Marketing and Economics.

Loren Fisher
Chief Information Officer

Prior to joining The Lottery Corporation, Loren was Chief Digital & Information Officer at Youi Insurance where she was accountable for digital strategy, its execution, and the operational IT function.

Loren has held a range of senior technology roles including at Gartner and Rio Tinto where she had management responsibility for portfolios such as functional, technical and software delivery, enterprise architecture and governance and portfolio management.

Loren is a Director of the 50-50 Foundation, a Graduate Member of the Australian Institute of Company Directors (AICD), and was named in CIO Magazine's Top 50 CIO list for 2021.

She holds a Bachelor of Commerce (Business Management) and Information Systems, and a certificate in Driving Digital Transformation from Harvard Business School.

Patrick McGlinchey
Chief Legal & Risk Officer and Co-Company Secretary

Patrick is the executive responsible for the legal, risk, regulatory and governance functions at The Lottery Corporation.

He has extensive international experience in senior roles with multinationals and with ASX-listed gambling entertainment companies, having served as Chief Legal Officer and Company Secretary at Aristocrat Leisure Limited as well as Chief Legal & Risk Officer and Co-Company Secretary at Tabcorp Holdings.

Patrick was also Regional General Counsel Asia-Pacific at Swiss-listed multinational Holcim Group, leading the legal, corporate governance, and compliance teams across 13 countries.

Patrick holds a Bachelor of Laws (Honours) and a Bachelor of Economics (Soc Sc) from the University of Sydney. He has attended various executive development courses including the International Institute for Management Development (Switzerland) and the Wharton School (USA).

Our Executives

Antony Moore
Chief Channel Officer

Prior to The Lottery Corporation, Antony was the General Manager of Lotteries Retail at Tabcorp Holdings. He joined Tatts Group in 2011 as the Head of Retail, responsible for optimising the operational and strategic performance of the Lotteries retail distribution network.

Antony has more than 25 years of experience in retail operations, including senior roles with Retail Adventures, Rebel Group, Coles Liquor, Coles Supermarkets, and Big W.

He is also a Director of the National Retail Association, a Franchise Council of Australia (FCA) certified Franchise Executive, a Graduate Member of the Australian Institute of Company Directors (AICD), and was named in Franchise Executives' Top 30 list in 2021.

He holds a Bachelor of Commerce (Economics and Accounting).

Callum Mulvihill
Chief Commercial Operations Officer

Callum was the General Manager of Finance & Commercial for Tabcorp Holdings' Lotteries & Keno business from 2018 and held numerous commercial and business development roles at Tatts Group since 2013.

Before that, he was General Manager of Marketing & Sales for then State-owned SA Lotteries, leading the marketing, sales, customer relations, and corporate communications functions from 2006 to 2013. In 2012, he also helped lead the company's integration into Tatts Group.

Prior to lotteries, Callum held several financial, marketing, and sales roles for more than a decade at Westpac and Ford Australia.

Callum is a Director of the 50-50 Foundation. He holds a Bachelor of Commerce, a Master of Business Administration, is a Certified Practising Accountant (CPA), and is a Graduate Member of the Australian Institute of Company Directors (AICD).

Adam Newman
Chief Financial Officer

Before joining The Lottery Corporation as Chief Financial Officer, Adam served in that role with Tabcorp Holdings having joined in 2019.

He was previously Chief Financial Officer of ASX-listed energy company AusNet Services from 2013 to 2019 and held senior leadership roles at BlueScope Steel in Australia and the USA. He also worked at BHP and in Coopers & Lybrand's Perth and London Corporate Advisory Groups.

Adam holds a Bachelor of Business, a Postgraduate Diploma of Business, and a Graduate Diploma in Applied Finance. He has also attended the Advanced Management Programme at INSEAD (France) and is a member of Chartered Accountants Australia & New Zealand (CA ANZ) and the Financial Services Institute of Australasia (FINSIA).

Andrew Shepherd
Chief Customer
& Marketing Officer

Andrew Shepherd is Chief Customer & Marketing Officer for The Lottery Corporation. He joined the lottery industry working for Golden Casket in 1997 which subsequently became part of Tatts Group in 2007 where he became the Head of Marketing.

Andrew has been involved in the launch of The Lott® master brand, The Lott® website and app development, the Powerball® game relaunch and various product changes and campaigns. Over the last 30 years, Andrew has worked across several industries in various marketing roles including the automotive, dairy, beverage, and lottery industries.

Andrew holds a Bachelor of Business (Marketing). He is a Graduate Member of the Australian Institute of Company Directors (AICD), and a member of various industry associations including the Australian Association of National Advertisers (AANA) and the Association for Data-driven Marketing & Advertising (ADMA).

Michelle Williams
Chief People Officer

Before The Lottery Corporation, Michelle was Chief People Officer at Tabcorp Holdings having joined in early 2020.

She was previously Group Director of Human Resources (HR) at Fairfax Media responsible for setting and implementing HR strategy across Fairfax's portfolio of newspapers, websites, radio stations, events and digital ventures in Australia and New Zealand.

Michelle has also held HR roles with AXA Asia Pacific Holdings and Colonial Limited.

Michelle holds a Bachelor of Commerce and a Bachelor of Science. She is a member of the Australian Human Resources Institute (AHRI) and a Graduate Member of the Australian Institute of Company Directors (AICD).

Sustainability Report

Sustainability Report

Our approach

This Sustainability Report contains a number of 'forward-looking statements' regarding the Group's intent, belief, targets, objectives, initiatives, commitments and/or current expectations with respect to the Group's business and operations and its sustainability strategy.

While this information, including relevant sustainability-related targets and metrics, has been prepared by the Company in good faith, the Company does not give any assurance that relevant targets and metrics will be achieved, or that relevant assumptions in this Sustainability Report will prove to be correct. The forward-looking information contained in this Sustainability Report is subject to known and unknown risks and uncertainties and, in many cases, is subject to important factors outside the control of the Company and should be read in conjunction with the material risks of the Group, as outlined on pages 22 to 27 of this Annual Report.

Any targets, metrics, methodologies and assumptions in this Sustainability Report are subject to change and may be revised from time to time. In particular, climate science and climate-related reporting accounting standards and legal requirements are continuously evolving. Accordingly, the Company's climate-related strategies, targets, metrics and associated disclosures may be revised in the future to take into account the evolving legislative and regulatory landscape.

The Lottery Corporation's first year as a standalone ASX-listed company provided an opportunity to reflect on our vision and build a sustainability roadmap to assist in realising our purpose of creating positive impacts.

Our sustainability strategy is summarised on the following page and outlines our aspirations to make a positive impact through:

1. responsible business and products;
2. supporting our community;
3. nurturing our people; and
4. reducing our environmental footprint.

The strategy is tailored to the specific elements of our business.

To deliver on our sustainability strategy, we have mapped some key goals and targets against four focus areas, which are aligned with the United Nations (UN) Sustainable Development Goals [(i)].

(i) Refer to the next page for further information on UN Sustainable Development Goals.

Our sustainability strategy

Principle	Goal
Operating our business and products responsibly *Helping customers to have fun playing our games, but always responsibly.*	1. Support our players by providing appropriate harm minimisation and responsible gambling programs reflective of the profile of our products. 2. Lay solid foundations for the protection of data.
Supporting our community *Contributing to the communities in which we operate.*	3. Establish and maintain ethical and mutually beneficial partnerships. 4. Continue to support the growth of small businesses as a critical distribution channel. 5. Engage in partnerships that build resilient communities.
Nurturing our people *Creating a great place to work and supporting our people.*	6. Respect and nurture the uniqueness of our people by promoting diversity, equity, inclusion and belonging. 7. Invest in the psychological, physical and emotional wellbeing of our team members.
Reducing our environmental footprint *Acting responsibly to reduce our impact on the environment.*	8. Plan to reach net zero emissions by 2030. 9. Reduce environmental impacts from our supply chain. 10. Reduce paper usage and increase recycling across our business operations.

Alignment with UN Sustainable Development Goals

The 2030 Agenda for Sustainable Development was adopted by all United Nations Member states in 2015, including Australia. This agenda included 17 Sustainable Development Goals (SDGs) which are intended to provide a blueprint for dignity, peace and prosperity for people and the planet.

The Lottery Corporation's sustainability principles are aligned with 10 of the 17 SDGs, which reflect the nature of our business.

Principle	Alignment with UN Sustainable Development Goals
Responsible business and product	3 Good Health and Well-Being
Supporting our community	13 Climate Action; 17 Partnerships for the Goals
Nurturing our people	3 Good Health and Well-Being; 5 Gender Equality; 8 Decent Work and Economic Growth; 10 Reduced Inequalities
Reducing our environmental footprint	8 Decent Work and Economic Growth; 9 Industry, Innovation and Infrastructure; 10 Reduced Inequalities; 12 Responsible Consumption and Production; 13 Climate Action; 15 Life on Land

Our governance

Introduction

The Lottery Corporation considers sustainability to be central to creating long-term value for its shareholders. Given its importance, the Board is responsible for oversight and approval of the sustainability strategy. The Board has approved the strategy described in this document – including its goals and targets.

The Risk & Compliance Committee and People & Remuneration Committee have responsibility for overseeing progress against relevant priorities and the management of risks related to our associated programs.

The MD & CEO and Executive Leadership Team have responsibility for managing the sustainability strategy day-to-day on behalf of the Board. Responsibility for achieving goals and targets is allocated to specific executives; for executives, sustainability forms part of their performance scorecards.

Business Units have direct responsibility for delivering sustainability initiatives.

A Head of Environmental, Sustainability and Governance (ESG) has been appointed to act as a central and integrated conduit for managing the Company's environmental, social and governance matters and opportunities.

Further, ESG metrics have been incorporated into the Company's variable remuneration plans (specifically the Short-term Incentive (STI) plan. Key scorecard measures and a STI sustainability modifier seek to ensure that staff are rewarded for performance that is both sustainable and ethical. Further information is set out in our Remuneration Report on pages 62 to 89.

Key governance policies and statements

Anti-Bribery and Anti-Corruption Policy
Code of Conduct
Corporate Governance Statement
Human Rights Policy
Inclusion and Diversity Policy
Privacy Policy
Procurement Policy
Whistleblower Policy
Workplace Health, Safety and Wellbeing Policy

Our sustainability governance framework

Operating our business and products responsibly

Helping customers to have fun playing our games, but always responsibly.

Introduction

The Lottery Corporation is guided by its vision to be the world's best lottery operator and strives to deliver its products responsibly. We aim to make positive impacts, deliver services and products in a sustainable way, and with regard to the needs of our stakeholders including customers, communities and retail partners.

FY23 highlights

Following the demerger, in FY23 The Lottery Corporation reviewed its responsible gambling programs and initiatives to ensure they were aligned with our game portfolio and player base. Our key highlights include:

Successfully implemented and integrated our customer care processes following the demerger.

Awarded the World Lotteries Association (WLA) Responsible Play Award for Best Overall Responsible Gaming Program (for Level 4 Accredited Lotteries) at the World Lottery Summit in 2022.

Implemented a significant upgrade to our Lotteries Early Intervention Model (LEIM) to identify potential early signs of at-risk behaviour and proactively provide customers with information and support options.

Applied the internationally recognised Problem Gambling Severity Index (PGSI) standard in an ongoing national research program to provide insights into the severity of problem gambling amongst the Australian population across the category as well as our own customers.

Goal 1 - Support our players by providing appropriate harm minimisation and responsible gambling programs reflective of the profile of our products

We recognise the importance of responsible gambling to the long-term success of our business. We promote harm minimisation and responsible gambling through a variety of customer care programs.

Responsible gambling - Our programs, codes of conduct and systems

We have developed a Responsible Play Program (Program) that focuses on educating customers and providing them with information and support. The program includes early intervention models and the ability to set pre-commitment limits, and to self-exclude.

In addition (and consistent with our licence obligations), we have adopted Responsible Gambling Codes of Conduct (Codes), which apply to each of the jurisdictions in which we operate. The Codes act as guides for responsible service delivery and the commitment that the community can expect from us and from our retail network. They are available to our customers to allow them to make informed choices and include advice on how to seek further assistance.

All of our staff and retailers must comply with the requirements of our Responsible Play Program and, in particular, these Codes. Information about how we train our staff in these matters, review and assess compliance with the Codes and Program is set out on the following page.

Every three years, we voluntarily submit our programs for review by the World Lotteries Association (WLA). As part of this review, the WLA considers (among other matters) how operators are implementing the 10 elements of the WLA Responsible Gambling Framework into their day-to-day operations. This review last occurred in 2020 and The Lottery Corporation was awarded Level 4 accreditation – the highest available.

Responsible gambling is a continuously evolving area. Please refer to the Operating & Financial Review (page 27) for additional information on how risks related to responsible gambling may impact the business.

Information on The Lottery Corporation's responsible gambling programs are available at:
www.thelotterycorporation.com/esg-strategy

Examples of our responsible play features - online

- Pre-commitment limits;
- waiting periods (7 days) for those who increase their limits;
- take-a-break to suspend play for a defined period (for Keno);
- self-exclusion from online play; and
- opt-out from marketing communications.

Players can also access information about how to seek gambling support services by speaking to a representative in our contact centres or online through our website.

Auditing compliance with our programs

The Lottery Corporation staff regularly review retailer compliance, ensuring mandatory training for new and existing retailers, supported by the relevant state Codes of Conduct and Responsible Play Guidelines.

An external consultancy is also engaged to assist with these matters through the Site Survey Program.

We operate a Site Survey Program to assess our retail partners' compliance. In Lotteries, we conduct regular assessments of each outlet against nine performance measures, including compliance with Responsible Gambling requirements. In Keno, we conduct an annual assessment of each venue's compliance with responsible gambling requirements.

In FY23, we assessed a majority of Lottery outlets and Keno venues.

Training employees and our retail network in customer care

The Lottery Corporation has staff dedicated to customer care and trained in responsible play.

The Lottery Corporation Contact Centre are dedicated to responsible play. Our Centre staff are trained as Responsible Play Liaison Officers, with structured training around:

- understanding Lottery processes, games, and rules across all jurisdictions of The Lott®; and
- assisting customers with responsible play concerns or who we may have concerns for.

We provide general training applicable to all employees, as well as in-depth, advanced training tailored for employees who deal with responsible gambling matters as part of their role and employees who are involved in the development, marketing, advertising, and promotion of our products.

We periodically review this training to reflect updates to regulations, best practices, and changes to our programs.

Responsible play systems

The Lottery Corporation has systems in place to help it identify potential at-risk gambling activities in relation to our products. These systems include a machine learning model that is designed to detect changes in customer play behaviour that may indicate an increased risk of gambling harm. These systems support the delivery of our early intervention models, but should be seen in light of the additional information on the materials risks of the Group, as outlined on pages 22 to 27 of this Annual Report.

Our aim is that all registered potential at-risk gambling activity that is identified by these systems is supported with early intervention.

For the highest-rated activity, our registered customers are contacted by phone and, if uncontactable, have their accounts suspended until we can talk to them.

Responsible design of games

Supporting player protection and harm minimisation is built into our game design process. All of our new or restructured games are designed using Gamgard Insights Screening (Gamgard), which examines the specific risk features of a game to help reduce the development of problematic play.

Gamgard is an internationally recognised rating tool that examines the structural and situational characteristics or 'risk factors' that constitute the psychologically rewarding aspects of the game, and responsible gaming features that can directly influence how a game is played.

We have developed a Customer Care Roadmap that has oversight from The Lottery Corporation's Responsible Play Committee and the Board. This includes:

- Reviewing player identification and onboarding processes that help prevent minor participation.
- Exploring opportunities to enhance the effectiveness of customer interventions and responsible play messaging.
- Expanding our efforts to further reduce advertising exposure to minors and vulnerable Australians.
- Reviewing player pre-commitment features.
- Improving and simplifying our Lotteries responsible play measures and controls.

The above should be read in conjunction with the materials risks of the Group, as outlined on pages 22 to 27 of this Annual Report.

Metrics and targets for FY24

Metric	Target	FY23 commentary
Maintain WLA Responsible Gambling Framework accreditation	Level 4 WLA accreditation	Maintained in FY23.
Percentage (%) of new or reformatted games designed using Gamgard insights screening	100% ongoing	100% of new or reformatted games designed or reformatted using Gamgard.
Percentage (%) of player activity that is supported with an early intervention (i) once identified as potentially at-risk by the early intervention models	100% ongoing	100%

(i) Early intervention means: attempting to contact or intervene in a customer's play experience within 24 hours of detecting material changes in customer play behaviour for the purpose of offering responsible gambling support.

Goal 2 - Lay solid foundations for the protection of data

Cybersecurity is an evolving risk for most organisations. In the past few years, a number of Australian corporations have been the subject of material data breaches that have impacted their customers. Maintaining the integrity, reliability and security of data and information is important in maintaining the trust of our customers.

The Lottery Corporation has systems and processes to manage risks related to data security in compliance with ISO 27001, the international standard for information security management systems.

The Lottery Corporation has programs in place for data protection and cybersecurity and continues to invest in these areas. During the year we reviewed these programs in light of changing legislative requirements and threat environments and have embarked on a dedicated three-year program which seeks to continuously uplift our maturity level in these areas. The relevant risks attributable to these aspects are set out in the Operating & Financial Review on page 25.

Metrics and Targets for FY24 (ii)

Metric	Target	FY23 commentary
ISO 27001 information security management systems certification	Maintain ISO 27001 Certification	The Lottery Corporation currently holds the ISO 27001 Certification.

(ii) Risks related to data security and privacy are constantly evolving. The Company will periodically review the risks related to data security and privacy and may make changes to its systems and processes, as well as to the metrics and targets that have been set for FY24.

Supporting our community

Contributing to the communities we operate in.

Introduction

We aim to create positive outcomes in the Australian community. To us, this means supporting small businesses, our charity and industry partners, and our government stakeholders.

FY23 highlights

This year, we continued to support our community and our partners, as well as contributing to a range of new initiatives and charitable organisations through our products and brands. A few highlights include:

For our retail network

More than $604m in commissions paid to newsagents, licensed venues and other Lotteries retailers in FY23. This helped to support more than 7,200 businesses across Australia.

For State governments

More than $1.7b paid in State lottery and Keno taxes to State governments.

Charitable activities

- The Lottery Corporation supports the 50-50 Foundation – the organisation which conducts Play For Purpose and 50-50 Charity Raffles. Our support includes the provision of technology, lotteries experience, financial reporting and governance services. The Foundation raised more than $2.7m in FY23 for a broad cross-section of community organisations.
- We have donated $1,050,000 (i) to our preferred charities in FY23.
- We launched our matched giving and volunteer leave programs in FY23. Through our employee Matched Giving Program, The Lottery Corporation donated $10,000 (i) to charities in FY23.

Making donations from unclaimed lottery prize monies

The Lottery Corporation distributes unclaimed Lottery prize monies to a number of charities and is proud of the support that this lends to our charity partners. In FY23, these donations totalled $1,650,000 (i) and included the following:

$500,000

Donated to the Children's Hospital Foundation's Children's Brain Cancer Centre to advance research into new treatment options for brain cancer in children.

$500,000

Donated to the University of Queensland to support research projects.

$250,000

Donated to Starlight Children's Foundation to support 38 wishes to seriously ill kids.

$300,000

Donated to the Daniel Morcombe Foundation, which works to keep kids safe in our communities and online.

$100,000

Donated to Healthier Futures Initiative helping to eliminate the fear and uncertainty preventing kids in remote communities from participating in healthcare.

BUSINESS FOR SOCIETAL IMPACT
CORPORATE CITIZENSHIP
VERIFIED
2023

(i) Our community contributions are recorded and classified in accordance with the Business for Societal Impact's (B4SI) globally recognised methodology.

Goal 3 - Establish and maintain ethical and mutually beneficial partnerships

We respect human rights and seek to ensure ethical sourcing across our operations and our supply chain.

Responsible procurement

The Company's supplier program aims to build relationships with high quality providers who have strong processes and policies for managing the risks of corruption and bribery, modern slavery, human rights violations and significant environmental impacts within their own businesses.

In FY24, the Company will commence a process to survey and assess its 'Tier 0' suppliers, including against some of the matters referred to above. It is the Company's aim to assess all of its Tier 0 suppliers annually. Tier 0 means a category of supplier that requires regulatory approval given the highly regulated nature of the Group's business. They are considered to be among the Company's most important engagements.

Modern Slavery Statement

Every financial year, we are required to identify our modern slavery risks and disclose the actions we have taken in the financial year to address these risks. We intend to publish our next Modern Slavery Statement by December 2023. Our current Modern Slavery Statement is available at:
www.thelotterycorporation.com/about/corporate-governance

During FY23 we delivered modern slavery training to all team members in our Procurement, Legal, and Risk Teams. Our modern slavery training raises awareness around what modern slavery is, what our responsibilities as a business are and helps our people identify modern slavery risks and concerns.
In FY24, this training will be made available to all staff.

Human Rights Policy

The Lottery Corporation has adopted a Human Rights Policy which follows the best practice guidelines outlined in the United Nations' Guiding Principles on Business and Human Rights.

We respect and comply with all Australian and international human rights laws, including the Modern Slavery Act 2018 (Cth).

Metrics and Targets for FY24

Metric	Target	FY23 commentary
Percentage of Tier 0 suppliers that have been requested to complete an annual supplier survey and sustainability assessment	100%	The supplier survey and sustainability assessment process will commence in FY24.
Percentage (%) of operational outlets/ venues surveyed for alignment to responsible gambling requirements as per franchise/agency agreements	More than 75%	Keno – majority of venues Lotteries – majority of outlets

Goal 4 - Continue to support the growth of small businesses as a critical distribution channel

The Lottery Corporation pays commissions to lottery agents including newsagents, licensed venues and other retail partners. In FY23, the total amount paid in commissions exceeded $604m. Many of these businesses are small businesses and we are proud to support them.

This is a mutually beneficial arrangement and is designed to encourage our retail partners to provide a positive customer experience and to drive growth across both retail and digital channels.

Retail partners earn a commission on tickets and products they sell. For the jurisdictions and products in which we offer an omni-channel experience, The Lottery Corporation shares a portion of digital commissions it receives, and offers sign-up bonuses to Lottery retailers. It also funds digital signage equipment in retail outlets.

In FY23, we reviewed the omni-channel commission structure for our retailers, including the base commission rate. Throughout the review, we were focused on continuing to support our retailers, ensuring they were appropriately incentivised to sell The Lottery Corporation's products, particularly in Lotteries. We increased the commission rate for eligible Lotteries retailers in May 2023 [i] by 200bps – and, in doing so, provided more support to Australian businesses.

Goal 5 - Engage in partnerships that build resilient communities

- We have partnered with the 50-50 Foundation to help boost fundraising for charities and sporting clubs by providing innovative fundraising products and technology solutions so that the Foundation can raise more money for its causes.
- The Company has donated a further $1,650,000 [ii] from unclaimed Lottery prize money towards key community initiatives. The Lottery Corporation's top charity pillars are health, research, environment and natural disasters, arts and culture, and education.
- As a leader in the lotteries industry, The Lottery Corporation maintains memberships or representation in industry associations and professional bodies. These memberships and associations give us an avenue to share knowledge, learn from peers, and engage with key stakeholders. We currently maintain the following memberships and representations:

- Asia Pacific Lottery Association (APLA)
- Association for Data-driven Marketing and Advertising (ADMA)
- Australian Association of Convenience Stores (AACS)
- Australian Association of National Advertisers (AANA)
- Australian Hotels Association (AHA)
- Australian Lottery and Newsagents Association (ALNA)
- Clubs Australia (Clubs SA)
- Clubs NSW
- Clubs Queensland
- Community Clubs Victoria (CCV)
- Franchise Council of Australia (FCA)
- National Lotteries and Newsagents Association (NLNA)
- National Retail Association (NRA)
- Newsagents Association of NSW & ACT Ltd (NANA)
- Victorian Association for Newsagents (VANA)
- World Lottery Association (WLA)

(i) Commission as percentage of subscription for all lottery products, excl. Lucky Lotteries® Super Jackpot, Lucky Lotteries® Mega Jackpot, Instant Scratch-Its® tickets, Keno Coin Toss® and Keno games.

(ii) Our community contributions are recorded and classified in accordance with the Business for Societal Impact's (B4SI) globally recognised methodology.

Nurturing our people

Creating a great place to work and supporting our people.

Introduction

At The Lottery Corporation, we strive to create a great place for our teams to work. We enable people to be their best regardless of gender, age, faith, ability or sexual orientation.

FY23 highlights

Our employees are central to the success of our business. That is why it's so important that our teams are well trained, supported and appropriately rewarded. Some highlights from FY23 include:

- Designed and launched our vision, purpose and principles.
- Designed and launched our Flexible Work Policy - Flex for Great Outcomes.
- Developed our Lotteries Women in Leadership Program.
- 37% women in Senior Leader [iii] roles.

  42% of Directors on our Board are women.

As described further in our Remuneration Report on pages 62 to 89, we aim to reward our executive Key Management Personnel (KMP) competitively and appropriately for acting in line with our enterprise risk management framework. As part of this, a sustainability modifier applies to the Short-term Incentive (STI) Plan to help ensure that staff eligible to participate in the STI Plan are rewarded for results that are achieved sustainably and ethically.

Goal 6 - Respect and nurture the uniqueness of our people by promoting diversity, equity, inclusion and belonging

At The Lottery Corporation, we celebrate and encourage the unique attributes of our employees. We believe this supports diversity of thought which, in turn, helps us to develop organisational capability and deliver improved business performance.

Inclusion and diversity

The Lottery Corporation has adopted an Inclusion and Diversity Policy which articulates our commitment to creating a culture of inclusion and a workplace where everyone experiences a genuine sense of belonging.

In addition to joining the Pride in Diversity Network, to help empower our people, we have developed The Lottery Corporation Diversity Network. This network has multiple streams including our True Colours Network, which is a safe and welcoming community where our LGBTIQA+ employees and their allies can be heard. Any employee can join any of our diversity networks - they are volunteer-led and inclusive of all.

We also have a range of policies and programs to help employees feel safe and included at work. This includes a Gender Affirmation Statement of Support which outlines the various programs that The Lottery Corporation offers to its employees such as paid leave for gender affirmation-related activities, financial allowance to support the gender affirmation process and carer's leave to allow employees to support a member of their household who is undertaking a gender affirmation process.

The Lottery Corporation's Inclusion and Diversity Policy is available at: **www.thelotterycorporation.com/about/corporate-governance**

(iii) Senior Leader - a member of the Executive Leadership Team or their senior direct report.

Gender diversity

In FY23, The Lottery Corporation established gender diversity targets (40:40:20) for our Board and our Senior Leader level to be achieved by 2025.

As at 30 June 2023, women represent 37% of our Senior Leaders and 42% of our Board.

To support representation of women at the Senior Leader level, we have implemented a Lotteries Women in Leadership Program. This program supports women to prepare for top levels of leadership.

We have also conducted a Gender Equity Pay Gap review in FY23. On a like-for-like role basis, the differential between amounts paid to male employees and female employees was 1% (higher to males). The Lottery Corporation is working to reduce this gap and intends to perform gender pay gap reviews on an annual basis.

Indigenous inclusion

We recognise Aboriginal and Torres Strait Islander peoples as the First Australians and the Traditional Custodians of the lands where we live and work. We incorporate an Acknowledgement of Country into our meetings and events to show our respect to Aboriginal and Torres Strait Islander Peoples. We also support employee education about Aboriginal and Torres Strait Islander inclusion in the workplace – and provide an online course on this topic.

Metrics and Targets for FY24

Metric	Target	FY23 commentary
Percentage of female representation at Senior Leader level	40% by 2025	As at 30 June 2023, women represent 37% of our Senior Leaders. We have implemented a Lotteries Women in Leadership Program to help increase this level of representation.

Goal 7 - Invest in the psychological, physical and emotional wellbeing of our team members

Health, safety and wellbeing

Our employees work in a variety of environments including office environments, warehouses and contact centres. Some staff members travel regularly to connect with our retail partners. Providing a safe work environment for our employees is a priority for The Lottery Corporation.

To help reduce the likelihood of physical injuries occurring in the workplace, we:

- conduct periodic safety and hazard reviews in each of our sites and seek to promptly remediate any issues identified;
- provide periodic training to employees to enhance health and safety awareness;
- conduct audits on specific hazards and risks across our sites;
- encourage an environment of reporting; and
- promote safety consultation.

We also acknowledge the importance of mental health and in FY23 provided mental health first-aid training to 32 of our people leaders to help them recognise and respond to signs of mental health issues that may arise in their teams. In addition, we provide an Employee Assistance Program which takes a holistic approach to health and wellbeing. The program includes mental health support, emergency counselling, team member and leader coaching, financial coaching, legal referrals and more.

In FY23, we achieved a Lost Time Injury Frequency Rate [i], result of 0 (i.e. there were no lost time injuries during the financial year).

Learning and development

In FY23, The Lottery Corporation:

- Delivered training to more than 160 leaders in our business. This included training on leadership, culture, and performance.
- Developed a program (which will be delivered in FY24) which includes personalised coaching to our Senior Leaders.
- Offered LinkedIn Learning to our staff to facilitate access to professional development training. More than 66% of our employees participated in our LinkedIn Learning offering.

Workforce retention

We have a range of strategies in place to help ensure that The Lottery Corporation remains a great place to work and that its employees feel valued.

Information about our remuneration policies and practices and how they are designed to attract and retain staff is set out in our Remuneration Report (from pages 62 to 89).

We also offer our employees the opportunity to participate in a General Employee Share Plan. This provides the chance to purchase from $1,000 up to $5,000 worth of TLC shares on a tax exempt (if applicable) or tax deferred basis respectively. The plan allows employees to salary sacrifice the amounts over the financial year, with no brokerage costs incurred by employees.

In FY23, we also designed and launched our Flexible Work Policy - Flex for Great Outcomes. We recognise that the way we work to achieve great outcomes is different for everyone. We embrace flexible working to help balance company, team and individual priorities.

In FY23, voluntary turnover at The Lottery Corporation was 12.7%.

(i) Lost Time Injury Frequency Rate - calculated as per Australian Standard 1885.1 – 1990 Measurement and recording.

Reducing our environmental impact

Acting responsibly to reduce our impact on the environment.

Climate-related reporting standards
The Lottery Corporation notes the Australian Government's commitment to establishing mandatory climate-related reporting standards. We will continue to monitor these proposed standards and will update and revise our targets, metrics and assumptions, as necessary, to ensure they remain aligned with any new requirements.   *Climate science is continuously evolving and the methodologies and assumptions underpinning scenarios that the Company relies on for setting targets are subject to change and may require targets to be revised in the future.*

Introduction

The Lottery Corporation does not consider that it has a material exposure to environmental risks given the nature of its business.

However, it recognises that climate change is a significant challenge globally as well as for the communities in which we operate. Notwithstanding that our carbon footprint is relatively small, we are committed to reducing our greenhouse gas emissions over time.

FY23 highlights

The Lottery Corporation's Board approved our sustainability strategy.

Confirmed The Lottery Corporation's emissions baseline.

Engaged a third-party adviser (specialising in ESG) to support The Lottery Corporation's sustainability strategy development.

Goal 8 - Plan to achieve net zero emissions by 2030

The Lottery Corporation plans to achieve net zero Scope 1 and 2 emissions by 2030.

In FY23, The Lottery Corporation determined its emissions baseline. The table below sets out information related to our FY23 energy consumption.

Total energy consumed	827.46Mwh
Percentage grid electricity	100%
Percentage renewable	0%

Information on some of our initiatives to help reduce emissions are set out under the heading **Goal 10 - Reduce paper usage and increase recycling across business operations.**

Path to net zero by 2030

FY23
Announce plan of net zero Scope 1 and 2 emissions by 2030 and established baseline for emissions calculations

FY24
Develop detailed 2030 net zero strategy

2030
Aiming for net zero Scope 1 and 2 emissions

Metrics and Targets for FY24

Metric	Target	FY23 commentary
Scope 1 and 2 (CO2eq) greenhouse gas emission	Develop 2030 Net Zero roadmap by 2024	Baseline established for FY23.

The Lottery Corporation intends to report against the Task Force on Climate-related Financial Disclosures (TCFD)[(i)] from 2024 onwards.

Goal 9 - Reduce environmental impacts from our supply chain

The majority of our Scope 3 emissions relate to the provision of paper lottery tickets, Instant Scratch-Its® materials, and point-of-sale advertising material which is developed for and distributed to our retail partners.

The Lottery Corporation is at an early stage in its sustainability journey and will review opportunities to reduce its Scope 3 emissions.

Goal 10 - Reduce paper usage and increase recycling across our business operations

The Lottery Corporation is committed to working to reduce thermal paper usage and point-of-sale materials. Thermal paper is used by our retail partners to print lottery tickets.

Metrics and Targets for FY24

Metric	Target	FY23 commentary
Percentage (%) reduction in thermal rolls and point-of-sale material deployed by The Lottery Corporation	10% reduction by 2025	Baseline established for FY23.

(i) The Task Force on Climate-related Financial Disclosures (TCFD) is a global organisation formed to develop a set of recommended climate-related disclosures that companies and financial institutions can use to better inform investors, shareholders and the public of their climate-related financial risks. Further information can be found at https://www.fsb-tcfd.org.

Corporate Governance

Corporate Governance

The Lottery Corporation is committed to high standards of corporate governance and the Board believes this underpins strong business performance. The Company continually reviews and revises its corporate governance practices and policies to ensure they remain aligned with developments in good corporate governance practices, its strategic priorities and shareholders' expectations.

For the financial year ended 30 June 2023, The Lottery Corporation complied with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th edition). Details of The Lottery Corporation's compliance are set out in the 2023 Corporate Governance Statement and in the Appendix 4G. The Corporate Governance Statement is current as at 23 August 2023 and has been approved by the Board.

FY23 corporate governance activities

Board Matters

Board establishment, including the formal appointment of Ms Megan Quinn, Mr John O'Sullivan and Dr Doug McTaggart as Non-executive Directors in October 2022.

Appointment of Mr Stephen Morro as Observer to the Board effective from 1 July 2023[(i)].

Review and reconstitution of the Board Committees.

Establishment and refinement of Board meeting calendars.

Other governance activities

The Board:

- Oversaw the establishment and articulation of the Company's Vision, Purpose and Principles.
- Contributed to, approved and managed the development of the Company's corporate strategy, including setting performance objectives and approving budgets.
- Oversaw the execution of the Company's separation program which is ongoing.
- Oversaw the establishment of (and enhancements to) the Company's enterprise risk management framework, including further investments in risk mitigation programs.
- Established a framework to underpin a disciplined approach to capital allocation. In FY23, the Company paid its first dividend and also established a dividend reinvestment plan.
- Ensured that the Company's remuneration policies are aligned with the Company's purpose, values, strategic objectives and risk appetite as well as reviewing the adjustments outlined in the Remuneration Report on pages 62 to 89.

The Lottery Corporation's 2023 Corporate Governance Statement is available at: **www.thelotterycorporation.com/about/corporate-governance**

(i) To be appointed as a Non-executive Director of The Lottery Corporation following receipt of necessary regulatory and ministerial consents.

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 financial year ended 30 June 2023.

1. Principal activities

The principal activities of the Group during the financial year comprised the provision of gaming and entertainment services. The Group's principal activities remain unchanged from the previous financial year, except as disclosed elsewhere in this Directors' Report.

2. Operating & Financial Review

The financial results of the Group for the financial year ended 30 June 2023 comprise its two operating segments of Lotteries and Keno. The activities and financial performance of the Group and each of its operating segments for the financial year are set out in the Operating & Financial Review.

Lotteries

The Lotteries business has the following operations which are supported by various licences/approvals.

Lotteries operations:

- The Lott® is the brand that unites The Lottery Corporation's licensed lottery operations under one banner. The Lottery Corporation conducts lotteries in all States and Territories of Australia, except Western Australia, under licence arrangements.
- Our leading game brands include Set for Life®, Powerball®, Oz Lotto®, TattsLotto®, Saturday Lotto, Gold Lotto®, X Lotto, Monday & Wednesday Lotto, Lucky Lotteries®, Lotto Strike®, Super 66®, Instant Scratch-Its® and Keno.
- Our Lotteries products can be purchased in newsagencies, convenience stores and other retail outlets, online at thelott.com and via our mobile app.

Lotteries licences/approvals:

- NSW Operator Licence and various product licences expire in April 2050.
- Victorian Public Lottery Licence expires in June 2028.
- Queensland Licensed Lottery Operator's Licence expires in July 2072.
- Lotteries operates under an agency agreement with the Lotteries Commission of South Australia which runs until December 2052.
- Tasmanian Lotteries operate under renewable five-year permits linked to Victorian (June 2025) and Queensland (June 2028) licences.
- ACT Approval to conduct a lottery indefinitely unless revoked.
- Northern Territory Lottery Agreement expires in June 2032, with permit to sell Instant Scratch-Its® tickets expiring in 2028.

Directors' Report

Keno

- The Keno business has the following operations which are supported by various licences/approvals.

Keno operations:

- Keno is a random number game with games typically running every three minutes with the chance for customers to win instant prizes and multi-million-dollar life-changing jackpots.
- Keno is played in clubs, hotels and TABs in Victoria, Queensland, South Australia and ACT, and in clubs and hotels in NSW, and is available online in ACT and Victoria.
- Keno jackpot pooling across NSW, Victoria, Queensland and ACT.

Keno licences/approvals:

- NSW Keno Licence expires in April 2050. The Lottery Corporation operates Keno in NSW as co-licensee with ClubKeno Holdings Pty Ltd under management and operating agreements.
- Victorian Keno Licence expires in April 2042.
- Queensland Keno Licence expires in June 2047.
- Keno operates under an agency agreement with the Lotteries Commission of South Australia which runs until December 2052.
- ACT Approval and agreement to conduct Keno expires in May 2072.

3. Significant changes in the state of affairs

Other than the changes outlined in this Directors' Report or in the Operating & Financial Review, there have been no other matters or significant changes in the state of affairs during the financial year.

4. Significant events after the end of the financial year

There have been no matters or circumstances that have arisen since the end of the financial year, which are not otherwise dealt with in this Directors' Report or in the Financial Report, that have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

5. Business strategies

The Lottery Corporation is one of Australia's leading gaming and entertainment companies and seeks to deliver sustainable superior returns to its shareholders through the delivery of financial, operational and leadership excellence. To achieve these outcomes, the Group continues to focus on a number of strategic priorities, which are discussed on pages 19 to 21.

6. Likely developments and expected results

The achievement of the anticipated results in future financial years is dependent on a range of factors and may be adversely affected by any number of events, and are subject to, among other things, material business risks.

The Directors have excluded from this Directors' Report any further information on the likely developments in the operations of the Group and the expected results of those operations in future financial years, as the Directors have reasonable grounds to believe that to include such information, will be likely to result in unreasonable prejudice to the Group.

7. Directors

The names and details of the Company's Directors in office during the financial year and until the date of this Directors' Report are set out below. Directors were in office for this entire period unless otherwise stated.

- Steven Gregg – appointed 20 May 2022
- Sue van der Merwe – appointed 20 May 2022
- Anne Brennan – appointed 20 May 2022
- Harry Boon – appointed 20 May 2022
- Doug McTaggart – appointed 31 October 2022
- John O'Sullivan – appointed 31 October 2022
- Megan Quinn – appointed 31 October 2022

It is intended that Mr Stephen Morro will be appointed as a Non-executive Director of The Lottery Corporation subject to receipt of necessary regulatory and ministerial consents. Mr Morro was appointed as an Observer to the Board with effect from 1 July 2023. He has not been involved in the preparation of this Directors' Report and, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Directors' Report.

The Directors' qualifications, experience and special responsibilities are detailed in the following section.

Directors

Steven Gregg

Independent Chairman

Bachelor of Commerce

Steven Gregg was formerly the Chairman of Tabcorp Holdings. Prior to the reconstitution of The Lottery Corporation's Board Committees in December 2022, Steven was the Interim Chairman of the Risk & Compliance Committee, and a member of the Audit and People & Remuneration Committees; he is currently the Chairman of the Nomination Committee.

Steven is also the Chairman of Ampol Limited, the Chairman of Unisson Disability Limited, a Director of Challenger Limited, and a Director of thoroughbred bloodstock company William Inglis & Son Limited.

He was formerly the Chairman of Goodman Fielder and Austock Group.

Steven's executive career spanned investment banking and management consulting. He was a Senior Managing Director at ABN Amro Bank, and a Partner and Senior Adviser at McKinsey & Company.

Other ASX Company directorships in the past three years:

- Ampol Limited (previously Caltex Limited) since October 2015
- Challenger Limited since October 2012
- Tabcorp Holdings Limited from July 2012 to May 2022

Sue van der Merwe

Managing Director and Chief Executive Officer

Bachelor of Social Science, Marketing and Economics

Sue van der Merwe is The Lottery Corporation's Managing Director and Chief Executive Officer, a role she was appointed to following the demerger from Tabcorp Holdings in 2022. She previously led Tabcorp Holdings' Lotteries & Keno business, serving as its Managing Director since the 2017 combination of Tabcorp Holdings and Tatts Group. Prior to that, she was Chief Operating Officer of Lotteries at Tatts Group.

In a career in lotteries spanning 33 years, Sue has played a central role in the successful development of the Australian industry and was instrumental in the acquisition of multiple lottery licences and the successful integration of these businesses.

She is also the Chairman of the Asia Pacific Lottery Association, sits on the World Lottery Association Executive Committee, and was inducted into the Public Gaming Research Institute's (PGRI's) Lottery Industry Hall of Fame in 2016, recognising her contribution to world lottery excellence and integrity.

Harry Boon

Independent Non-executive Director

Bachelor of Laws (Honours)
Bachelor of Commerce

Harry Boon was a Non-executive Director of Tabcorp Holdings from December 2017 following the Tabcorp-Tatts Group combination, until the demerger. He was previously the Chairman of Tatts Group and prior to that served as a Non-executive Director of Tatts Group from May 2005.

He is the Chairman of the People & Remuneration Committee, and a member of the Audit and Nomination Committees of The Lottery Corporation.

Harry is the former Chairman of Asaleo Care Limited and a former Director of Toll Holdings. Harry was Managing Director and Chief Executive Officer of ASX-listed company Ansell Limited for 15 years until he retired, a position which capped a career spanning 28 years with Ansell Limited in senior positions across Australia, Europe, the USA, and Canada.

Other ASX Company directorships in the past three years:

- Tabcorp Holdings Limited from December 2017 to May 2022
- Asaleo Care Limited from May 2014 to June 2021

Anne Brennan

Independent Non-executive Director

Bachelor of Commerce (Honours)
Fellow of Chartered Accountants of Australia & New Zealand (CA ANZ)
Fellow of the Australian Institute of Company Directors (AICD)

Anne Brennan was a Non-executive Director of Tabcorp Holdings until the demerger. She is the Chairman of the Audit Committee and a member of the People & Remuneration and Nomination Committees of The Lottery Corporation.

Anne is a Director of Endeavour Group, GPT Group, the NSW Treasury Corporation, and Rabobank New Zealand. She was formerly the Executive Finance Director of Coates Group and Chief Financial Officer at CSR Limited.

Other ASX Company directorships in the past three years:

- Endeavour Group Limited since June 2022
- GPT Group since May 2022
- Argo Investments Limited from September 2011 to October 2022
- Tabcorp Holdings Limited from July 2020 to May 2022
- Spark Infrastructure RE Limited from June 2020 to December 2021
- Metcash Limited from March 2018 to May 2021
- Charter Hall Group from October 2010 to May 2021
- Nufarm Limited from February 2011 to December 2020

Doug McTaggart

Independent Non-executive Director

Bachelor of Economics (Honours)
Master of Arts (Economics) PhD
Fellow of the Australian Institute of Company Directors (AICD)
Senior Fellow of the Financial Services Institute of Australasia (FINSIA)

Doug McTaggart is the Chairman of the Risk & Compliance Committee and a member of the Audit and Nomination Committees of The Lottery Corporation.

Doug is a Director of Suncorp Group, and the Chairman of Indigenous Business Australia Asset Management (IBAAM).

He recently retired as the Chairman of Spark Infrastructure RE and from the Australian National University Council. He was also a Director of UGL and the former Chairman of SunCentral Maroochydore.

Doug was previously Chief Executive Officer of the Queensland Investment Corporation (QIC), a member of the Council of Australian Governments' (COAG) Reform Council, Councillor on the National Competition Council (NCC), and Professor of Economics and Associate Dean at Bond University.

Other ASX Company directorships in the past three years:

- Suncorp Group Limited since April 2012
- Spark Infrastructure RE Limited from December 2015 to April 2022

John O'Sullivan

Independent Non-executive Director

Bachelor of Laws | Bachelor of Arts
Master of Laws
Fellow of the Australian Institute of Company Directors (AICD)

John O'Sullivan is a member of the People & Remuneration, Risk & Compliance, and Nomination Committees of The Lottery Corporation.

John is the Chairman of Abacus Storage King, the Chairman of Serendipity Capital Holdings, a member of the Australian Government's Takeovers Panel, and an Ambassador for the Australian Indigenous Education Foundation.

John was a Partner at Freehill Hollingdale & Page (now Herbert Smith Freehills) practising in corporate, finance, mergers, and acquisitions.

He was also General Counsel of the Commonwealth Bank of Australia (CBA), Executive Chairman of Investment Banking and Capital Markets (Australia) at Credit Suisse Australia, and a Director of AMP Limited.

Other ASX Company directorships in the past three years:

- Abacus Storage King from June 2023
- AMP Limited from June 2018 to April 2022

Directors

Megan Quinn

Independent Non-executive Director

Graduate Member of the Australian Institute of Company Directors (AICD)

Megan Quinn is a member of the People & Remuneration, Risk & Compliance, and Nomination Committees of The Lottery Corporation.

Megan is a Non-executive Director of InvoCare Limited, Reece Limited, and City Chic Collective Limited.

Megan has more than 30 years of global experience as a senior executive, entrepreneur, advisor, and Non-executive Director across a range of industries. She co-founded international online luxury retailer Net-A-Porter and is a recognised customer, brand, digital transformation, and multi-channel expert.

Megan previously served on the Board and National Committee of UNICEF Australia.

Other ASX Company directorships in the past three years:

- InvoCare Limited since October 2018
- Reece Limited since August 2017
- City Chic Collective Limited since October 2012

Stephen Morro

Observer (i)

Bachelor of Arts - Business Administration

Stephen Morro is a Non-executive Director of Light & Wonder and Dreamscape Entertainment Integrated Resorts.

Stephen has more than 30 years of experience in the highly regulated gaming industry as a supplier, operator, and regulator.

From 1988 to 2010, Stephen held various roles at International Game Technology PLC, including as President of the North American Gaming Division and Chief Operating Officer. Stephen also served as a Non-executive Director of Aristocrat Leisure Limited from 2010 to 2020, including as Lead US Director.

(i) To be appointed as a Non-executive Director of The Lottery Corporation following receipt of necessary regulatory and ministerial consents.

The Lottery Corporation Board members, left to right: Steven Gregg, Harry Boon, Megan Quinn, John O'Sullivan, Sue van der Merwe, Anne Brennan and Doug McTaggart.

Directors' Report

8. Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the Directors in the shares and options of The Lottery Corporation Limited were:

Steven Gregg	Sue van der Merwe
45,820	394,269
Anne Brennan	**Harry Boon**
8,182	76,364
Doug McTaggart	**John O'Sullivan**
20,000	41,191
Megan Quinn	
-	

9. Directors' interests in contracts

Some Directors, or related entities of the Directors, may conduct transactions with entities within the Group that occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the entity would have adopted if dealing with the Director or Director-related entity on normal commercial terms and conditions.

The Board assesses the independence of Directors and, among other things, takes into account any related party dealings referable to a Director which are material and require disclosure under accounting standards, and whether any Director is, or is associated with, a supplier, professional adviser, consultant to or customer of the Group which is material. No such circumstances arose during the financial year.

10. Indemnification and insurance of Directors and officers

The Lottery Corporation's constitution provides that the Company will indemnify each Director and officer to the extent permitted by law against any liability incurred by that officer as an officer of the Company or a related body corporate.

In accordance with The Lottery Corporation's constitution, the Company has entered into deeds of indemnity, insurance and access with each of The Lottery Corporation's Directors.

The Lottery Corporation has paid a premium in respect of a contract insuring Directors and officers against any liability incurred by them arising out of the conduct of the business of The Lottery Corporation or in or arising out of the discharge of their duties. In accordance with normal commercial practices, under the terms of the insurance contracts, the details of the nature and extent of the liabilities insured against and the amount of premiums paid are confidential.

11. Company Secretaries

Patrick McGlinchey is the Chief Legal & Risk Officer and Co-Company Secretary of The Lottery Corporation.

Patrick holds a Bachelor of Laws (Honours) and a Bachelor of Economics (Soc Sc) from the University of Sydney and has regularly advised on corporate governance matters and acted as a company secretary for a number of listed entities throughout his career. Refer to page 29 for Patrick's full profile.

Daniel Csillag is the General Manager, Company Secretariat and Co-Company Secretary of The Lottery Corporation. He is responsible for managing company secretariat and corporate governance support across the Group.

Daniel holds a Bachelor of Laws and a Bachelor of Arts (Soc) from the University of New South Wales. He is a Fellow of the Governance Institute of Australia and is a Graduate Member of the Australian Institute of Company Directors (AICD).

12. Environmental regulation and performance

The Lottery Corporation recognises it has an impact on the environment, directly through its operations, and indirectly through its value chain. The Company is committed to minimising the environmental impact of its operations and its products and services. The Company also recognises that climate change is a significant global challenge and is committed to identifying and managing climate-related risks and opportunities across its business, and to reducing its greenhouse gas emissions.

During the financial year ended 30 June 2023, no environmental breaches have been notified to the Group by any government agency.

13. Political contributions and engagement

The Lottery Corporation's Political Contributions Policy acknowledges the responsibility the Company has to its shareholders and stakeholders to participate in the process of public policy development.

As part of this, The Lottery Corporation holds memberships of political party networking forums and attends events that support political parties as they participate in the democratic system of parliamentary government in Australia. In FY23, The Lottery Corporation's political contributions totalled $98,130.

The Lottery Corporation's principles around its political contributions include maintaining an honest and transparent approach; no 'cash-only' donations; and a bipartisan approach as much as practicable. Priorities include advocating for sustainable lotteries sectors across Australia, strong responsible gambling and consumer protection laws and strategic priorities to create value for The Lottery Corporation customers, partners, the community and shareholders.

The Lottery Corporation's Political Contributions Policy is available on The Lottery Corporation's website (www.thelotterycorporation.com) under the Corporate Governance section.

14. 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.

15. Auditors

The Group's external auditor is Ernst & Young Australia. The Group's internal audit function is fully resourced by The Lottery Corporation, with specialist independent external support where necessary.

16. Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young Australia during or since the financial year.

17. Non-audit services

Ernst & Young Australia, the external auditor to the Company and the Group, provided non-statutory audit services to the Company during the financial year ended 30 June 2023. The Directors are satisfied that the provision of non-statutory audit services during this period was compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-statutory audit service provided means that auditor independence was not compromised.

The Audit Committee reviews the activities of the independent external auditor and reviews the auditor's performance on an annual basis. The Chairman of the Audit Committee must approve all non-statutory audit and other work to be undertaken by the auditor (if any).

Ernst & Young Australia, acting as the Company's external auditor, received or are due to receive $399,000 in relation to the provision of other assurance services (of which $300,000 is reimbursed to the Group by the Lotteries Commission of South Australia) and $78,000 relating to the provision of other non-audit services to the Company in respect of the financial year ended 30 June 2023. The other non-audit services related to engagements in connection with the demerger from Tabcorp. Amounts paid or payable by the Company for audit and non-statutory audit services are disclosed in note E5 to the Financial Report.

18. Directors' meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director is set out in the table below.

Director	Board Meetings		Committee Meetings (i)					
			Audit		People & Remuneration		Risk & Compliance	
	held/ attended BM	held/ attended as O	held/ attended as CM	held/ attended as O or NCM	held/ attended as CM	held/ attended as O or NCM	held/ attended as CM	held/ attended as O or NCM
Steven Gregg	11/11	N/A	1/1	5/5	1/1	3/3	1/1	4/4
Sue van der Merwe	10/10 (ii)	N/A	N/A	6/6	N/A	N/A	N/A	5/5
Anne Brennan	11/11	N/A	6/6	N/A	3/4	N/A	1/1	4/4
Harry Boon	11/11	N/A	6/6	N/A	4/4	N/A	1/1	4/4
Doug McTaggart	8/8	3/3	5/5	1/1	N/A	3/4	4/4	1/1
John O'Sullivan	8/8	3/3	N/A	6/6	3/3	1/1	4/4	1/1
Megan Quinn	8/8	2/3	N/A	6/6	3/3	1/1	4/4	1/1

Legend: **BM** = Board Member | **CM** = Committee Member | **NCM** = Non-Committee Member | **O** = Observer

(i) As outlined in the 2023 Corporate Governance Statement, the Nomination Committee did not meet in FY23. During the reporting period, the responsibilities of the Committee were discharged by the Board.

(ii) Ms van der Merwe did not attend one Board meeting as this related to the scheduled review of her performance.

19. Auditor's independence declaration

Included on page 61 is a copy of the auditor's independence declaration provided under section 307C of the Corporations Act in relation to the audit for the financial year ended 30 June 2023. This auditor's independence declaration forms part of this Directors' Report.

20. Remuneration Report

The Remuneration Report for the financial year ended 30 June 2023 forms part of this Directors' Report and can be found on pages 62 to 89.

This Directors' Report has been signed in accordance with a resolution of Directors.

Steven Gregg
Chairman

Sue van der Merwe
Managing Director and Chief Executive Officer

23 August 2023

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

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Fax: +61 3 8650 7777
ey.com/au

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

As lead auditor for the audit of the financial report of The Lottery Corporation Limited for the financial year ended 30 June 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 audit;

b) no contraventions of any applicable code of professional conduct in relation to the audit; and

c) no non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ernst & Young

Michael Collins
Partner
23 August 2023

Remuneration Report

Letter from the People & Remuneration Committee Chairman

On behalf of The Lottery Corporation Board, I am pleased to present The Lottery Corporation's 2023 Remuneration Report.

FY23 was a successful first year for The Lottery Corporation following the demerger from Tabcorp. We paid our first dividends to shareholders and have improved key financial measures. Our Comparable Group revenue [(i)] was up 0.2% to $3,513.1m and Comparable Group EBITDA (before significant items) [(i)] was up 4.2% to $713.2m. We successfully established strong risk and governance processes and our post demerger separation program is on track.

Our management team has continued our performance momentum with active game management and accelerated jackpot sequences for the Powerball® lottery, which reached a record $160m in October 2022. Product innovation has also remained a focus with the introduction of Store Syndicates Online, an omni-channel initiative that has been well received by retailers and customers. We are focused on growth in returns on capital and earnings to deliver value to shareholders.

This year we have also established our strategic priorities, launched our vision to be the world's best lottery operator and established principles to provide guidance on what matters most and how we work together collaboratively across the organisation.

Executive Key Management Personnel (KMP) remuneration framework

Fixed remuneration

The Board determined that the MD & CEO's remuneration remains competitive and appropriate following a significant uplift upon the demerger from Tabcorp. Consequently, no changes to Ms van der Merwe's remuneration will apply for FY24.

The Board also determined that our Chief Financial Officer's remuneration remains competitive and appropriate. Consequently, no changes to Mr Newman's remuneration will apply for FY24.

Our Chief Commercial Operations Officer and Chief Customer & Marketing Officer, Mr Mulvihill and Mr Shepherd will each receive a remuneration uplift in FY24, commensurate with their respective roles and experience since commencing in their roles on demerger.

Short term incentives (STI)

The Board considered both Group financial and non-financial factors when it determined FY23 STI outcomes. In particular, revenue, EBITDA, NPAT, progress on separation, delivery of strategic projects, delivery of customer-focused initiatives and progress on our sustainability strategy.

Based on the above, the Board set an STI pool of 100% of target and determined that an STI outcome of 100% of target was appropriate for the MD & CEO. Other executive KMP STI outcomes averaged 100% of target, after considering individual business unit performance.

Long term incentives (LTI)

The MD & CEO's FY23 LTI offer was approved by shareholders at the 2022 Annual General Meeting and subsequent LTI offers consistent with this approved approach were made to executive KMP in November 2022.

FY24 remuneration framework and LTI

We recently implemented a refreshed remuneration framework centred around the attraction and retention of diverse talent, rewarding all employees for sustainable performance, and innovation that has a positive impact on our customers, communities and our business (refer to section 3 of this report).

(i) Due to the impact of the demerger on Reported results The Lottery Corporation believes Comparable results provide useful information to investors in measuring the financial performance and condition of its business. Comparable results is "non-IFRS" information and is unaudited, refer to Section 4. Performance and Incentive Outcomes of this Remuneration Report for further information.

For the proposed FY24 LTI offer, the Board approved some changes to further align the interests of our executive KMP with our shareholders, namely:

- A positive absolute total shareholder return (TSR) gateway. For LTI Performance Rights to vest, absolute TSR over the performance period must be positive.
- A further one-year holding lock on any vested shares. The FY24 LTI offer will operate over a four-year period, with performance tested at the end of three-years (no retesting), and participants can access their vested shares at the end of the fourth year.

The Board considered adopting a second internal financial measure as part of the FY24 LTI offer (in addition to relative TSR), in particular return on invested capital (ROIC), and earnings per share (EPS) growth.

Our current ROIC is somewhat distorted due to demerger goodwill accounting requirements, whilst EPS growth does not account for the adequacy of returns from capital invested. Therefore, the Board determined that the FY24 LTI offer will continue to be based on the existing single measure of relative TSR, but with a positive absolute TSR gateway/requirement. This will focus and incentivise management for the creation of shareholder value over the longer term and will align executive reward with the shareholder experience.

The Board will continue to focus on and strive to ensure that any proposed capital investments generate risk-adjusted returns above our weighted average cost of capital (WACC) and add value to the business over the long-term.

The MD & CEO's FY24 LTI offer will be presented to shareholders for approval at the 2023 Annual General Meeting, and the Board intends to make LTI offers to other executive KMP in October 2023. Details of all executive KMP LTI offers will be disclosed in our 2024 Remuneration Report.

Non-executive Director fees

Non-executive Director cash fees were reduced by 0.5% in July 2023 to absorb the corresponding increase to the Superannuation Guarantee Contribution rate (they were also reduced in July 2022). This has resulted in Non-executive Directors fees remaining unchanged in FY23. The Board also determined that current Non-executive Director fees are competitive and appropriate and no changes to Non-executive Director fees will apply for FY24.

The entire team has worked tirelessly throughout our first year in growing our business while managing a complex demerger from Tabcorp. FY24 will be an important year as we continue to enhance our digitally enabled customer experience through continued game innovation, create positive impacts through our world leading customer care practices and drive growth to deliver value to shareholders.

Harry Boon

People & Remuneration Committee Chairman

Introduction

This Remuneration Report details the remuneration policies and arrangements for the Key Management Personnel (KMP) of the Group, comprising The Lottery Corporation and its subsidiaries, for the year ended 30 June 2023 (FY23).

KMP are those persons having the authority and responsibility for planning, directing, and controlling the activities of The Group, and comprises the Directors of The Lottery Corporation and certain members of the Executive Leadership Team. This Remuneration Report is presented in accordance with the requirements of the Corporations Act 2001 (Cth) (the Corporations Act) and its regulations and has been audited as required by section 308(3C) of the Corporations Act.

This is The Lottery Corporation's first Remuneration Report covering an entire year as a newly ASX-listed company, following the demerger from Tabcorp in June 2022.

1. Key Messages and Summary

Table 1: Overview of FY23 and FY24 remuneration

<table>
<tr><th></th><th colspan="6">FY23</th><th colspan="2">FY24</th></tr>
<tr><td colspan="9">Non-executive Director fees</td></tr>
<tr><td>Board and Board Committee fees</td><td colspan="6">No change from FY22. However, cash fees decreased by 0.5% in July 2022 to absorb the corresponding SGC [i] rate increase. This resulted in overall fees remaining unchanged.</td><td colspan="2">No change from FY23. However, cash fees decreased by 0.5% in July 2023 to absorb the corresponding SGC [i] rate increase. This resulted in overall fees remaining unchanged.</td></tr>
<tr><td colspan="9">MD & CEO remuneration</td></tr>
<tr><td>Fixed remuneration</td><td colspan="6">$1,500,000 (no change from FY22)</td><td colspan="2">$1,500,000 (no change from FY23)</td></tr>
<tr><td rowspan="3">Short term incentive (STI) opportunity and award</td><td colspan="2">Target opportunity</td><td colspan="2">Maximum opportunity</td><td colspan="2">Actual FY23 award</td><td>Target opportunity (unchanged)</td><td>Maximum opportunity (unchanged)</td></tr>
<tr><td colspan="2">$1,500,000 (100% of fixed remuneration)</td><td colspan="2">$2,250,000 (150% of fixed remuneration)</td><td colspan="2">$1,500,000 (100% of fixed remuneration)</td><td>$1,500,000 (100% of fixed remuneration)</td><td>$2,250,000 (150% of fixed remuneration)</td></tr>
<tr><td colspan="8">50% of Ms van der Merwe's STI award is delivered in Restricted Shares (restricted for 2 years). Restricted Shares are subject to malus, clawback and service conditions.</td></tr>
<tr><td rowspan="3">Long term incentive (LTI) opportunity and vesting</td><td colspan="3">Target opportunity</td><td colspan="3">Maximum opportunity</td><td>Target opportunity (unchanged)</td><td>Maximum opportunity (unchanged)</td></tr>
<tr><td colspan="3">$1,500,000 (100% of fixed remuneration)</td><td colspan="3">$3,000,000 (200% of fixed remuneration)</td><td>$1,500,000 (100% of fixed remuneration)</td><td>$3,000,000 (200% of fixed remuneration)</td></tr>
<tr><td colspan="8">We demerged from Tabcorp in June 2022 and listed separately on the ASX. Given that the first LTI offer was made in 2022 and this offer has a three-year performance period, no LTI awards vested in FY23 or will vest in FY24.</td></tr>
<tr><td colspan="9">Other executive KMP</td></tr>
<tr><td>Fixed remuneration</td><td colspan="6">No change from FY22.</td><td colspan="2">An average increase of 5.2% across the executive KMP, effective 1 September 2023.</td></tr>
<tr><td rowspan="3">Short term incentive (STI) opportunity and award</td><td colspan="2">Average target opportunity</td><td colspan="2">Average maximum opportunity</td><td colspan="2">Average actual FY23 award</td><td>Average target opportunity</td><td>Average maximum opportunity</td></tr>
<tr><td colspan="2">$320,667 (50% of fixed remuneration)</td><td colspan="2">$641,333 (100% of fixed remuneration)</td><td colspan="2">$320,667 (100% of average target opportunity)</td><td>$337,333 (50% of fixed remuneration)</td><td>$674,666 (100% of fixed remuneration)</td></tr>
<tr><td colspan="8">25% of executive KMP's STI awards are delivered in Restricted Shares (restricted for 2 years). Restricted Shares are subject to malus, clawback and service conditions.</td></tr>
<tr><td rowspan="3">Long term incentive (LTI) opportunity and vesting</td><td colspan="3">Average target opportunity</td><td colspan="3">Average maximum opportunity</td><td>Average target opportunity</td><td>Average maximum opportunity</td></tr>
<tr><td colspan="3">$320,667 (50% of fixed remuneration)</td><td colspan="3">$641,333 (100% of fixed remuneration)</td><td>$337,333 (50% of fixed remuneration)</td><td>$674,666 (100% of fixed remuneration)</td></tr>
<tr><td colspan="8">We demerged from Tabcorp in June 2022 and listed separately on the ASX. Given that the first LTI offer was made in 2022 and this offer has a three-year performance period, no LTI awards vested in FY23 or will vest in FY24.</td></tr>
</table>

(i) SGC – mandatory Superannuation Guarantee Contribution.

2. Key Management Personnel (KMP)

All KMP were in place for the full year except for Dr McTaggart, Mr O'Sullivan and Ms Quinn, who were Observers to the Board from 1 July 2022 until they were formally appointed as Non-executive Directors from 31 October 2022.

Mr Stephen Morro was appointed as an Observer to the Board with effect from 1 July 2023 (announced to the ASX on 30 June 2023). It is intended that Mr Morro will be appointed Non-executive Director of The Lottery Corporation following receipt of all necessary regulatory and ministerial consents. He will participate as an Observer in Board meetings until these approvals are received.

Table 2: KMP for FY23

Name	Position held	Period in position
Current Non-executive Directors		
Steven Gregg	Chairman and Non-executive Director	Full year
Harry Boon	Non-executive Director	Full year
Anne Brennan	Non-executive Director	Full year
Doug McTaggart	Non-executive Director	From 31 October 2022, previously was an Observer
John O'Sullivan	Non-executive Director	From 31 October 2022, previously was an Observer
Megan Quinn	Non-executive Director	From 31 October 2022, previously was an Observer
Future Non-executive Director (**pending regulatory approval and ministerial consents**)		
Stephen Morro	Observer to the Board	From 1 July 2023
Current executive Director		
Sue van der Merwe	Managing Director & Chief Executive Officer (MD & CEO)	Full year
Current executive KMP		
Callum Mulvihill	Chief Commercial Operations Officer	Full year
Adam Newman	Chief Financial Officer	Full year
Andrew Shepherd	Chief Customer & Marketing Officer	Full year

3. Executive Remuneration

a) Governance and structure

Table 3: Remuneration governance structure and framework

People & Remuneration Committee

Reviews remuneration arrangements to ensure they continue to be fair, competitive, encourage strong business performance and shareholder value creation and are in line with our approach to risk management and compliance. The People & Remuneration Committee and the Board consider feedback from shareholders, shareholder representative groups, proxy advisors and other stakeholders when determining remuneration arrangements and outcomes. The Committee is responsible for setting people and remuneration strategies and policies, executive remuneration contracts, executive remuneration arrangements, designing organisation and executive incentive plans and approving executive incentive awards. The Committee also recommends new remuneration and incentive arrangements, key changes and Non-executive Director and MD & CEO remuneration arrangements to the Board.

Risk & Compliance Committee

Reviews risk and compliance cultural indicators and performance and works with the People & Remuneration Committee to ensure appropriate variable remuneration outcomes.

Board

Considers advice and recommendation from the People & Remuneration Committee with respect to the people and remuneration framework and its operation and is responsible for approving and managing Non-executive Director fee arrangements and ensuring the MD & CEO's remuneration is shareholder-aligned, appropriate, competitive, and effectively aligned with Group and individual performance outcomes.

Remuneration philosophy

Appropriately and simply recognise, reward, and retain diverse talent, enabling us to strive to be the world's best lottery operator, creating value for shareholders, and making positive impacts to customers, communities, and employees.

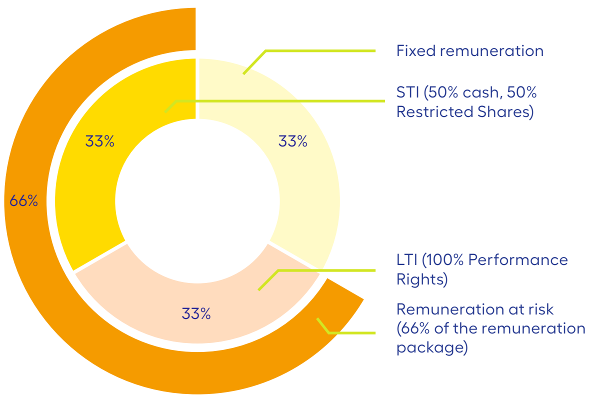
Remuneration principles

Attract, retain and motivate diverse talent who have the right skills to deliver on our strategy and vision, through a competitive total reward proposition.	Recognise and reward all employees for sustainable short and long-term Group, team and individual performance, behaviours and leadership that delivers on strategic and customer priorities and creates shareholder value.	Increase employee shareholding, so they have a vested interest in the Group's success and their experience is aligned with that of shareholders.	Recognise and reward performance and innovation that makes a positive impact to, and protects our employees, customers and communities.	Operate a total reward framework that is simple, aims to eliminate bias and is transparent to better enable our people.

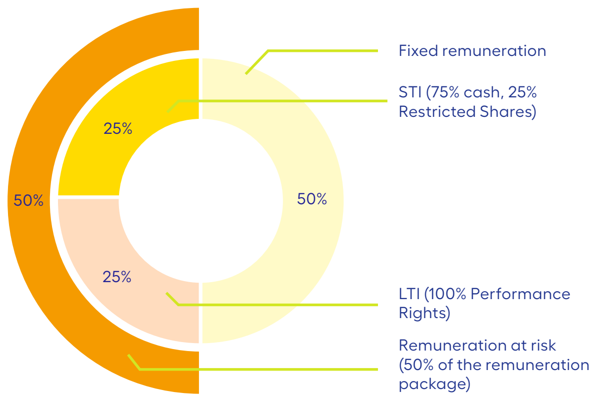
Remuneration components		
Fixed remuneration	**Short term incentive (STI)**	**Long term incentive (LTI)**
Set to attract, retain and motivate executives and fairly compensate for the responsibilities of their roles.	Rewards executives for delivering on annual financial and non-financial targets that align to the Group's strategic priorities and long-term Corporate Plan.	Rewards executives for delivering on long-term financial strategic goals which leads to sustained long-term value creation for shareholders.

Cash		**Equity**	
Set considering both internal and external relativities for roles of similar size and complexity, performance and experience.	50% of the MD & CEO's and 75% of the other executive KMP's STI awards are provided in cash.	50% of the MD & CEO's and 25% of the other executive KMP's STI awards are provided in Restricted Shares which are restricted for 2 years and subject to malus, clawback and service conditions.	The entire LTI grant is provided in the form of Performance Rights which are subject to three-year performance conditions. From FY24, Performance Rights that vest into shares (following the testing of performance conditions) will be restricted for a further year. Performance Rights and these shares are subject to clawback and malus provisions.

Target remuneration mix - MD & CEO



Target remuneration mix – executive KMP



To inform its decisions, the People & Remuneration Committee will source a range of data and may receive independent advice, as appropriate. No remuneration-related advice was sought, and no remuneration recommendations were received, by The Lottery Corporation in respect of executive KMP during FY23 and to the date of this report.

The People & Remuneration Committee is governed by its Charter, which is available on The Lottery Corporation's website **www.thelotterycorporation.com** under the Corporate Governance section.

b) Contracted remuneration

We aim to reward our executive KMP competitively and appropriately for:

Creating long-term shareholder value

Our short and long term incentive performance measures are directly linked to long-term shareholder value creation.

Behaving in line with our principles

All executive KMP are assessed both on performance and behaviours annually. This determines fixed and variable remuneration outcomes.

Acting in line with our enterprise risk management framework

Key scorecard measures and an STI sustainability modifier [i] ensure that executive KMP are rewarded for results that are achieved sustainably and ethically.

Strong Group financial and non-financial performance

The STI pool is based on a financial hurdle and is set considering a range of non-financial measures (including environment, community, product and other ESG measures).

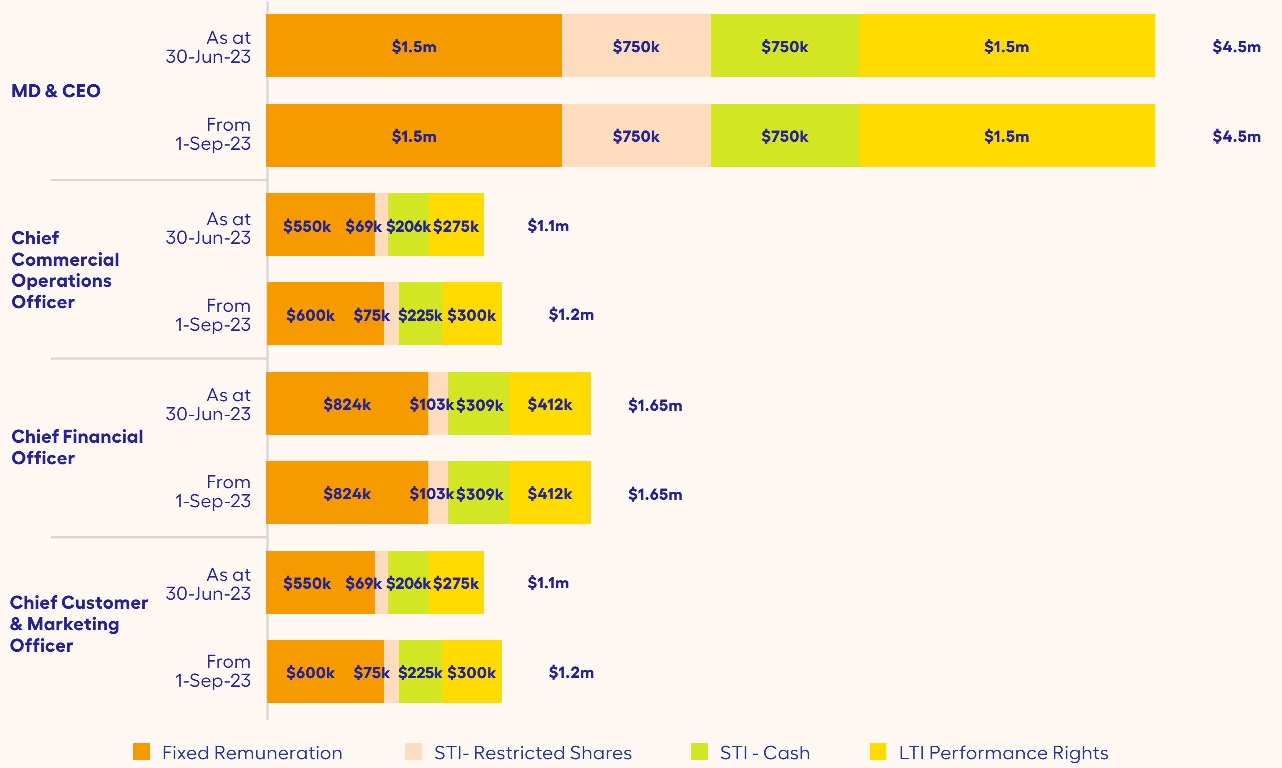
The Group STI scorecard contains key measures that span both financial and non-financial targets.

LTI measures are based on key strategic financial measures that align to the long-term Corporate Plan and value creation for shareholders.

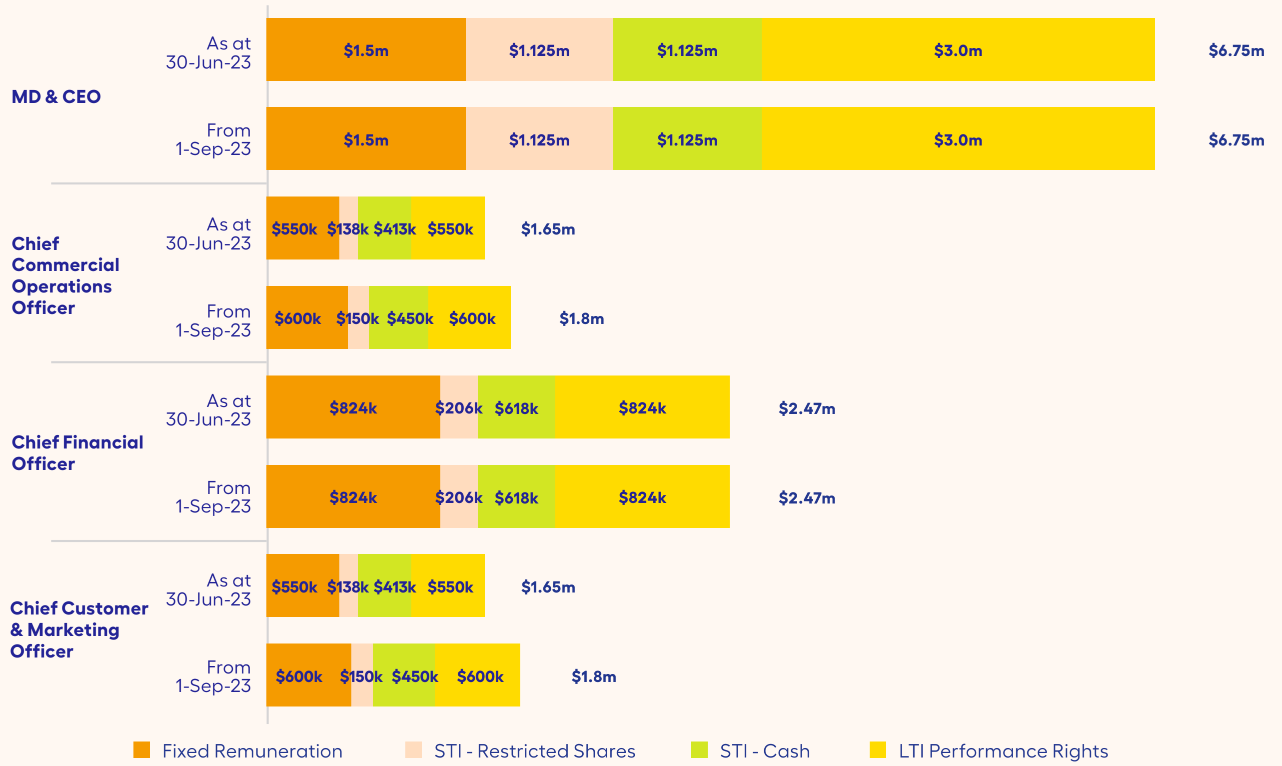
(i) The sustainability modifier and its application is outlined on page 73.

Diagram 1: Executive remuneration packages

Contracted annual remuneration assuming target levels of performance (i)



Contracted annual remuneration assuming stretch levels of performance (and maximum incentive payout) (ii)



(i) Target value represents annual remuneration where target levels of performance have been achieved, the target STI opportunity is awarded and 50% of the LTI Performance Rights (granted in that year) are assumed to vest (at the grant value).

(ii) Maximum value represents annual remuneration where stretch levels of performance have been achieved, the maximum STI opportunity is awarded and 100% of the LTI Performance Rights (granted in that year) are assumed to vest (at the grant value).

b) Contracted remuneration (continued)

i) Contracted remuneration changes from 1 September 2023

Executive KMP salaries were reviewed with adjustments made on an individual basis to ensure alignment to market benchmarks and considering responsibilities and experience in role. The Chief Commercial Operations Officer and the Chief Customer & Marketing Officer received fixed remuneration increases to better align their remuneration to the market. The MD & CEO and the Chief Financial Officer did not receive any increases to their remuneration. Superannuation Guarantee Contribution increases from 1 July 2023 were absorbed into remuneration packages for all executives.

c) Actual remuneration received in FY23

Table 4 provides a non-statutory voluntary disclosure of the total remuneration received by executive KMP during FY23. Some of the figures in the table have not been prepared in accordance with the Australian Accounting Standards. This additional information is supplementary to the remuneration disclosure prepared in accordance with the statutory requirements and Australian Accounting Standards as detailed in section 6 of this report. We believe this information will help shareholders understand the cash and other benefits received by executive KMP from the various components of their remuneration during FY23.

Table 4: Actual value of remuneration received by executive KMP during FY23

Executive KMP	Salary and Fees (i)	STI cash bonus (ii)	Superannuation	Value of Restricted Shares that became unrestricted (iii)	Value of LTI vested (iv)	Total
	$	$	$	$	$	$
Sue van der Merwe	1,330,377	396,479	169,623	-	-	1,896,479
Callum Mulvihill	524,708	146,746	25,292	-	-	696,746
Adam Newman	796,357	324,450	27,643	-	-	1,148,450
Andrew Shepherd	524,708	133,985	25,292	-	-	683,985
Total	**3,176,150**	**1,001,660**	**247,850**	**-**	**-**	**4,425,660**

(i) Comprises salary and sacrificed benefits (including salary sacrificed superannuation and motor vehicle novated leases including fringe benefits tax (FBT) where applicable).

(ii) STI cash bonus reflects the portion of the FY22 STI which was paid in cash in August 2022. This includes STI earned prior to commencing as KMP of The Lottery Corporation on 1 June 2022.

(iii) As FY23 was The Lottery Corporation's first full year of operation, no Restricted Shares became unrestricted during FY23.

(iv) As FY23 was The Lottery Corporation's first full year of operation there were no LTI awards that vested during FY23.

d) Remuneration framework

i) Fixed remuneration

Our aim is to attract and retain talented team members by offering competitive and fair fixed remuneration levels.

What constitutes fixed remuneration?	Cash salary, statutory superannuation contributions and employee-elected salary sacrificed benefits.
How is it set?	With reference to the responsibilities and complexities of the role, the executive's knowledge, experience and skills and external market benchmarks.
What is our remuneration benchmarking peer group?	The ASX 25 to 75 group of companies.

ii) FY23 STI structure and operation

The FY23 STI plan focused participants on achieving the FY23 Group financial and non-financial performance targets which, in turn, delivers the Group's strategy over the longer term. The STI plan also rewards participants for the demonstration of key behaviours that set the tone and culture of the organisation.

Diagram 2: Executive KMP FY23 STI operation summary

Target STI opportunity

Executive KMP were assigned target STI opportunities which equated to the STI payout if target performance levels were achieved, and behaviours were in accordance with our principles. Opportunities were benchmarked to the market to ensure they are fair and reward effectively for appropriate performance outcomes.

MD & CEO: 100% of fixed remuneration.
Other executive KMP: 50% of fixed remuneration.

x

EBIT threshold gateway

FY23 earnings before interest and tax (EBIT) performance was set as a threshold gateway.

Achieved: Yes

x

STI pool

The Board assessed Group financial and non-financial performance against the overall Group scorecard to determine the size of the STI pool.

Actual Outcome: 100%

x

Sustainability modifier

The Board considered sustainability measures such as product (including customer harm minimisation and risk management), people (including safety and diversity), community (including impacts and reputation), and environment (including emissions) to determine if any modification to the STI pool was required.

Modification applied: None

x

Weighted performance scorecard outcome

Executive KMP STI awards were dependent on a weighted balanced scorecard of measures. 50% of the performance measures were financial, and 50% pertained to Group (for the MD & CEO) and to business unit (for other executives) targets which spanned Strategic, Customer First, and People and Culture dimensions. Weightings were agreed with the Board at the beginning of the financial year, reflecting key Group priorities for that year.

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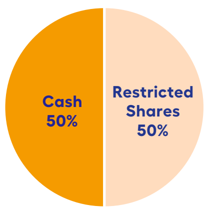
STI award

MD & CEO
Actual FY23 award: 100% of the target STI opportunity



Other Executive KMP
Actual FY23 award: 100% of the target STI opportunity

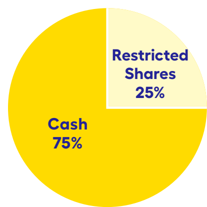


Table 5: Additional STI information

What happens to Restricted Shares if an STI participant leaves the Group during the two-year restriction period?	If the participant resigns or is terminated for cause, Restricted Shares are forfeited (unless the Board determines otherwise). If the participant leaves the Group under any other circumstances (including due to redundancy, retirement, or ill health), then Restricted Shares will remain on foot and dealing restrictions will be lifted at the end of the original restriction period (unless the Board determines otherwise).
When is the STI awarded to participants?	If STI awards are made, the cash component is paid and Restricted Shares are granted in August, following the end of the financial year to which it pertains.
Why was the above method chosen to assess performance?	The methodology set out in Diagram 2 was chosen as it aligns with our approach of rewarding our employees for strong Group and individual financial and non-financial and sustainable performance.
Can Restricted Shares be forfeited or clawed back?	Restricted Shares may be forfeited at the Board's discretion, based on certain adverse events or information that may come to light. If these adverse events occur or adverse information becomes available after the Restricted Shares have become unrestricted, the Board may require the participants to (amongst other things) repay all or part of the value of the Restricted Shares.
How does the STI framework align with The Lottery Corporation's risk and compliance objectives?	The sustainability assessment includes adherence with risk management and compliance objectives, appropriate customer outcomes and cultural measures. The STI award is also dependent on participants displaying the appropriate behaviours and is delivered partly as Restricted Shares (restricted for two years) which are subject to malus and clawback provisions.
What happens in the event of a change in control of the Group?	The Board is required to determine, in its absolute discretion, the appropriate treatment regarding any Restricted Shares.

iii) FY24 STI structure and operation

We are dedicated to fostering a high-performance culture aimed at recognising and rewarding strong performance in a simple and equitable manner. During FY23, a review of the entire remuneration framework, including the STI plan, was undertaken. To maintain market competitiveness and ensure that the STI plan aligns with this ambition, several changes to the STI plan have been implemented for FY24. These changes are focused on simplifying the performance assessment process and further recognising and rewarding our strongest performers.

Diagram 3: FY24 STI operation

iii) FY24 STI structure and operation (continued)

For FY24, the Group scorecard (which contains key Group priorities for the year) will act as a first multiplier, meaning that executive KMP STI awards will be directly linked to Group performance. The Board considers this to be important so that all executive KMP work together to achieve Group success. Executive KMP will also have a set of Key Performance Indicators (KPIs) spanning key strategic business unit and Group priorities to recognise and reward their contribution to The Lottery Corporation's success. The KPIs will act as a second multiplier.

The remaining aspects of the STI operation will continue to operate in the same manner as for FY23. This includes:

- no changes to executive KMP STI target opportunity percentages;
- Group EBIT continuing to be a gateway;
- retention of the sustainability modifier, ensuring STI awards are dependent on strategic ESG measures and the organisation's ESG priorities; and
- STI awards continuing to be paid as 50% cash and 50% in Restricted Shares for the MD & CEO and 75% cash and 25% Restricted Shares for the other executive KMP.

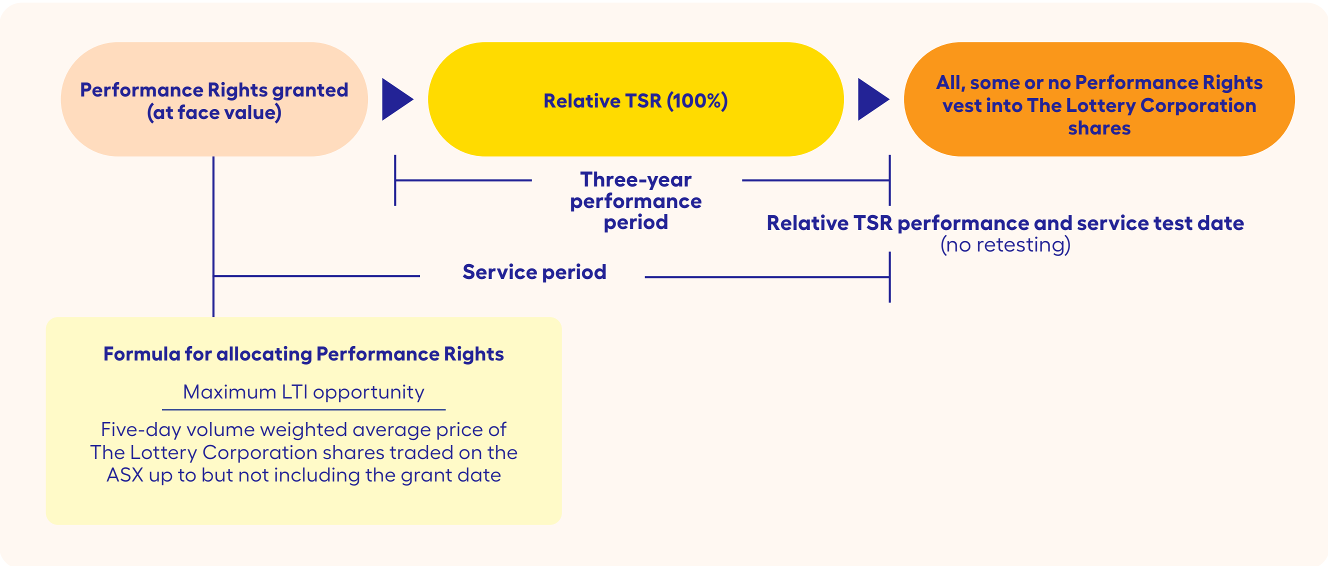
iv) FY23 LTI offer

The FY23 LTI structure was largely carried over from Tabcorp upon demerger. However, this first LTI offer (made in 2022) included a single performance measure, being relative total shareholder return (TSR). A single LTI performance measure was deemed to be appropriate, considering that other internal financial measures were determined to be complex to adopt in the context of the demerger. This was because, in 2022:

- baselines for appropriate internal financial measures could not be determined due to the absence of a comparable opening balance sheet at 30 June 2021;
- we had no history trading as an independent entity, and establishing appropriate internal financial targets would have been difficult; and
- we were still finalising our long-term business plan as a standalone ASX company.

These points were discussed with investors in 2022 and the MD & CEO's FY23 LTI offer was approved by shareholders at the 2022 Annual General Meeting.

Diagram 4: FY23 LTI operation summary



d) Remuneration framework (continued)

Table 6: Additional FY23 LTI offer information

<table>
<tr><td rowspan="1">On what basis were Performance Rights allocated?</td><td colspan="4">Participants were allocated a maximum number of Performance Rights (based on their maximum LTI opportunities) using a face value allocation methodology. Each Performance Right provides the right to receive one ordinary share, at no cost to the participant (either at grant or at vesting), subject to the satisfaction of performance and service conditions. Performance Rights do not attract dividends or voting rights.</td></tr>
<tr><td>What are the performance measures?</td><td colspan="4">Vesting of Performance Rights is subject to relative TSR performance. If the performance conditions are not met, Performance Rights will lapse.</td></tr>
<tr><td>What is “relative TSR”?</td><td colspan="4">The return to shareholders (capital returns, dividends and share price movements) over the performance period relative to a peer group of companies. It was chosen as an LTI measure as it directly aligns to rewarding for sustained shareholder value creation.</td></tr>
<tr><td rowspan="5">What are the relative TSR performance conditions?</td><td colspan="4">Relative TSR</td></tr>
<tr><td></td><td>Percentile ranking [i]</td><td>% of Performance Rights that will vest</td><td>Peer Group</td></tr>
<tr><td>Below target</td><td>Below 50th percentile</td><td>0%</td><td rowspan="3">Companies included in the S&P/ASX 100 index excluding organisations operating in the Metals & Mining and Oil and Gas sectors[iii].</td></tr>
<tr><td>Target[ii]</td><td>50th percentile</td><td>50%</td></tr>
<tr><td>Maximum[ii]</td><td>75th percentile</td><td>100%</td></tr>
<tr><td>When will performance and service conditions be tested?</td><td colspan="4">At the end of the three-year performance period.</td></tr>
<tr><td>How will the satisfaction of the performance conditions be assessed and why was this method chosen?</td><td colspan="4">Relative TSR performance will be calculated by an independent third party, and the results will be assessed by the People & Remuneration Committee to determine appropriate vesting outcomes. This methodology was chosen as it allows for an objective and appropriate assessment of the performance conditions.</td></tr>
<tr><td>What if performance and service conditions are met?</td><td colspan="4">If the service and performance conditions have been met, The Lottery Corporation will issue or transfer ordinary shares to the participant, which will rank equally with other fully paid shares (full voting and dividend rights).</td></tr>
<tr><td>What happens when an LTI participant leaves the Group?</td><td colspan="4">If a participant resigns or is terminated for cause, Performance Rights will lapse (unless the Board determines otherwise). In all other circumstances a pro rata number of Performance Rights (based on the portion of the service period during which the participant was employed) remain on foot and are subject to the original terms and conditions (including performance but excluding service), unless the Board determines otherwise. The remainder of the Performance Rights will lapse.</td></tr>
<tr><td>What happens if there is a change of control?</td><td colspan="4">The Board can determine, in its absolute discretion, the appropriate treatment regarding any unvested Performance Rights.</td></tr>
<tr><td>Can Performance Rights be cancelled or clawed back?</td><td colspan="4">Performance Rights may lapse at the Board’s discretion based on adverse events that have occurred or where adverse material information becomes available after Performance Rights have been granted. If this occurs after the Performance Rights have vested, the Board may require participants to repay all or part of the value of the award.</td></tr>
<tr><td>Accounting treatment</td><td colspan="4">Performance Rights are expensed on a straight-line basis over the vesting period. Under Accounting Standards, The Lottery Corporation is required to recognise an expense irrespective of whether Performance Rights ultimately vest to the participant. A reversal of the expense is only recognised in the event the Performance Rights lapse due to cessation of employment within the vesting period.</td></tr>
</table>

(i) The vesting schedule aligns with predominant ASX 25 to 75 practices.

(ii) Straight line (pro rata) vesting occurs between target and maximum performance levels.

(iii) The Board has discretion to remove organisations included in the peer group if there have been material changes to the market positioning of those organisations or if they have delisted from the ASX. The Board also has discretion to adjust the TSR calculations for a peer group company, where there have been material capital adjustments to that organisation.

v) FY24 LTI offer

During FY23 The Board reviewed the LTI structure to ensure it continues to be strategically aligned, market competitive and focused on incentivising for the creation of long-term value for shareholders within our business context.

The Board considered adopting a second internal financial measure as part of the FY24 LTI offer (in addition to relative TSR), in particular ROIC or EPS growth.

Our current ROIC is somewhat distorted due to demerger goodwill accounting requirements, whilst EPS does not fully account for the adequacy of returns from capital invested. Therefore, the Board determined that the FY24 LTI offer will continue to be based on the existing single measure of relative TSR, but with a positive absolute TSR gateway / requirement. This is designed to focus and incentivise management for the creation of shareholder value over the longer term and to align executive reward with the shareholder experience.

Although ROIC and EPS growth will not be adopted as part of the FY24 LTI offer, returns on invested capital and growth in earnings over the long term will both continue to be measured and disclosed. The Board will continue to focus on and strive to ensure that any proposed capital investments generate risk-adjusted returns above our WACC and add value to the business over the long term.

As is our practice, the LTI Plan will be reviewed each year to ensure it continues to effectively incentivise and reward for the creation of long-term shareholder value.

Performance period and holding lock

The Board considers three years to be an appropriate LTI performance period within our business context. However, the FY24 LTI offer will introduce an additional one-year holding lock on any Performance Rights that vest into shares following testing at the end of the three-year performance period. This additional holding lock period will further align the interests of LTI participants and shareholders through share price movements and allows for a further year where malus provisions can be exercised if adverse material events occur that warrant applying those provisions. This means that the FY24 LTI offer will operate over a four-year period.

It is important to note that performance is only tested once at the end of the three-year performance period (no retesting) and participants can only deal with their vested shares at the end of the fourth year.

More details will be provided in The Lottery Corporation's 2023 Notice of Meeting and the 2024 Remuneration Report.

4. Performance and Incentive Outcomes

a) Overall business performance and incentive outcomes

As The Lottery Corporation was listed on the ASX on 24 May 2022, the table below shows Reported Group performance, and STI and LTI outcomes for FY22 and FY23 only. This table will be expanded in future years to provide comparative metrics for the preceding five financial years in which we have operated and will address the statutory requirement to provide a five year outline of the link between Group performance and executive remuneration.

To enhance comparability between the financial years ended 30 June 2022 and 30 June 2023 and to provide more insight into the underlying performance of the businesses, equivalent financial information has also been included, 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;
- 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; and
- the year ended 30 June 2022 has been updated to include the estimated impact of net additional standalone operating costs ($9.0m) associated with the demerger from Tabcorp (which took effect in June 2022), as per the pro forma historical results in Section 3.13.4 of the Demerger Booklet.

Comparable results is "non-IFRS" information and is unaudited.

Table 7: Overall business performance – FY22 and FY23

Measure	Measurement unit	FY23	FY22 (i)
Earnings before interest and tax (EBIT) (ii)	$m	508.4	538.4
Comparable EBIT (before significant items)	$m	615.0	594.0
Comparable EBITDA (before significant items)	$m	713.2	684.6
Net profit after tax (NPAT) (ii)	$m	264.8	346.6
Basic earnings per share (EPS) (ii)	Cents	11.9	15.6
Closing share price (iii)	$	5.13	4.52
Dividends (iv)	Cents per share	15.0	n/a
STI awards			
STI pool	% of target pool	100%	100%
MD & CEO	Award as % of target STI opportunity	100%	105%
Other executive KMP	Average award as % of target STI opportunity	100%	105%
LTI vesting			
LTI awards vested in FY23 (v)	% of target opportunity	n/a	n/a

(i) FY22 results include earnings for the Lotteries business for 12 months and the Keno business for one month, following the acquisition in connection with the demerger.

(ii) FY22 and FY23 results are not directly comparable as FY23 includes a full year of the Keno segment profit before interest and tax of $76.0m (FY22: $6.5m), following the acquisition of the business in May 2022, separation costs of $101.2m (FY22: $0.6m), and a full year of finance costs of $124.0m (FY22: $12.2m) following the demerger from Tabcorp. Refer to Note A1 Segment information in the Financial Report.

(iii) Closing share price is as at 30 June of the respective financial year. Opening share price as at 1 July 2022 was $4.52.

(iv) Includes interim, special, and final dividends. For FY22 no dividends were paid by The Lottery Corporation since it listed on the ASX on 24 May 2022.

(v) The Lottery Corporation's first LTI offer was made in November 2022 and includes a three-year performance period, as such there were no LTI awards that vested in FY22 or FY23.

i) FY23 STI pool

In determining the appropriate STI pool for FY23, the Board considered Group financial and non-financial performance outcomes. Whilst the Group narrowly missed its financial targets, this was predominantly driven by unfavourable jackpot sequences which were outside the control of management (unfavourable luck).

Despite this, management put contingencies in place (e.g. accelerated jackpot sequences) which mitigated some of this impact (and resulted in the strong performing $160m Powerball® jackpot in October 2022). In addition, non-financial performance was strong with the launch of initiatives such as Store Syndicates Online (which resonated well with retailers), the Powerball® lottery price change (which positively impacted financial performance and retailer commissions) and strong progression on separation from Tabcorp.

Our management has also done a great job establishing The Lottery Corporation as a standalone strong performing ASX company during FY23. Considering this, the Board determined that an on-target STI pool of 100% was appropriate.

ii) FY23 STI scorecard assessment

Table 8: The Lottery Corporation STI scorecard and assessment of performance

Dimension	Weighting	Key measures	Target	FY23 result	FY23 performance
Financial	50%	Revenue	$3.7b	$3.5b	Active portfolio and jackpot sequence management helped maintain revenue performance in FY23 when compared to FY22. These pre-emptive measures minimised the impact of unfavourable jackpot outcomes (when compared to model (expected) probabilities). There was strong Keno revenue growth in FY23.
		EBITDA (before significant items)	$752.2m	$713.2m	The Group EBITDA (before significant items) result of $713.2m was 5% down on target but 4.2% up on Comparable FY22, driven by improved Lotteries margins and strong Keno revenue growth. Underperformance against the original target was primarily due to unfavourable jackpot outcomes, partially mitigated by management of accelerated jackpot outcomes and better than budgeted performance at an individual draw level. Keno achieved above target performance.
		Opex[i] to revenue ratio	7.5%	7.7%	Group Opex in dollar terms was favourable to budget and was impacted by inflationary pressures from a labour and contracting perspective. Underperformance of Opex to revenue ratio against target was primarily due to the impact of unfavourable jackpot outcomes on revenue (resulting in lower revenue outcomes).
Strategic	20%	Successfully complete separation			The complex separation program has been well managed and progressed within set milestones and cost targets. Key strategic decisions have been made to reconsider some elements of the separation to ensure final delivery remains efficient, effective and sustainable while setting us up for success. This has impacted separation milestone targets.
		Progress growth opportunities			Our strategic framework including vision, purpose and values was developed and launched in October 2022. The increase in retailer commissions and the Powerball® lottery price increase was successfully implemented in May 2023 contributing to an uplift in performance in May and June, with expectations for material ongoing benefits.
Customer First	15%	Customer growth and retention			Lotteries membership has grown to 4.2m active registered customers, up 3.2% on FY22; this was achieved whilst managing the challenge of unfavourable jackpot outcomes. There has been strong retail growth in Keno with 44.4k active registered customers well above target and up 13.7% on FY22.
		Digital innovation and performance			Innovative Store Syndicates Online product launched, driving omni-channel adoption and supporting retailers which has seen significant positive revenue generation and positive feedback from customers and retailers. Digital turnover is lower overall in both Lotteries and Keno, reflective of lower second half jackpots in Lotteries and third-party activity withing the Keno market.

(i) Opex - Net operating expenses.

a) Overall business performance and incentive outcomes (continued)

Dimension	Weighting	Key measures	FY23 result	FY23 performance
People & Culture	15%	Compliance and reputation		At 30 June, The Lottery Corporation's share price was up 9% since demerger on 24 May 2022 and total shareholder return for FY23 was up 4% against the ASX 200. There were no material compliance or reputational matters in FY23.
		Health and safety		Safety performance has been well above target with no lost time injuries incurred during the year.
		Establish culture and principles post-demerger		The Lottery Corporation's strategic framework was launched in October 2022 and included principles to articulate our desired culture. Strong culture and engagement results across the year indicating that 83% of team members rate the culture favourably.
		Executive and leader succession		Executive leadership succession planning review completed with successors identified and development plans in place.

Legend	Missed target	Achieved target	Exceeded target

iii) Executive KMP FY23 STI awards

Table 9: Executive KMP FY23 STI Awards

Executive KMP	Financial Year	Total STI awarded					STI foregone
		Total (i)	Cash portion	Deferred portion	As a % of STI target	As a % of STI maximum	As a % of STI maximum
		$	$	$	%	%	%
Sue van der Merwe (ii)	FY23	1,500,000	750,000	750,000	100	67	33
Callum Mulvihill	FY23	275,000	206,250	68,750	100	50	50
Adam Newman	FY23	412,000	309,000	103,000	100	50	50
Andrew Shepherd	FY23	275,000	206,250	68,750	100	50	50

(i) The minimum STI value possible is zero. The maximum possible value of the deferred portion of a participant's STI award will depend on the number of Restricted Shares that become unrestricted for them and the prevailing market value of The Lottery Corporation shares.

(ii) Ms van der Merwe's maximum STI opportunity equates to 150% of her target STI opportunity. For all other executive KMP, their maximum STI opportunities equate to 200% of their target STI opportunities.

iv) LTI awards granted in FY23

In FY23, LTI grants were provided to executive KMP following shareholder approval of the MD & CEO's FY23 LTI grant received at our Annual General Meeting held on 8 November 2022 and obtained under ASX Listing Rule 10.14. These LTI grants are subject to a performance condition and a service condition as detailed in section 3 (d) (iv).

The minimum LTI value possible is zero, and the maximum LTI value will depend on the number of Performance Rights that vest and the prevailing market value of The Lottery Corporation shares.

Table 10: Performance Rights granted during FY23

Executive KMP	Grant date 8 November 2022 Vesting date 28 September 2025				
	Number granted	Fair value (i) per Performance Right at grant date	Fair value at grant date	Face value (ii) per Performance Right at grant date	Face value at grant date
		$	$	$	$
Sue van der Merwe	699,300	2.42	1,692,306	4.29	2,999,997
Callum Mulvihill	128,205	2.42	310,256	4.29	549,999
Adam Newman	192,074	2.42	464,819	4.29	823,997
Andrew Shepherd	128,205	2.42	310,256	4.29	549,999
Total	**1,147,784**		**2,777,637**		**4,923,992**

(i) Expensed for accounting purposes over the vesting period, and is determined by an external valuer taking into account the terms and conditions upon which the Performance Rights are granted.

(ii) Used for allocation purposes, and is calculated as the five-day volume weighted average price of The Lottery Corporation shares traded on the ASX up to the grant date.

Table 11: KMP interests in Performance Rights (number)

Executive KMP	Balance at start of year	Granted as remuneration	Vested	Lapsed	Balance at end of year (i)
Sue van der Merwe	-	699,300	-	-	699,300
Callum Mulvihill	-	128,205	-	-	128,205
Adam Newman	-	192,074	-	-	192,074
Andrew Shepherd	-	128,205	-	-	128,205
Total	**-**	**1,147,784**	**-**	**-**	**1,147,784**

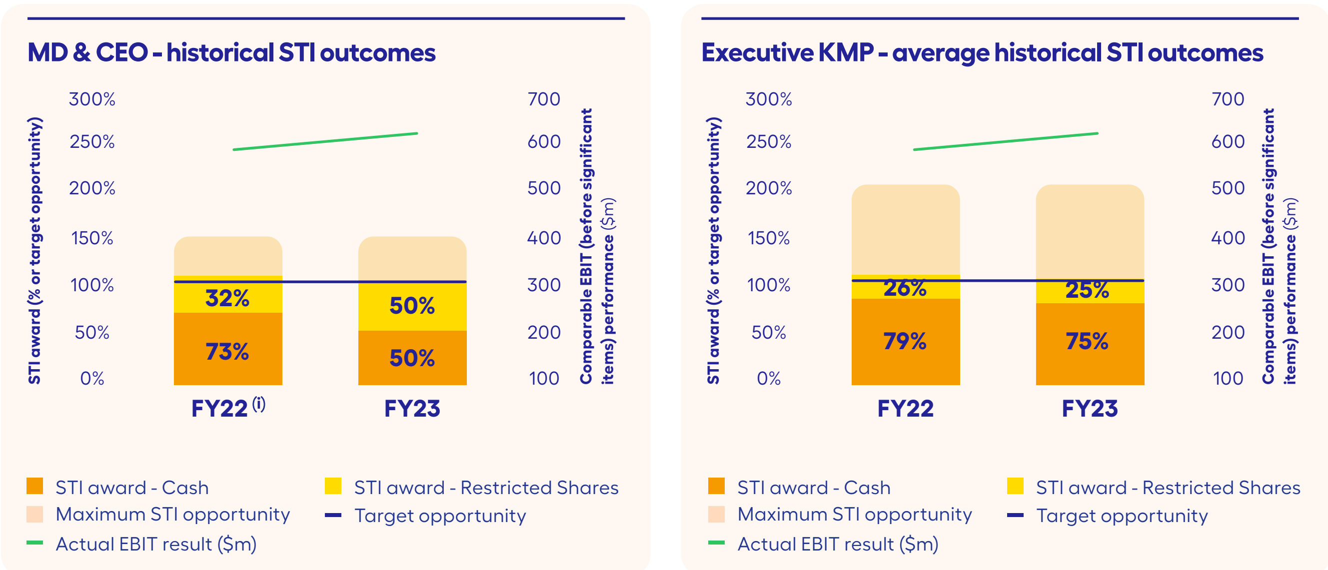
(i) The number of Performance Rights vested at year end was nil.

v) LTI vesting outcomes in FY23

Our first LTI offer was made in November 2022 and remains on foot. Vesting of the 2022 LTI offer is subject to three-year performance conditions. As such no LTI vesting occurred in FY23.

vi) Historical incentive outcomes

Diagram 5: Executive KMP historical STI outcomes



(i) In FY22, Ms van der Merwe held the role of MD Lotteries & Keno at Tabcorp (pre-demerger) for 11 months and MD & CEO of The Lottery Corporation for one month post demerger. At Tabcorp, 25% of her STI award was paid in Restricted Shares and at The Lottery Corporation, this figure is 50%. The figures in the diagram represent a proportional pro rata split between these two deferral requirements.

b) Executive KMP employment contracts

Table 12: Executive KMP employment contracts and notice periods

Current executive KMP	Position held	Contract duration	Minimum notice period (months)	
			Executive	The Lottery Corporation
Sue van der Merwe	MD & CEO	Open ended	6	12
Callum Mulvihill	Chief Commercial Operations Officer	Open ended	6	9
Adam Newman	Chief Financial Officer	Open ended	6	9
Andrew Shepherd	Chief Customer & Marketing Officer	Open ended	6	9

Where The Lottery Corporation terminates the executive KMP's employment, The Lottery Corporation may, at its discretion, elect to pay the executive KMP an amount in lieu of notice for any portion of the relevant notice period worked. On cessation of employment, STI or LTI awards may vest, lapse or be forfeited in accordance with the relevant plan rules.

c) Executive remuneration policies

Policy prohibiting hedging

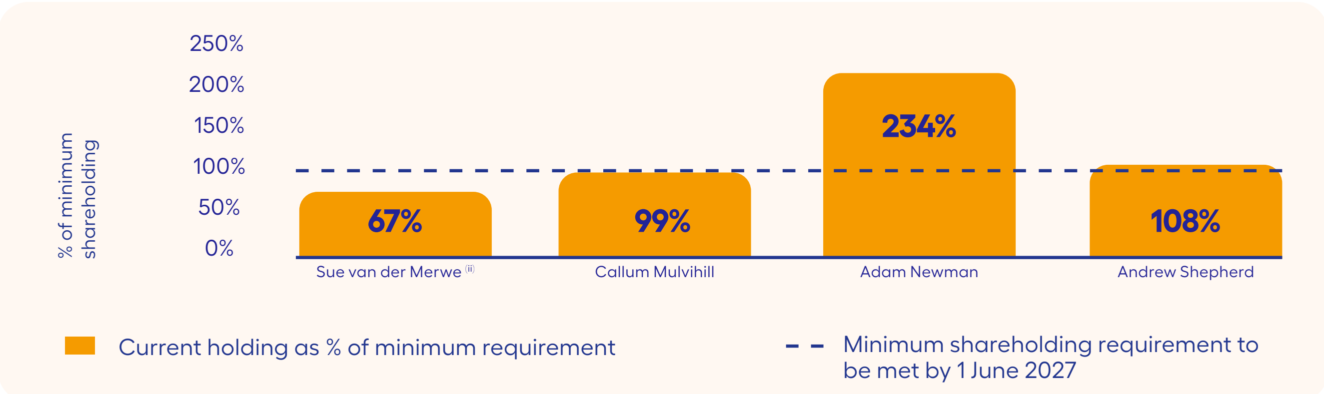
Participants in the Group's incentive plans are restricted from hedging the value of Restricted Shares and unvested Performance Rights and must not enter into a derivative arrangement in respect of the equity instruments granted under these plans. Breaches of the restriction will result in equity instruments being forfeited. These prohibitions are included in the terms and conditions of the incentive plans and The Lottery Corporation's Securities Trading Policy, which is available on The Lottery Corporation's website (www.thelotterycorporation.com) under the Corporate Governance section.

Equity instruments granted under the incentive plans can only be registered in the name of the participant, are identified as non-tradable on the share register (i.e. placed under a holding lock) and cannot be traded or transferred to another party until vested or until any trading restriction period has expired (where applicable).

Executive Shareholding Policy

The Executive Shareholding Policy ensures that the interests of executives, the Group and shareholders are aligned. Under the policy, the MD & CEO is required to hold the equivalent of 200% of the value of their annual fixed remuneration in The Lottery Corporation shares. Other executive KMP are required to hold the equivalent of 100% of the value of their annual fixed remuneration in The Lottery Corporation shares. The minimum shareholding must be achieved within five years from the executive KMP's appointment or within five years of the date of the demerger (1 June 2022), whichever is later. A copy of this policy is available on The Lottery Corporation's website (www.thelotterycorporation.com) under the Corporate Governance section.

Diagram 6: Executive KMP progress against minimum shareholding requirements as at 30 June 2023 (i)



(i) The value of the shareholding has been calculated using a share price of $5.13 which was the closing share price as at 30 June 2023.

(ii) The graph represents the percentage of the shareholding required under the Executive Shareholding Policy. The MD & CEO is required to hold the equivalent of 200% of her annual fixed remuneration while the remaining executive KMP are required to hold the equivalent of 100% of their annual fixed remuneration in The Lottery Corporation shares. The minimum shareholding requirement must be met by 1 June 2027.

5. Non-executive Director Fees

Non-executive Director fees are set based on workload, responsibilities, qualifications, experience, and market benchmarks. The Lottery Corporation benchmarks Non-executive Director fees to organisations ranked 25 to 75 on the ASX, by market capitalisation. Non-executive Directors **do not** receive any performance or incentive-related payments.

Board fees are not paid to the MD & CEO or to executives for directorships of The Lottery Corporation or any subsidiaries.

a) Aggregate fee limit

The maximum aggregate fee limit is set at $3.0 million (approved by shareholders on 12 May 2022) and has remained at this level during FY23. No adjustment to this limit is proposed for FY24. Total fees paid (including superannuation) to Non-executive Directors in FY23 was $1.8 million.

b) Non-executive Director fee structure

Non-executive Directors receive a base Board fee and a fee for each Board Committee that they chair or are a member of (except for the Nomination Committee, where no additional fees are paid). The Board Chairman receives a single fixed fee which is inclusive of services on applicable Board Committees. Superannuation contributions form part of the fees and Non-executive Directors are not eligible to receive any other retirement benefits.

The Lottery Corporation aims for Non-executive Director fees to be aligned with fee levels paid by organisations ranked 25 to 75 on the ASX (by market capitalisation). This is considered to be appropriate given we are ranked amongst the 50 largest companies on the ASX and remunerating Non-executive Directors competitively is important to attract and retain the desired experience and knowledge in a regulated business. The Board will continue to review fees to ensure they remain competitive and appropriately remunerate Non-executive Directors for their responsibilities and contribution.

Table 13: FY23 Non-executive Director fee structure (inclusive of superannuation)

Committee Structure		Annual fees $
Board	Chairman (i)	580,350
	Member (ii)	186,150
Audit Committee	Chairman	54,750
	Member	24,090
Risk & Compliance Committee	Chairman	49,275
	Member	21,900
People & Remuneration Committee	Chairman	49,275
	Member	21,900

(i) The Board Chairman receives a single fixed fee which is inclusive of services on applicable Board Committees.
(ii) The fees paid to Board members are inclusive of services on the Nomination Committee.

c) Non-executive Director fees paid during FY23

There were **no changes** to Non-executive Director fees in FY23. On 1 July 2022, the Superannuation Guarantee Contribution rate increased from 10% to 10.5%. The Board agreed to absorb this change into existing fees, thereby reducing the Non-executive Director cash fees. This resulted in no change to total fees (inclusive of superannuation) in FY23.

On 1 July 2023, the Superannuation Guarantee Contribution rate increased from 10.5% to 11.0%. The Board, once again, agreed to absorb this change into existing fees, thereby reducing the Non-executive Director cash fees and keeping total fees (inclusive of superannuation) unchanged. There will be no adjustment to Non-executive Directors fees in FY24.

Certain Non-executive Directors may receive additional fees for memberships of other Board Sub-Committees, however during FY23 no such fees were paid.

Non-executive Directors are entitled to be reimbursed for all business-related expenses, including travel, which may be incurred as part of their duties.

Table 14: Non-executive Director fees paid in FY23

	Short term			Post-employment	
Non-executive Directors	**Year**	**Fees (i)**	**Non-monetary benefits**	**Superannuation**	**Total**
		$	**$**	**$**	**$**
Current					
Steven Gregg	**FY23**	525,204	-	55,146	580,350
	FY22	55,957	-	5,596	61,553
Harry Boon	**FY23**	243,114	-	25,527	268,641
	FY22	27,134	-	2,713	29,847
Anne Brennan	**FY23**	246,087	-	25,839	271,926
	FY22	27,450	-	2,745	30,195
Doug McTaggart (ii)	**FY23**	207,192	-	21,755	228,947
	FY22	14,102	-	1,410	15,512
John O'Sullivan (ii)	**FY23**	191,584	-	20,116	211,700
	FY22	14,102	-	1,410	15,512
Megan Quinn (ii)	**FY23**	191,584	-	20,116	211,700
	FY22	14,102	-	1,410	15,512
Total	**FY23**	**1,604,765**	**-**	**168,499**	**1,773,264**
Total	**FY22**	**152,847**	**-**	**15,284**	**168,131**

(i) Fees disclosed in the prior year apply for the period from 24 May 2022 to 30 June 2022, when The Lottery Corporation was listed on the ASX following the demerger.

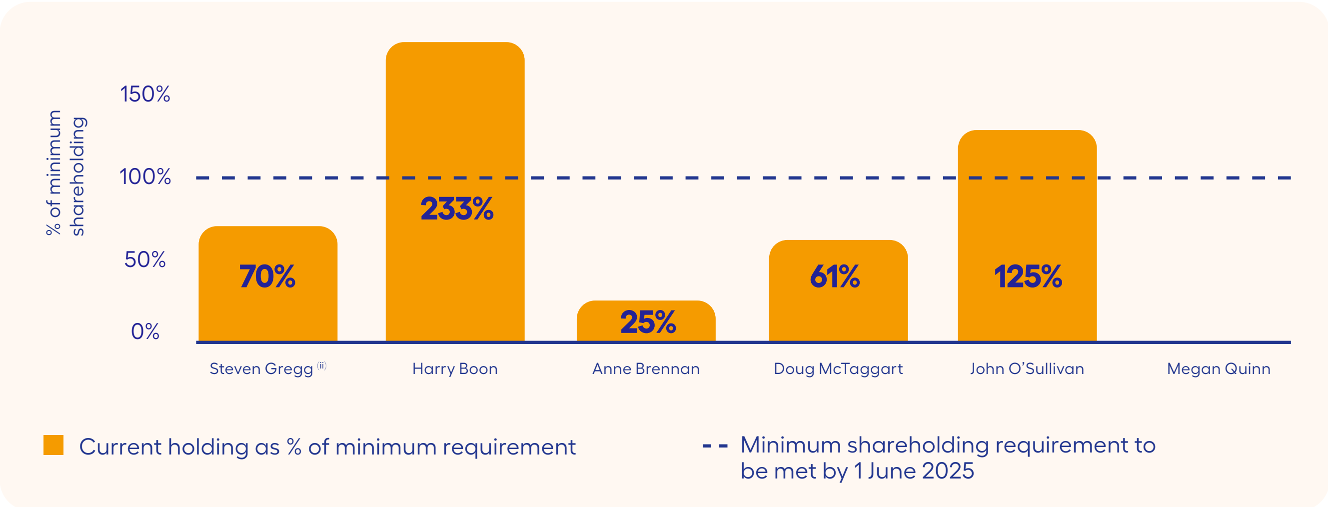
(ii) Dr McTaggart, Mr O'Sullivan and Ms Quinn were appointed as Observers to the Board on 1 June 2022. They became Non-executive Directors from 31 October 2022, following receipt of necessary regulatory and ministerial consents.

d) Non-executive Director fee policies

i) Non-executive Director Shareholding Policy

This policy requires Non-executive Directors to hold a minimum shareholding in The Lottery Corporation, equivalent to the annual Board Member base fee (currently $168,462.0 excluding superannuation), and the Board Chairman to hold a minimum shareholding equivalent to double the annual Board Member base fee (excluding superannuation). The Non-executive Directors are required to reach the applicable threshold within three years of appointment or within three years from the date of demerger (whichever is later). A copy of this policy is available on The Lottery Corporation's website (www.thelotterycorporation.com) under the Corporate Governance section.

Diagram 7: Non-executive Director progress against minimum shareholding requirements at 30 June 2023 (i)



(i) The value of the shareholding is calculated using a share price of $5.13 which was the closing share price as at 30 June 2023.

(ii) The graph represents the percentage of the shareholding required under the Non-executive Director Shareholding Policy. The Board Chairman is required to hold the equivalent of 200% of the annual Board Member base fee (excluding superannuation) while the remaining Board Members are required to hold the equivalent of 100% of the annual Board Member base fee (excluding superannuation) in The Lottery Corporation shares. The minimum shareholding requirement must be met by 1 June 2025.

6. Statutory Remuneration Disclosures

a) Executive KMP statutory remuneration tables

The following table provides a breakdown of the executive KMP remuneration in accordance with statutory requirements and the Australian Accounting Standards.

Table 15: Executive KMP remuneration for FY23

Current executive KMP	Year	Short term			Long term	Post-employment	Charge for share-based allocation (iv)		Total	Performance related (vi)
		Salary and fees (i)	Non-Monetary Benefits (ii)	Cash bonus (iii)	Accrued leave benefits	Super-annuation	Restricted Shares (v)	Performance Rights		
		$	$	$	$	$	$	$	$	%
Sue van der Merwe (vii)	FY23	1,330,377	3,633	750,000	32,500	169,623	561,608	520,710	3,368,451	54
	FY22	134,650	207	72,648	470,660	13,458	24,079	-	715,702	14
Callum Mulvihill (viii)	FY23	524,708	3,633	206,250	11,465	25,292	229,113	95,463	1,095,924	48
	FY22	43,869	207	19,495	4,249	1,964	16,073	-	85,857	41
Adam Newman (viii)	FY23	796,357	3,935	309,000	30,219	27,643	448,589	143,021	1,758,764	51
	FY22	66,703	194	26,667	5,560	1,964	31,886	-	132,974	44
Andrew Shepherd (viii)	FY23	524,708	3,633	206,250	(10,148)	25,292	227,743	95,463	1,072,941	49
	FY22	43,869	207	17,800	3,820	1,964	16,057	-	83,717	40
Former executive KMP										
Patrick McGlinchey (ix)	FY22	62,099	259	24,879	5,109	1,964	29,892	-	124,202	44
Total	**FY23**	**3,176,150**	**14,834**	**1,471,500**	**64,036**	**247,850**	**1,467,053**	**854,657**	**7,296,080**	
Total	**FY22**	**351,190**	**1,074**	**161,489**	**489,398**	**21,314**	**117,987**	**-**	**1,142,452**	

(i) Comprises salary and sacrificed benefits (including salary sacrificed superannuation and motor vehicle novated leases including FBT where applicable).

(ii) Comprises car parking benefit including FBT where applicable.

(iii) Cash bonus reflects the cash portion of the STI achieved in the relevant financial year, being 50% for the MD & CEO and 75% for other executive KMP. The remaining portion of the STI is deferred into Restricted Shares and is reflected in the Restricted Shares column in accordance with Accounting Standards.

(iv) Represents the fair value of share-based payments expensed during the period. The Lottery Corporation grants Performance Rights using the face value.

(v) Includes the expensing of Restricted Shares issued as the deferred component of STI and in relation to the 2022 Retention Plan.

(vi) Represents the sum of the cash bonus (from STI awards), Restricted Shares (from STI and Retention awards) and LTI Performance Rights as a percentage of total remuneration, excluding termination payments. For a description of the Retention awards, please refer to The Lottery Corporation's 2022 Remuneration Report.

(vii) Ms van der Merwe commenced as a Director on 24 May 2022 and as MD & CEO on 1 June 2022. Prior year remuneration reflects the period as executive KMP for The Lottery Corporation. 'Long term' in the prior year reflects uplift in accrued leave benefits arising from the remuneration increase effective on commencement as MD & CEO. Ms van der Merwe participates in a defined benefit superannuation plan owned and managed by the Queensland Government. The amount disclosed for superannuation is the contribution paid by the Group into the fund.

(viii) Mr Mulvihill, Mr Newman and Mr Shepherd commenced as executive KMP on 1 June 2022 and remuneration in the prior year reflects the pro rata period as executive KMP of The Lottery Corporation.

(ix) Mr McGlinchey was an executive KMP in the prior year given his involvement in finalising the demerger from Tabcorp in June 2022. He commenced as a KMP on 1 June 2022 and ceased as KMP from 1 July 2022. Remuneration in the prior year reflects the pro rata period as KMP of The Lottery Corporation. Mr McGlinchey continues to act as Chief Legal & Risk Officer and Co-Company Secretary.

Table 16: KMP number of interests in The Lottery Corporation Limited for FY23

KMP	Balance at start of year	Granted as remuneration (i)	Net change other (ii)	Balance at end of year
Non-executive Directors				
Steven Gregg	45,820	-	-	45,820
Harry Boon	76,364	-	-	76,364
Anne Brennan	8,182	-	-	8,182
Doug McTaggart	-	-	20,000	20,000
John O'Sullivan	41,191	-	-	41,191
Megan Quinn	-	-	-	-
Executive Director				
Sue van der Merwe	467,196	107,073	(180,000)	394,269
Current executive KMP				
Callum Mulvihill	46,028	60,330	-	106,358
Adam Newman	353,104	122,526	(100,000)	375,630
Andrew Shepherd	56,461	59,373	-	115,834
Total	**1,094,346**	**349,302**	**(260,000)**	**1,183,648**

(i) Includes Restricted Shares issued during the year as the deferred component of the FY22 STI and in relation to the 2022 Retention Plan. For more information on the 2022 Retention Plan, please refer to The Lottery Corporation's 2022 Remuneration Report.

(ii) Includes voluntary on-market transactions.

b) Transactions and loans with KMP

No KMP (including their related parties) have entered into material commercial relationships or transactions with the Group or a subsidiary during FY23 other than as disclosed in this Remuneration Report. All KMP related party relationships are at arm's length and on normal commercial terms and none of the KMP were, or are, involved in any procurement or other decision-making regarding organisations with which they have an association. No KMP (including their related parties) have entered into a loan made, guaranteed, or secured, directly or indirectly, by the Group or a subsidiary during the reporting period.


The Lottery Corporation

Financial Report


The Lottery Corporation™
Work With Us

Income statement

For the year ended 30 June 2023

	Note	**2023 $m**	2022 $m
Revenue	A4	**3,513.1**	3,278.6
Other income/(loss)	A4	**0.5**	(1.0)
Government taxes and levies		**(1,977.5)**	(1,957.0)
Commissions and fees		**(543.9)**	(483.5)
Employment costs		**(117.2)**	(95.8)
Communications and technology costs		**(47.7)**	(39.8)
Advertising and promotions		**(43.3)**	(46.8)
Separation costs	A1	**(101.2)**	(0.6)
Other expenses		**(71.4)**	(45.0)
Depreciation and amortisation	A4	**(98.2)**	(61.9)
Impairment	A4	**(4.8)**	(8.8)
Profit before income tax and net finance costs		**508.4**	538.4
Finance income		**2.1**	0.1
Finance costs	A4	**(124.0)**	(12.2)
Profit before income tax		**386.5**	526.3
Income tax expense	A5	**(121.7)**	(179.7)
Net profit after tax		**264.8**	346.6
Other comprehensive income			
Items that may be reclassified to profit or loss			
Change in fair value of cash flow hedges taken to equity	B4.4	**(66.5)**	20.6
Income tax relating to these items	B4.4	**22.5**	(5.9)
Items that will not be reclassified to profit or loss			
Actuarial gains on retirement benefit obligation	E2	**0.5**	4.0
Change in fair value of equity instruments		**0.4**	(0.1)
Income tax relating to these items		**(0.1)**	(1.2)
Other comprehensive income for the year, net of income tax		**(43.2)**	17.4
Total comprehensive income for the year		**221.6**	364.0

		2023 cents	2022 cents
Earnings per share:			
Basic and diluted earnings per share	A2	**11.9**	15.6
Dividends per share:			
Final dividend	A3	**6.0**	-
Interim dividend	A3	**8.0**	-
Special dividend	A3	**1.0**	-

The accompanying notes form an integral part of this income statement.

Balance sheet

As at 30 June 2023

	Note	2023 $m	2022 $m
Current assets			
Cash and cash equivalents	C6	**434.5**	316.2
Receivables	C7	**41.8**	47.9
Prepayments		**13.6**	4.2
Derivative financial instruments	B4	**14.1**	1.3
Other financial assets	B2	**306.4**	225.5
Other	C10	**116.0**	111.6
Total current assets		**926.4**	706.7
Non current assets			
Receivables	C7	**8.0**	8.7
Other financial assets	B2	**50.7**	89.3
Licences	C1	**716.0**	750.7
Other intangible assets	C2	**2,255.4**	2,230.6
Property, plant and equipment	C4	**72.7**	71.5
Right-of-use assets	C5	**74.3**	84.5
Prepayments		**1.3**	2.1
Derivative financial instruments	B4	**264.8**	271.0
Other		**1.3**	2.2
Total non current assets		**3,444.5**	3,510.6
TOTAL ASSETS		**4,370.9**	4,217.3
Current liabilities			
Payables	C8	**883.9**	830.2
Lease liabilities	C5	**10.4**	9.6
Current tax liabilities		**36.2**	12.2
Provisions	C9	**14.0**	13.0
Derivative financial instruments	B4	**10.8**	0.9
Other	C10	**103.1**	100.4
Total current liabilities		**1,058.4**	966.3
Non current liabilities			
Payables	C8	**325.2**	291.0
Interest bearing liabilities	B3	**2,459.8**	2,389.2
Lease liabilities	C5	**79.0**	86.5
Deferred tax liabilities	A5	**164.7**	220.2
Provisions	C9	**9.6**	9.0
Other		**9.4**	12.3
Total non current liabilities		**3,047.7**	3,008.2
TOTAL LIABILITIES		**4,106.1**	3,974.5
NET ASSETS		**264.8**	242.8
Equity			
Issued capital		**779.6**	785.9
Retained earnings		**644.3**	579.5
Reserves		**(1,159.1)**	(1,122.6)
TOTAL EQUITY		**264.8**	242.8

The accompanying notes form an integral part of this balance sheet.

Cash flow statement

For the year ended 30 June 2023

	Note	2023 $m	2022 $m
Cash flows from operating activities			
Net cash receipts in the course of operations		**3,577.7**	3,417.5
Payments to suppliers, service providers and employees		**(979.4)**	(750.1)
Payments to government (including GST)		**(1,893.7)**	(1,880.4)
Finance income received		**2.1**	0.1
Finance costs paid		**(119.3)**	(5.8)
Income tax paid		**(130.9)**	(156.9)
Net cash flows from operating activities	C6	**456.5**	624.4
Cash flows from investing activities			
Cash acquired from business acquisition	D4	**-**	18.7
Payment for property, plant and equipment and intangibles		**(79.6)**	(24.4)
Transfers to term deposits relating to certain lottery games		**(41.6)**	(57.8)
Net cash flows used in investing activities		**(121.2)**	(63.5)
Cash flows from financing activities			
Repayment of loan from Tabcorp Group		**-**	(835.0)
Proceeds from borrowings		**-**	380.0
Payment of lease liabilities		**(9.6)**	(1.6)
Dividends paid		**(197.1)**	-
On-market share purchase for dividend reinvestment plan		**(3.3)**	-
Payment for on-market share purchase		**(7.0)**	-
Net cash flows used in financing activities		**(217.0)**	(456.6)
Net increase in cash held		**118.3**	104.3
Cash at beginning of year		**316.2**	211.9
Cash at end of year	C6	**434.5**	316.2

The accompanying notes form an integral part of this cash flow statement.

Statement of changes in equity

For the year ended 30 June 2023

	Number of ordinary shares m	Issued capital			Reserves				
		Ordinary shares $m	Treasury shares $m	Retained earnings $m	Hedging $m	Demerger $m	Common control $m	Other $m	Total equity $m
2023									
Balance at beginning of year	**2,225.8**	**785.9**	**-**	**579.5**	**14.7**	**(1,137.1)**	**-**	**(0.2)**	**242.8**
Profit for the year	**-**	**-**	**-**	**264.8**	**-**	**-**	**-**	**-**	**264.8**
Other comprehensive income	**-**	**-**	**-**	**0.4**	**(44.0)**	**-**	**-**	**0.4**	**(43.2)**
Total comprehensive income	**-**	**-**	**-**	**265.2**	**(44.0)**	**-**	**-**	**0.4**	**221.6**
Dividends paid	**-**	**-**	**-**	**(200.4)**	**-**	**-**	**-**	**-**	**(200.4)**
Share based payments expense	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7.1**	**7.1**
Outlay to purchase shares	**-**	**-**	**(6.3)**	**-**	**-**	**-**	**-**	**-**	**(6.3)**
Balance at end of year	**2,225.8**	**785.9**	**(6.3)**	**644.3**	**(29.3)**	**(1,137.1)**	**-**	**7.3**	**264.8**
		Total issued capital $779.6m			**Total reserves ($1,159.1m)**				
2022									
Balance at beginning of year	8.3	8.3	-	264.1	-	-	-	(0.1)	272.3
Profit for the year	-	-	-	346.6	-	-	-	-	346.6
Other comprehensive income	-	-	-	2.8	14.7	-	-	(0.1)	17.4
Total comprehensive income	-	-	-	349.4	14.7	-	-	(0.1)	364.0
Dividends paid (i)	-	-	-	(80.0)	-	-	-	-	(80.0)
Shares issued in relation to the demerger (ii)	2,217.5	777.6	-	-	-	-	-	-	777.6
Arising on demerger from Tabcorp	-	-	-	-	-	623.6	46.0	-	669.6
Transfer of financial instruments (iii)	-	-	-	-	-	(1,760.7)	-	-	(1,760.7)
Transfers	-	-	-	46.0	-	-	(46.0)	-	-
Balance at end of year	2,225.8	785.9	-	579.5	14.7	(1,137.1)	-	(0.2)	242.8
		Total issued capital $785.9m			**Total reserves ($1,122.6m)**				

Notes

(i) Represents dividends paid to Tatts Group Limited whilst a wholly owned subsidiary of Tabcorp, which were settled through intercompany account.

(ii) Prior to the demerger the settlement of intercompany balances with Tabcorp was treated as a capital contribution.

(iii) During the prior year, The Lottery Corporation Limited distributed a Promissory Note to Tatts Group Limited, representing the value of the US Private Placement debt and the associated derivatives effectively transferred from Tabcorp.

Issued capital

Ordinary shares are issued and fully paid. They carry one vote per share and hold rights to dividends. Issued capital is recognised at the fair value of the consideration received. When issued capital is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from total issued capital. Any transaction costs directly attributable to the issue of ordinary shares are recognised directly in equity, net of tax, as a reduction of the share proceeds received.

Treasury shares represent the unvested portion of Restricted Shares issued to executives as an incentive, on appointment or for retention, which is recognised as a reduction in issued capital. The amount which has been credited to the employee equity benefit reserve is transferred to issued capital to the extent the relevant Restricted Shares and Performance Rights vest or have been treated as vested.

Nature of reserves

Hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges.

Demerger reserve arose on the demerger of The Lottery Corporation Limited from Tabcorp Holdings Limited. It represents the value of the US Private Placement debt and the associated derivatives effectively transferred from Tabcorp, together with fair value uplifts relating to the Keno business combination.

Other reserves contain the employee equity benefit reserve and the equity instruments revaluation reserve.

The accompanying notes form an integral part of this statement of changes in equity.

Notes to the financial statements:

About this report

For the year ended 30 June 2023

The Lottery Corporation Limited (**The Lottery Corporation** or the **Company**) is a company limited by shares which are traded on the Australian Securities Exchange (ASX). The Company is incorporated and domiciled in Australia, and is a for-profit entity. The Financial Report of the Company for the year ended 30 June 2023 comprises the Company and its subsidiaries (the Group).

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 year income statement and related notes include the results from the Keno business from the date the control was transferred from Tabcorp in May 2022. Refer to note D4 for further details.

The Financial Report was authorised for issue by the Board of Directors on 23 August 2023.

The Financial Report is a general purpose financial report which:

- has been prepared in accordance with the *Corporations Act 2001,* Australian Accounting Standards as issued by the Australian Accounting Standards Board and other mandatory financial reporting requirements in Australia;
- complies with International Financial Reporting Standards as issued by the International Accounting Standards Board;
- is presented in Australian dollars with dollar amounts rounded to the nearest hundred thousand unless specifically stated to be otherwise, in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191;* and
- is prepared on the historical cost basis, except for derivative financial instruments and equity instruments that have been measured at fair value.

The accounting policies have been applied consistently throughout the Group for the purposes of this Financial Report.

The Group's balance sheet reflects a net current asset deficiency of $132.0m at 30 June 2023 (2022: $259.6m). This largely arises due to prize liabilities and customer account balances totalling $582.1m (2022: $599.9m) being classified as current liabilities under Australian Accounting Standards. The Group maintains cash balances of $434.5m (2022: $316.2m) of which $354.0m is restricted (2022: $200.4m), other financial assets (current) of $306.4m (2022: $225.5m), required to be held to satisfy licence conditions (refer to note B2) and undrawn debt facilities of $670.0m (2022: $670.0m) to meet working capital and licence requirements, including settlement of current and non-current prizes payable (refer to note C8) and customer account balances as required. 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-termed cash investments relating to long-term annuity prizes to drive higher returns.

Note disclosures have been grouped into five sections. The notes within each section detail the accounting policies applied, together with any key judgements and estimates used. The purpose of this format is to provide users with a clear understanding of the key drivers of the Group's financial performance and financial position.

Notes to the financial statements:

About this report

For the year ended 30 June 2023

Significant accounting estimates and assumptions

The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of these assets and liabilities recognised in the financial statements are described in the following notes:

Note	Underlying estimates and assumptions
A5 Income tax	Calculation of provision for income tax.
B2 Other financial assets B4 Derivative financial instruments	Fair value measurement.
C1 Licences C2 Other intangible assets C4 Property, plant and equipment	Asset useful lives.
C3 Impairment testing	Recoverable amount of cash generating units (CGUs).
C5 Leases	Lease term, make good and incremental borrowing rate.
C8 Payables	Timing of cash flows.
C9 Provisions	Future obligations and probability of outflow.
D4 Business combinations	Acquisition date fair value of identifiable assets and liabilities.
E3 Contingencies	Assessment of possible obligation and probability of outflow.

Notes to the financial statements:

Section A – Group performance

For the year ended 30 June 2023

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 year end. The Keno segment reflects the results of the Keno business since acquisition in May 2022.

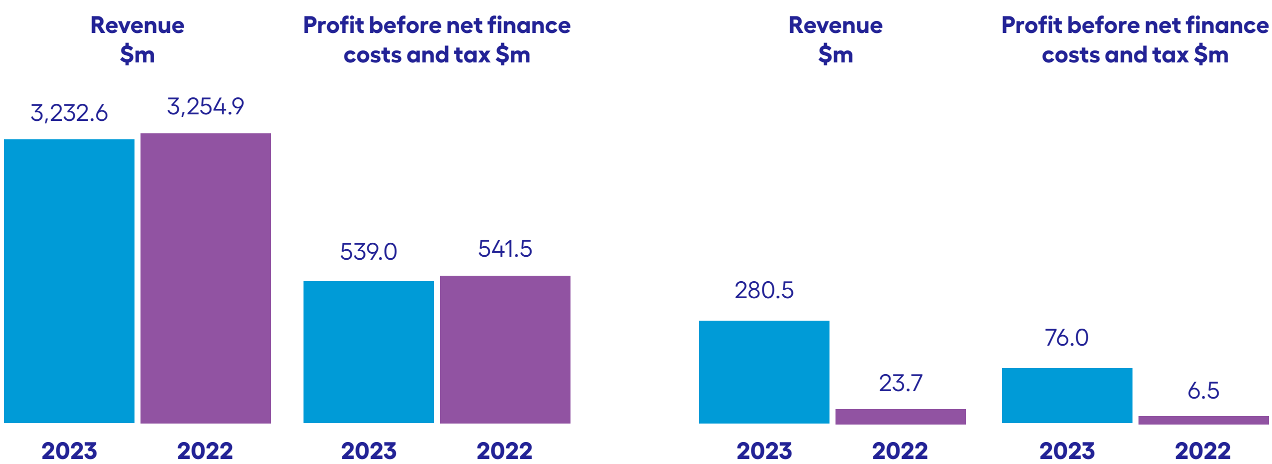
The Lottery Corporation

Lotteries

Operation of Lotteries pursuant to licences and approvals in certain Australian states and territories.

Keno

Operation of Keno pursuant to licences and approvals in certain Australian states and territories.



Notes to the financial statements:

Section A – Group performance

For the year ended 30 June 2023

A1 Segment information (continued)

	Lotteries $m	Keno $m	Total $m
2023			
Segment revenue [i]	**3,232.6**	**280.5**	**3,513.1**
Segment profit before net finance costs and tax [i]	**539.0**	**76.0**	**615.0**
Depreciation and amortisation	**68.2**	**30.0**	**98.2**
Capital expenditure [ii]	**55.1**	**26.8**	**81.9**
2022			
Segment revenue [i]	3,254.9	23.7	3,278.6
Segment profit before net finance costs and tax [i]	541.5	6.5	548.0
Depreciation and amortisation	59.0	2.6	61.6
Capital expenditure [ii]	36.3	2.0	38.3

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

(ii) Capital expenditure excludes the acquisition of licences, make good provisions raised during the year and additions to right-of-use assets. The prior year includes the Group's share of capital expenditure on shared corporate and technology assets incurred by Tabcorp prior to the demerger. The current year includes $16.7m of capital expenditure associated with the replication and separation of technology infrastructure and systems post demerger.

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

	Revenue		Profit before income tax		Depreciation and amortisation		Impairment	
	2023 $m	2022 $m	**2023 $m**	2022 $m	**2023 $m**	2022 $m	**2023 $m**	2022 $m
Segment total (per above)	**3,513.1**	3,278.6	**615.0**	548.0	**98.2**	61.6	**-**	-
Unallocated items:								
- significant items:								
- separation costs [i]	**-**	-	**(101.2)**	(0.6)	**-**	-	**-**	-
- impairment [ii]	**-**	-	**(4.8)**	(8.8)	**-**	-	**4.8**	8.8
- other	**-**	-	**(0.6)**	-	**-**	-	**-**	-
	-	-	**(106.6)**	(9.4)	**-**	-	**4.8**	8.8
- finance income	**-**	-	**2.1**	0.1	**-**	-	**-**	-
- finance costs	**-**	-	**(124.0)**	(12.2)	**-**	-	**-**	-
- other	**-**	-	**-**	(0.2)	**-**	0.3	**-**	-
Total per income statement	**3,513.1**	3,278.6	**386.5**	526.3	**98.2**	61.9	**4.8**	8.8

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

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

Notes to the financial statements:

Section A – Group performance

For the year ended 30 June 2023

A2 Earnings per share

	2023 $m	2022 $m
Earnings used in calculation of earnings per share (EPS) attributable to shareholders	**264.8**	346.6

	2023 Number (m)	2022 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	**0.8**	-
Weighted average number of ordinary shares used in calculating diluted EPS (i)	**2,226.6**	2,225.8

(i) The weighted average number of ordinary shares for the comparative year 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 year.

Basic EPS is calculated as net profit after tax divided by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated on the same basis as basic EPS except that it reflects the impact of any potential commitments the Group has to issue shares in the future, for example shares to be issued upon vesting of Performance Rights.

A3 Dividends

	2023 Cents per share	2022 Cents per share	**2023 $m**	2022 $m
Fully franked dividends declared and paid during the year:				
Interim dividend	**8.0**	-	**178.1**	-
Special dividend	**1.0**	-	**22.3**	-
	9.0	-	**200.4**	-
Fully franked dividends declared and recognised after balance date:				
Final dividend	**6.0**	-	**133.5**	-
Franking credits balance (i)				
Franking credits available at balance date			**45.1**	-
Impact of estimated current tax payable			**36.2**	-
Franking credits available at the 30% company tax rate after allowing for tax payable			**81.3**	-

(i) Prior to the demerger of the Group from Tabcorp, any franking credits attributable to the Group companies previously included in Tabcorp were transferred to Tabcorp as head company of the tax consolidation group. At the effective date of the demerger, all franking credits were retained by the head company, being Tabcorp Holdings Limited. Accordingly, franking credits available at 30 June 2022 were nil.

Notes to the financial statements:

Section A – Group performance

For the year ended 30 June 2023

A4 Revenue and expenses

		Note	2023 $m	2022 $m
(a)	**Revenue comprises:**			
	Revenue from contracts with customers (i)		**3,498.0**	3,276.3
	Interest revenue		**15.1**	2.3
			3,513.1	3,278.6
(b)	**Other income/(loss)**			
	Net loss on disposal of non current assets		**(0.8)**	(1.1)
	Other		**1.3**	0.1
			0.5	(1.0)
(c)	**Employment costs include:**			
	Defined contribution plan expense		**9.7**	3.9
(d)	**Finance costs (ii)**			
	Interest costs on interest bearing liabilities		**116.6**	9.6
	Interest costs on lease liabilities	C5	**1.6**	0.2
	Corporate recharge (iii)		**-**	1.3
	Other		**5.8**	1.1
			124.0	12.2
(e)	**Impairment**			
	Right-of-use assets	C5	**2.1**	8.8
	Leasehold improvements	C4	**2.2**	-
	Plant and equipment	C4	**0.5**	-
			4.8	8.8
(f)	**Depreciation and amortisation**			
	Licences	C1	**34.7**	25.4
	Other intangible assets	C2	**30.4**	15.2
	Property, plant and equipment	C4	**21.7**	7.1
	Right-of-use assets	C5	**11.4**	1.9
	Corporate recharge (iii)		**-**	12.3
			98.2	61.9

(i) Includes management fees recognised in relation to the Master Agency Agreement associated with the operation of SA Lotteries of $143.9m (2022: $136.9m).

(ii) Includes costs associated with interest bearing liabilities assumed from the demerger date of 1 June 2022. Prior to the demerger of the Group from Tabcorp, the funding of the Group was provided through a centralised treasury function within Tabcorp and all finance costs were paid by Tabcorp.

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

Notes to the financial statements:

Section A – Group performance

For the year ended 30 June 2023

A4 Revenue and expenses (continued)

Revenue from contracts with customers is recognised when control of the goods or services is transferred to customers at an amount that reflects the consideration the Group expects to be entitled to in exchange for those goods or services. Incremental costs of obtaining contracts with a duration of one year or less are expensed as incurred. The following specific criteria must also be met before revenue is recognised:

Lotteries revenue is recognised as the gross subscriptions (inclusive of commissions) received from players less prize obligations when the official draw for each game is completed. Prize obligations are calculated based on a predetermined minimum percentage of gross subscriptions that shall be returned to players as established by the state and territory-based licences. The actual payout for each draw may be below this minimum percentage, with the difference recognised as a liability to be used for prizes in future draws. Subscriptions received during the year for games which will be drawn in the next financial period are deferred and recognised as revenue in the next financial period. Lotteries revenue includes management fees recognised in relation to the Master Agency Agreement associated with the operation of SA Lotteries.

Keno revenue is recognised as the residual value of Keno turnover after deducting the minimum return to customers in respect of approved Keno games conducted under each state and territory-based licence or approval. The actual return to customers for each game may vary from the minimum return, with the difference recognised on the balance sheet and applied to future games.

Interest revenue earned in the ordinary course of operations from certain prize-related financial assets is disclosed within revenue.

Contributions to defined contribution plans are recognised in the income statement as they become payable.

Finance income is recognised using the effective interest rate method.

Finance costs are recognised as an expense when incurred.

A5 Income tax

(a) **The major components of income tax expense are:**	**2023 $m**	2022 $m
Current tax	**(154.4)**	(168.5)
Adjustments in respect of current income tax of previous years	**(0.4)**	-
Deferred tax	**33.1**	(11.2)
	(121.7)	(179.7)
Income tax reconciliation:		
Profit before income tax	**386.5**	526.3
Income tax payable at the 30% company tax rate	**(116.0)**	(157.9)
Tax effect of adjustments in calculating taxable income:		
- recognition of tax expense upon establishment of the tax consolidation group and resetting tax values [i]	**(0.3)**	(19.9)
- amortisation of licences	**(3.8)**	(3.8)
- other	**(1.6)**	1.9
Income tax expense	**(121.7)**	(179.7)

(i) Refer to note A5(c).

Notes to the financial statements:

Section A – Group performance

For the year ended 30 June 2023

A5 Income tax (continued)

(b) Deferred tax assets/(liabilities)

	Balance at 30 June 2022 $m	Recognised in income statement $m	Recognised directly in equity $m	Additions on demerger from Tabcorp $m	Acquisition via business combination $m	Balance at 30 June 2023 $m
Licences	(196.7)	6.6	-	-	-	(190.1)
Right-of-use assets	(25.3)	3.0	-	-	-	(22.3)
Other intangible assets	(27.5)	3.7	-	-	-	(23.8)
Lease liabilities	29.0	(2.0)	-	-	-	27.0
Provisions	6.7	0.4	-	-	-	7.1
Property, plant and equipment	(3.5)	3.4	-	-	-	(0.1)
Unlisted investments - managed fund	(3.0)	(0.1)	-	-	-	(3.1)
Deferred revenue	3.6	(0.5)	-	-	-	3.1
Separation costs	-	22.4	-	-	-	22.4
Other	(2.3)	(0.2)	(0.1)	-	-	(2.6)
Accrued expenses	3.5	(3.2)	-	-	-	0.3
US Private Placement	1.2	(0.4)	-	-	-	0.8
Fair value of cash flow hedges	(5.9)	-	22.5	-	-	16.6
Net deferred tax assets/(liabilities)	(220.2)	33.1	22.4	-	-	(164.7)

	Balance at 30 June 2021 $m	Recognised in income statement $m	Recognised directly in equity $m	Additions on demerger from Tabcorp $m	Acquisition via business combination $m	Balance at 30 June 2022 $m
Licences	(116.4)	3.5	-	-	(83.8)	(196.7)
Right-of-use assets	(0.8)	(24.5)	-	-	-	(25.3)
Other intangible assets	(13.3)	(7.9)	-	-	(6.3)	(27.5)
Lease liabilities	1.0	28.0	-	-	-	29.0
Provisions	0.8	3.1	-	2.6	0.2	6.7
Property, plant and equipment	2.5	(5.9)	-	(2.0)	1.9	(3.5)
Unlisted investments - managed fund	0.1	(3.1)	-	-	-	(3.0)
Deferred revenue	4.1	(0.5)	-	-	-	3.6
Other	3.0	(3.5)	(1.2)	-	(0.6)	(2.3)
Accrued expenses	1.4	(0.4)	-	-	2.5	3.5
US Private Placement	-	-	-	1.2	-	1.2
Fair value of cash flow hedges	-	-	(5.9)	-	-	(5.9)
Net deferred tax assets/(liabilities)	(117.6)	(11.2)	(7.1)	1.8	(86.1)	(220.2)

Notes to the financial statements:

Section A – Group performance

For the year ended 30 June 2023

A5 Income tax (continued)

(c) Tax consolidation

In the prior year, effective 1 June 2022, the Company and its 100% owned Australian subsidiaries formed an income tax consolidated group. As a consequence, the tax cost base of the Group's assets had to be reset. An income tax expense of $19.9m was recognised in the prior year and $0.3m in the current year as a result of resetting the tax values of certain assets. Prior to demerger, the Company and its 100% controlled entities were members of the Tabcorp tax consolidation group. The Group's entities exited clear from any further income tax liability in respect of the period while it was a member of the Tabcorp tax consolidation group with effect from 1 June 2022.

Income tax comprises current and deferred income tax. Income tax is recognised in the income statement except when it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes. The temporary differences for goodwill and the initial recognition of an asset or liability in a transaction which is not a business combination and that affect neither accounting nor taxable profit at the time of the transaction are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

A **deferred tax asset** is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

The income tax expense and deferred tax balances assume certain tax outcomes in relation to the application of tax legislation as it applies to the Group. An **uncertain tax treatment** occurs where there is uncertainty over whether a tax authority will accept a tax treatment adopted by the Group under tax law. The Group revisits the accounting in relation to an uncertain tax treatment when there are changes in relevant facts and circumstances.

A6 Subsequent events

Other than the events disclosed elsewhere in this report, no other matters or circumstances have arisen since the end of the financial 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:

Section B – Capital and risk management

For the year ended 30 June 2023

B1 Capital management

The Group's objectives when managing capital are to ensure the Group continues as a going concern while providing optimal returns to shareholders and benefits for other stakeholders, and to maintain an appropriate capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Group targets a strong investment grade credit rating, and has a BBB+/stable rating as at 30 June 2023 and 30 June 2022. Leverage is managed primarily through the ratio of net debt to earnings before interest, tax, depreciation, amortisation and impairment (EBITDA).

At 30 June the Group's leverage ratio was:

	2023 $m	2022 $m
Net debt (i)	**2,210.0**	2,181.4
EBITDA (before significant items) (ii)	**713.2**	693.7
Leverage ratio	**3.1**	3.1

(i) Net debt is gross debt (bank loans and US Private Placement at the Australian dollar principal repayable under cross currency interest rate swaps) plus lease liabilities less unrestricted cash.

(ii) Prior year EBITDA has been calculated as if acquisition of the Keno business had taken place at the beginning of the prior year. Refer to note D4 for further details on the business combination.

B2 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.

	2023 $m	2022 $m
Equity instruments at fair value through other comprehensive income		
Unlisted investments – managed fund (i)	**22.3**	21.6
Debt instruments at amortised cost		
Investment – term deposits (i)	**334.8**	293.2
	357.1	314.8
Current	**306.4**	225.5
Non current	**50.7**	89.3
	357.1	314.8

(i) Held to satisfy various regulatory requirements per state and territory-based licences under which the Group operates. Refer to note C6 for further details.

Equity instruments at fair value through other comprehensive income are equity instruments which the Group intends to hold for the foreseeable future, and for which an irrevocable election to classify as such upon transition to AASB 9 has been made.

After initial measurement, they are subsequently carried at fair value (refer to note B5). Changes in the fair value are recognised in other comprehensive income and accumulated in a reserve within equity. No subsequent recycling of gains or losses to profit or loss is permitted.

Debt instruments at amortised cost are financial assets held in order to collect contractual cash flows that solely represent payments of principal and interest. They are carried at amortised cost.

Notes to the financial statements:

Section B – Capital and risk management

For the year ended 30 June 2023

B3 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 30 June:

Facility	Details	Facility limit $m	Maturity	2023 $m	2022 $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	**377.0**	338.8
		550.0	Jul-27	**-**	37.3
		950.0		**377.0**	376.1
US Private Placement	Fixed interest rate US dollar debt. Aggregate US dollar principal of $1,250.0m (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 (2022: $1,626.5m). Subject to financial undertakings as to leverage and interest cover.	USD 105.0	Jun-26	**158.9**	153.1
		USD 450.0	Jun-28	**682.4**	657.7
		USD 520.0	Jun-30	**790.2**	761.6
		USD 175.0	Jun-33	**267.0**	257.4
		AUD 97.3	Jun-35	**92.3**	91.8
		AUD 97.3	Jun-36	**92.0**	91.5
				2,082.8	2,013.1
				2,459.8	2,389.2
Current				**-**	-
Non current				**2,459.8**	2,389.2
				2,459.8	2,389.2

Notes to the financial statements:

Section B – Capital and risk management

For the year ended 30 June 2023

B3 Interest bearing liabilities (continued)

B3.1 Changes in liabilities arising from financing activities:

	Balance at 30 June 2022 $m	Cash flows $m	Foreign exchange movement $m	Changes in fair values $m	Lease additions $m	Additions due to demerger $m	Other $m	Balance at 30 June 2023 $m
Interest bearing liabilities	**2,389.2**	**-**	**70.9**	**(1.3)**	**-**	**-**	**1.0**	**2,459.8**
Lease liabilities	**96.1**	**(9.6)**	**-**	**-**	**1.6**	**-**	**1.3**	**89.4**
	2,485.3	**(9.6)**	**70.9**	**(1.3)**	**1.6**	**-**	**2.3**	**2,549.2**

	Balance at 30 June 2021 $m	Cash flows $m	Foreign exchange movement $m	Changes in fair values $m	Lease additions $m	Additions due to demerger [(i)] $m	Other $m	Balance at 30 June 2022 $m
Interest bearing liabilities	-	380.0	75.2	-	-	1,937.9	(3.9)	2,389.2
Lease liabilities	3.2	(1.6)	-	-	94.7	-	(0.2)	96.1
	3.2	378.4	75.2	-	94.7	1,937.9	(4.1)	2,485.3

(i) Relates to the US Private Placement effectively transferred from Tabcorp as a result of the demerger. Refer to note C6 (c).

Interest bearing liabilities are recognised initially at fair value net of transaction costs, and subsequent to initial recognition are recognised at amortised cost which is calculated using the effective interest rate method. Foreign currency liabilities are carried at amortised cost and are translated at the exchange rates at reporting date. Gains and losses are recognised in the income statement when the liabilities are derecognised in addition to the amortisation process.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan. These fees are capitalised as a prepayment for liquidity services and amortised over the period of the facility to which they relate.

Notes to the financial statements:

Section B – Capital and risk management

For the year ended 30 June 2023

B4 Derivative financial instruments

The Group holds the following derivative financial instruments, all at fair value based on level 2 observable inputs (refer to note B5):

	2023 $m	2022 $m
Current assets		
Cross currency interest rate swaps	**1.2**	-
Interest rate swaps	**12.9**	1.3
	14.1	1.3
Non current assets		
Cross currency interest rate swaps	**235.7**	240.4
Interest rate swaps	**29.1**	30.6
	264.8	271.0
	278.9	272.3
Current liabilities		
Cross currency interest rate swaps	**10.8**	-
Interest rate swaps	**-**	0.9
	10.8	0.9

Derivative financial instruments are recognised initially at cost, and subsequently are stated at fair value (refer to note B5). The method of recognising any remeasurement gain or loss depends on the nature of the item being hedged. For the purposes of hedge accounting, the Group's hedges are classified as cash flow hedges.

At inception, hedge relationships are designated as such and documented. This includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged, and how the hedge effectiveness requirements are assessed.

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio is the same as that resulting from actual amounts of hedged items and hedging instruments for risk management.

Cash flow hedges are used to hedge the exposure to variability in cash flows attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction. Hedge effectiveness is measured by comparing the change in the fair value of the hedged item and the hedging instrument respectively each quarter. Any difference represents ineffectiveness. The effective portion of any gain or loss on the hedging instrument is recognised directly in equity, with any ineffective portion recognised in the income statement. For hedged items relating to financial assets or liabilities, amounts recognised in equity are reclassified into the income statement when the hedged transaction affects the income statement (i.e. when interest income or expense is recognised).

When the hedged item is the cost of a non-financial asset or liability, the amounts recognised in equity are transferred into the initial cost or other carrying amount of the non-financial asset or liability.

When a hedging instrument expires or is sold, terminated or exercised, or the designation of the hedge relationship is revoked but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above when the transaction occurs. If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

Financial instruments that do not qualify for hedge accounting are stated at fair value with any resultant gain or loss being recognised in the income statement.

Notes to the financial statements:

Section B – Capital and risk management

For the year ended 30 June 2023

B4 Derivative financial instruments (continued)

B4.1 Interest rate swaps

These swaps are used to mitigate the risk of variability in cash flows due to movements in the reference interest rate in relation to the US Private Placement debt.

The notional principal amounts and periods of expiry of these interest rate swap contracts are:

	Notional principal	
	2023 **$m**	2022 $m
One to five years	**722.1**	136.7
More than five years	**-**	585.4
Notional principal	**722.1**	722.1
Fixed interest rate range p.a.	**2.7% - 2.9%**	2.7% - 2.9%
Variable interest rate range p.a.	**4.3%**	1.2% - 1.4%

Net settlement receipts and payments are recognised as an adjustment to interest expense on an accruals basis over the term of the swaps, such that the overall interest expense on borrowings reflects the average cost of funds achieved by entering into the swap agreements.

There is an economic relationship between the hedged item and the hedged instrument as the key terms of the interest rate swap are similar to the key terms of the floating rate borrowings. The Group has established a hedge ratio of 1:1 which has been determined by comparing the notional principal of the swap with the notional amount of the designated debt.

Further information about the Group's interest rate risk management is disclosed in note B6.1.

Notes to the financial statements:

Section B – Capital and risk management

For the year ended 30 June 2023

B4 Derivative financial instruments (continued)

B4.2 Cross currency interest rate swaps

These swaps are used to reduce the exposure to the variability of movements in the forward USD exchange rate in relation to the US Private Placement debt.

The principal amounts and periods of expiry of the cross currency interest rate swap contracts are:

	2023		2022	
	Pay principal AUD m	**Receive principal USD m**	Pay principal AUD m	Receive principal USD m
One to five years	**722.1**	**555.0**	136.7	105.0
More than five years	**904.4**	**695.0**	1,489.8	1,145.0
Notional principal	**1,626.5**	**1,250.0**	1,626.5	1,250.0
Fixed interest rate range p.a.	**5.3% - 5.6%**	**4.6% - 5.0%**	5.3% - 5.6%	4.6% - 5.0%
Variable interest rate range p.a.	**6.4% - 6.6%**		3.3% - 3.7%	

There is an economic relationship between the hedged item and the hedged instrument as the terms and conditions in relation to the interest rate and maturity of the cross currency interest rate swaps are similar to the terms and conditions of the underlying hedged US Private Placement debt. The Group has established a hedge ratio of 1:1 which has been determined by comparing the notional principal of the swap with the notional amount of the designated debt.

Further information about the Group's foreign currency risk management is disclosed in note B6.2.

B4.3 Impact of hedging on balance sheet

The change in fair value used for measuring ineffectiveness is set out in the below table. All hedging instruments are presented within derivative financial instruments in the balance sheet.

	2023 $m	2022 $m
Interest rate swaps	**13.7**	10.4
Cross currency interest rate swaps	**(8.5)**	85.9
	5.2	96.3

The ineffectiveness recognised in the income statement was immaterial in both the current and prior financial year.

Notes to the financial statements:

Section B – Capital and risk management

For the year ended 30 June 2023

B4 Derivative financial instruments (continued)

B4.4 Impact of hedging on equity

Set out below is a reconciliation of the movement in the hedging reserve:

	Hedging reserve $m
As at 1 July 2022	**14.7**
Effective portion of changes in fair value arising from:	
- Interest rate swaps	**13.7**
- Cross currency interest rate swaps	**(8.5)**
Loss on revaluation of USD debt	**(70.9)**
Other	**(0.8)**
	(66.5)
Tax effect	**22.5**
As at 30 June 2023	**(29.3)**
As at 1 July 2021	-
Effective portion of changes in fair value arising from:	
- Interest rate swaps	10.4
- Cross currency interest rate swaps	85.9
Loss on revaluation of USD debt	(75.2)
Other	(0.5)
	20.6
Tax effect	(5.9)
As at 30 June 2022	14.7

Notes to the financial statements:

Section B – Capital and risk management

For the year ended 30 June 2023

B5 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	
	2023 $m	2022 $m	**2023 $m**	2022 $m
Financial liabilities				
US Private Placement	**2,082.8**	2,013.1	**1,964.3**	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 financial year ended 30 June 2023.

Notes to the financial statements:

Section B – Capital and risk management

For the year ended 30 June 2023

B6 Financial instruments - risk management

The Group's principal financial instruments, other than derivatives, comprise cash, term deposits, unlisted investments and interest bearing liabilities. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group also has various other financial assets and liabilities which arise directly from its operations.

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities, principally interest rate swaps and cross currency interest rate swaps. The Group does not hold or issue derivative financial instruments for trading purposes.

The main risks arising from the Group's financial instruments are discussed in section B6.1 to B6.4.

B6.1 Interest rate risk

The Group has a policy of controlling exposure to interest rate fluctuations by the use of fixed and variable rate debt, floating rate term deposits, interest rate swaps, capped or collar options and forward rate agreements. It has entered into interest rate swap arrangements to hedge underlying debt obligations and allow floating rate borrowings to be swapped to fixed rate borrowings. Under these arrangements, the Group pays fixed interest rates and receives the bank bill swap rate (BBSW) calculated on the notional principal amount of the contracts. The Group also has entered into floating rate term deposits where it receives variable interest that is priced against the BBSW.

At 30 June 2023 after taking into account the effect of interest rate swaps and floating rate term deposits, approximately 85.8% (2022: 87.6%) of the Group's borrowings are at a fixed rate of interest.

The following assets and liabilities are exposed to floating interest rate risk:

	2023 $m	2022 $m
Cash assets	**410.4**	257.9
Investment - term deposits	**67.7**	106.5
	478.1	364.4
Bank loans - unsecured	**(377.0)**	(376.1)
Interest rate swaps- notional principal amounts	**722.1**	722.1
Cross currency interest rate swaps - notional principal amounts	**(722.1)**	(722.1)
	(377.0)	(376.1)

Notes to the financial statements:

Section B – Capital and risk management

For the year ended 30 June 2023

B6 Financial instruments - risk management (continued)

B6.1 Interest rate risk (continued)

Sensitivity analysis - interest rates - AUD and USD

The Group's sensitivity to reasonably possible changes in interest rates on the affected financial assets and financial liabilities in existence at year end is shown below. With all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

	Post tax profit higher/(lower)		Other comprehensive income higher/(lower)	
	2023 $m	2022 $m	**2023 $m**	2022 $m
AUD				
+ 0.5% (50 basis points) (2022: + 0.5%)	**0.7**	1.1	**43.4**	50.9
- 0.5% (50 basis points) (2022: - 0.5%)	**(0.7)**	(1.1)	**(44.9)**	(52.5)
USD				
+ 0.2% (20 basis points) (2022: + 0.2%)	**-**	-	**(20.8)**	(23.4)
- 0.2% (20 basis points) (2022: - 0.2%)	**-**	-	**21.1**	23.7

The movements in profit are due to higher/lower interest costs from variable rate debt and investments. The movement in other comprehensive income is due to an increase/decrease in the fair value of financial instruments designated as cash flow hedges.

Significant assumptions used in the analysis include:

- reasonably possible movements were determined based on the Group's current credit rating and mix of debt, and the level of debt that is expected to be renewed;
- price sensitivity of derivatives is based on a reasonably possible movement of spot rates at balance date; and
- net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next 12 months.

Notes to the financial statements:

Section B – Capital and risk management

For the year ended 30 June 2023

B6 Financial instruments - risk management (continued)

B6.2 Foreign currency risk

The Group's primary currency exposure is to US dollars as a result of issuing US Private Placement debt. In order to manage this risk exposure, the Group uses hedging primarily through cross currency interest rate swaps to fix the exchange rate on the USD debt until maturity. The Group agrees to pay a fixed USD amount for an agreed AUD amount with swap counterparties, and to re-exchange this again at maturity. These swaps are designated to hedge the principal and interest obligations of the US Private Placement debt.

Sensitivity analysis foreign exchange

The following analysis is based on the Group's foreign currency risk exposures in existence at balance date and demonstrates the Group's sensitivity to reasonably possible changes in the AUD/USD exchange rate. With all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

	Post tax profit higher/(lower)		**Other comprehensive income higher/(lower)**	
	2023 $m	2022 $m	**2023 $m**	2022 $m
AUD/USD + 10 cents (2022: + 10 cents)	**-**	-	**(3.7)**	(11.3)
AUD/USD - 10 cents (2022: - 10 cents)	**-**	-	**5.8**	16.0

The movement in other comprehensive income is due to an increase/decrease in the fair value of financial instruments designated as cash flow hedges. Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

Significant assumptions used in the foreign currency exposure sensitivity analysis include:

- reasonably possible movements were determined based on a review of the last two years' historical movements and economic forecasters' expectations;
- movement of 10 cents was calculated by taking the USD spot rate as at balance date, moving this spot rate by 10 cents and then re-converting the USD into AUD with the 'new spot rate'. This methodology reflects the translation methodology undertaken by the Group;
- price sensitivity of derivatives is based on a reasonably possible movement of spot rates at balance dates; and
- net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next 12 months.

Notes to the financial statements:

Section B – Capital and risk management

For the year ended 30 June 2023

B6 Financial instruments - risk management (continued)

B6.3 Credit risk

The Group's credit risk arises in relation to cash and cash equivalents, receivables, term deposits, financial liabilities and liabilities under financial guarantees. Credit risk on financial assets which have been recognised on the balance sheet, is the carrying amount less any allowance for non recovery.

Credit risk is managed by:

- adherence to a strict cash management policy;
- conducting all investment and financial instrument activity with approved counterparties with investment grade credit ratings and setting exposure limits based on these ratings; and
- reviewing compliance with counterparty exposure limits on a regular basis, and spreading the aggregate value of transactions amongst the approved counterparties.

Credit risk associated with financial liabilities arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The Group's maximum credit risk exposure in respect of derivative contracts is detailed in the liquidity risk table in note B6.4.

Credit risk includes liabilities under financial guarantees. For financial guarantee contract liabilities the fair value at initial recognition is determined using a probability weighted discounted cash flow approach. The fair value of financial guarantee contract liabilities has been assessed as nil (2022: nil), as the possibility of an outflow occurring is considered remote.

Details of the financial guarantee contracts at balance date are outlined below:

- The Company has entered into a deed of cross guarantee as outlined in note D2.
- The maximum amount of bank guarantee contracts at balance date is $15.9m (2022: $15.4m).

Notes to the financial statements:

Section B – Capital and risk management

For the year ended 30 June 2023

B6 Financial instruments - risk management (continued)

B6.4 Liquidity risk

Liquidity risk arises from the ongoing financial liabilities of the Group and the Group's subsequent ability to meet its obligations to repay its financial liabilities as and when they fall due.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and notes. To help reduce liquidity risk, the Group targets a minimum level of cash and cash equivalents to be maintained, and has sufficient undrawn funds available.

The Group's current policy is that not more than 33% of debt facilities should mature in any financial year. At 30 June 2023, 3.5% (2022: 3.5%) of debt facilities will mature in less than one year.

Due to the measures in place for managing liquidity and access to capital markets, this risk is not considered significant.

The contractual cash flows including principal and estimated interest payments of financial liabilities in existence at year end are as follows:

	2023			2022		
	< 1 year $m	**1 - 5 years $m**	**> 5 years $m**	< 1 year $m	1 - 5 years $m	> 5 years $m
Non-derivative financial instruments						
Financial liabilities						
Payables	**(883.9)**	**(88.1)**	**(237.1)**	(830.2)	(75.7)	(215.3)
Bank loans - unsecured	**(22.7)**	**(401.1)**	**-**	(9.6)	(367.7)	(40.1)
US Private Placement	**(101.2)**	**(1,112.5)**	**(1,322.7)**	(90.6)	(492.2)	(1,971.7)
Lease liabilities	**(11.8)**	**(50.6)**	**(34.0)**	(11.1)	(50.8)	(42.3)
Net outflow	**(1,019.6)**	**(1,652.3)**	**(1,593.8)**	(941.5)	(986.4)	(2,269.4)
Derivative financial instruments						
Financial assets						
Interest rate swaps - receive AUD floating	**33.7**	**101.7**	**-**	13.5	51.7	11.0
Cross currency interest rate swaps - receive USD fixed	**90.2**	**1,066.6**	**1,043.2**	79.5	448.2	1,684.1
	123.9	**1,168.3**	**1,043.2**	93.0	499.9	1,695.1
Financial liabilities						
Interest rate swaps - pay AUD fixed	**(20.0)**	**(72.0)**	**-**	(20.0)	(76.3)	(15.7)
Cross currency interest rate swaps - pay AUD floating	**(98.8)**	**(1,077.8)**	**(1,037.7)**	(74.2)	(447.2)	(1,695.9)
	(118.8)	**(1,149.8)**	**(1,037.7)**	(94.2)	(523.5)	(1,711.6)
Net inflow/(outflow)	**5.1**	**18.5**	**5.5**	(1.2)	(23.6)	(16.5)

For floating rate instruments, the amount disclosed is determined by reference to the interest rate at the last repricing date. For foreign currency receipts and payments, the amount disclosed is determined by reference to the AUD/USD rate at balance date.

Notes to the financial statements:

Section C – Operating assets and liabilities

For the year ended 30 June 2023

C1 Licences

	Lotteries licences $m	Keno licences $m	Total $m
2023			
Carrying amount at beginning of year	**471.4**	**279.3**	**750.7**
Amortisation	**(24.5)**	**(10.2)**	**(34.7)**
Carrying amount at end of year	**446.9**	**269.1**	**716.0**
Cost	**664.6**	**280.1**	**944.7**
Accumulated amortisation	**(217.7)**	**(11.0)**	**(228.7)**
	446.9	**269.1**	**716.0**
2022			
Carrying amount at beginning of year	496.0	-	496.0
Acquisition via business combinations (refer to note D4)	-	280.1	280.1
Amortisation	(24.6)	(0.8)	(25.4)
Carrying amount at end of year	471.4	279.3	750.7
Cost	664.6	280.1	944.7
Accumulated amortisation	(193.2)	(0.8)	(194.0)
	471.4	279.3	750.7

Amortisation policy - straight line basis over useful life (years):	10 - 65	10 - 34

Licence expiration date:		
- Victoria	2028	2042
- Queensland	2072	2047
- New South Wales	2050	2050
- Northern Territory	2032	
- South Australia	2052	2052
- Australian Capital Territory		2072

Licences that are acquired by the Group are stated at cost less accumulated amortisation.

Notes to the financial statements:

Section C – Operating assets and liabilities

For the year ended 30 June 2023

C2 Other intangible assets

	Goodwill $m	Brand names $m	Customer related assets $m	Software $m	Total $m
2023					
Carrying amount at beginning of year	**2,083.2**	**38.5**	**9.4**	**99.5**	**2,230.6**
Additions:					
- acquired	**-**	**-**	**-**	**34.3**	**34.3**
- internally developed	**-**	**-**	**-**	**30.3**	**30.3**
Transfers	**-**	**-**	**-**	**(8.3)**	**(8.3)**
Amortisation	**-**	**(0.7)**	**(4.4)**	**(25.3)**	**(30.4)**
Disposals	**-**	**-**	**-**	**(1.1)**	**(1.1)**
Carrying amount at end of year	**2,083.2**	**37.8**	**5.0**	**129.4**	**2,255.4**
Cost	**2,083.2**	**50.0**	**9.8**	**218.9**	**2,361.9**
Accumulated amortisation	**-**	**(12.2)**	**(4.8)**	**(89.5)**	**(106.5)**
	2,083.2	**37.8**	**5.0**	**129.4**	**2,255.4**
Includes capital works in progress of:				**62.0**	**62.0**
2022					
Carrying amount at beginning of year	1,511.0	39.3	-	47.2	1,597.5
Additions:					
- acquired	-	-	-	1.9	1.9
- internally developed	-	-	-	19.5	19.5
Additions on demerger from Tabcorp	-	-	-	21.1	21.1
Acquisition via business combinations (refer to note D4)	572.2	-	9.8	24.9	606.9
Amortisation	-	(0.8)	(0.4)	(14.0)	(15.2)
Disposals	-	-	-	(1.1)	(1.1)
Carrying amount at end of year	2,083.2	38.5	9.4	99.5	2,230.6
Cost	2,083.2	50.0	9.8	163.6	2,306.6
Accumulated amortisation	-	(11.5)	(0.4)	(64.1)	(76.0)
	2,083.2	38.5	9.4	99.5	2,230.6
Includes capital works in progress of:				22.5	22.5

Amortisation policy - straight line basis over useful life (years):	65	2	3 – 5	

Goodwill arising in a business combination represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired and liabilities assumed. All business combinations are accounted for by applying the acquisition method. Any contingent consideration is recognised at fair value at the acquisition date. Negative goodwill arising on an acquisition is recognised directly in the income statement. Goodwill is not amortised, and is stated at cost less any accumulated impairment losses. Any impairment losses recognised against goodwill cannot be reversed.

Other intangible assets that are acquired by the Group with a finite useful life are stated at cost less accumulated amortisation. The cost of internally developed software includes the cost of materials, direct labour and an appropriate proportion of overheads.

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Notes to the financial statements:

Section C – Operating assets and liabilities

For the year ended 30 June 2023

C3 Impairment testing

Goodwill is tested for impairment annually, or whenever there is an indicator of impairment.

Carrying amount of goodwill allocated to each cash generating unit (CGU):

	2023 $m	2022 $m
Lotteries	**1,511.0**	1,511.0
Keno	**572.2**	572.2
	2,083.2	2,083.2

In accordance with the Group's accounting policies, the Group performs its impairment testing annually at 30 June.

The recoverable amount of each CGU is determined based on fair value less costs of disposal, calculated using discounted cash flows. The cash flow forecasts are principally based upon a four year period and extrapolated using long term growth rates ranging from 2.5% to 3.5% (2022: 2.5% to 3.5%). These cash flows are then discounted using a relevant long term post tax discount rate, ranging between 7.5% and 8.6% (2022: 7.5% and 8.6%). This is considered to be level 3 in the fair value hierarchy (refer to note B5 for explanation of the valuation hierarchy).

Key assumptions on which management has based its cash flow projections:

- State tax regimes and the regulatory environment in which the Group currently operates remain largely unchanged.
- Growth rates used to extrapolate cash flows are either in line with or do not exceed the long term average growth rate for the industry in which the CGU operates.
- Discount rates applied are based on the post tax weighted average cost of capital applicable to the relevant CGU.
- Terminal growth rate used is in line with the forecast long term underlying growth rate in Consumer Price Index.

The key estimates and assumptions used to determine the fair value less costs of disposal of a CGU are based on management's current expectations after considering past experience and external information, and are considered to be achievable. Management do not believe that reasonably possible changes to any of the key estimates and assumptions would trigger considerations of impairment of any of the Group's CGUs.

At each balance date, in addition to goodwill, all non-current assets are reviewed for impairment if events or changes in circumstances indicate they may be impaired. When an indicator of impairment exists, the Group makes a formal assessment of recoverable amount. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the greater of fair value less costs of disposal and value in use. It is determined for an individual asset, unless the asset's recoverable value cannot be estimated as it does not generate cash inflows that are largely independent of those from other assets or groups of assets. In this case, the recoverable amount is determined for the CGU, being assets grouped at the lowest levels for which there are separately identifiable cash flows.

Goodwill acquired through business combinations have been allocated to each CGU expected to benefit from the business combination's synergies for impairment testing.

Notes to the financial statements:

Section C – Operating assets and liabilities

For the year ended 30 June 2023

C4 Property, plant and equipment

	Freehold land $m	Buildings $m	Leasehold improvements $m	Plant and equipment $m	Total $m
2023					
Carrying amount at beginning of year	**-**	**-**	**17.3**	**54.2**	**71.5**
Additions	**-**	**-**	**4.3**	**13.0**	**17.3**
Transfers	**-**	**-**	**-**	**8.3**	**8.3**
Depreciation	**-**	**-**	**(2.6)**	**(19.1)**	**(21.7)**
Impairment (i)	**-**	**-**	**(2.2)**	**(0.5)**	**(2.7)**
Carrying amount at end of year	**-**	**-**	**16.8**	**55.9**	**72.7**
Cost	**-**	**-**	**32.1**	**180.0**	**212.1**
Accumulated depreciation and impairment	**-**	**-**	**(15.3)**	**(124.1)**	**(139.4)**
	-	**-**	**16.8**	**55.9**	**72.7**
Includes capital works in progress of:			**4.2**	**8.8**	**13.0**
2022					
Carrying amount at beginning of year	3.9	2.5	2.1	20.2	28.7
Additions	-	-	0.2	6.1	6.3
Additions on demerger from Tabcorp	-	-	15.6	20.7	36.3
Acquisitions via business combinations (refer to note D4)	-	-	-	13.3	13.3
Transfers	-	(0.2)	-	0.2	-
Disposals	(3.9)	(2.1)	-	-	(6.0)
Depreciation	-	(0.2)	(0.6)	(6.3)	(7.1)
Carrying amount at end of year	-	-	17.3	54.2	71.5
Cost	-	-	27.8	158.9	186.7
Accumulated depreciation	-	-	(10.5)	(104.7)	(115.2)
	-	-	17.3	54.2	71.5
Includes capital works in progress of:		-	0.2	9.4	9.6

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

Depreciation policy - straight line basis over useful life (years):		40	3 – 13	4 – 10	

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed annually and adjusted prospectively, if appropriate.

Notes to the financial statements:

Section C – Operating assets and liabilities

For the year ended 30 June 2023

C5 Leases

(a) Group as a lessee

The Group has lease contracts for various properties and motor vehicles with lease terms expiring from 1 to 10 years.

Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or are subject to market rate review.

Right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Property $m	Motor vehicle $m	Total $m
2023			
Carrying amount at beginning of year	**83.9**	**0.6**	**84.5**
Additions	**1.1**	**0.5**	**1.6**
Lease remeasurements	**1.7**	**-**	**1.7**
Depreciation	**(11.1)**	**(0.3)**	**(11.4)**
Impairment [(i)]	**(2.1)**	**-**	**(2.1)**
Carrying amount at end of year	**73.5**	**0.8**	**74.3**
2022			
Carrying amount at beginning of year	2.6	0.2	2.8
Additions [(ii)]	100.7	0.6	101.3
Lease remeasurements	0.2	0.3	0.5
Reduction due to finance lease receivable [(iii)]	(9.4)	-	(9.4)
Depreciation	(1.4)	(0.5)	(1.9)
Impairment [(i)]	(8.8)	-	(8.8)
Carrying amount at end of year	83.9	0.6	84.5

Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2023 $m	2022 $m
Carrying amount at beginning of year	**96.1**	3.2
Additions	**1.6**	94.7
Lease remeasurements	**1.3**	(0.2)
Interest expense	**1.6**	0.2
Payments	**(11.2)**	(1.8)
Carrying amount at end of year	**89.4**	96.1
Current	**10.4**	9.6
Non current	**79.0**	86.5
	89.4	96.1

(i) Comprises write down of right-of-use assets in respect of surplus corporate lease space.

(ii) Includes the recognition of Corporate property leases on assignment of relevant lease obligations from Tabcorp on demerger.

(iii) Includes the recognition of lease receivable on sub lease of floor space to Tabcorp.

Notes to the financial statements:

Section C – Operating assets and liabilities

For the year ended 30 June 2023

C5 Leases (continued)

(b) Group as a lessor

Finance sub-leases

In the prior year, the Group entered into sub-leases for properties that were initially recognised as part of right-of-use assets. The sub-leases have terms of 10 years and the Group has classified the leases as finance sub-leases.

There was no gain or loss on derecognition of the right-of use-assets pertaining to the properties.

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	2023 $m	2022 $m
Less than one year	**0.8**	0.8
Between one to two years	**0.9**	0.8
Between two to three years	**0.9**	0.8
Between three to four years	**0.9**	0.9
Between four to five years	**0.9**	0.9
More than five years	**5.0**	6.0
Total undiscounted lease receivable	**9.4**	10.2
Unearned finance income	**(0.7)**	(0.9)
	8.7	9.3

Operating sub-leases

Future minimum rentals receivable under non-cancellable operating sub-leases as at 30 June:

Not later than one year	**3.1**	2.2
Later than one year but not later than five years	**5.0**	5.1
	8.1	7.3

When a contract is entered into, the Group assesses whether the contract contains a lease. A lease arises when the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At commencement of the lease, the Group recognises a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Right-of-use assets are recognised at the commencement date of the lease, which is when the underlying assets are available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, any make good costs, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The right-of-use assets are also subject to impairment.

Notes to the financial statements:

Section C – Operating assets and liabilities

For the year ended 30 June 2023

C5 Leases (continued)

Lease liabilities are recognised at the commencement date of the lease, measured at the present value of lease payments to be made over the lease term using the Group's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. Lease payments include fixed payments or variable lease payments that depend on an index or a rate, incorporating the Group's expectations of extension options which is a key area of judgement. Option periods are only included in determining the lease term at inception when they are reasonably certain to be exercised.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for lease payments made. Lease liabilities are remeasured when there is a modification, a change in the lease term, or changes in future lease payments arising from a change in rates or index used to determine the payments.

Short term leases (lease term of 12 months or less) and **leases of low value assets** are recognised as an expense as incurred.

The Group enters into lease arrangements as lessor in respect of some property leases. When the Group is an intermediate lessor it accounts for its interests in the head lease and the sub-lease separately.

The sub-lease is a **finance lease** where it transfers substantially all the risks and rewards of ownership to the lessee. All other sub-leases are operating leases. The determination of whether a sub-lease is classified as a finance lease or operating lease is made by reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The Group recognises on the balance sheet a net investment in a lease as the sum of the lease payments receivable plus any unguaranteed residual value, discounted at the interest rate implicit in the lease.

Notes to the financial statements:

Section C – Operating assets and liabilities

For the year ended 30 June 2023

C6 Notes to the cash flow statement

	2023 $m	2022 $m
(a) Cash and cash equivalents comprise:		
Cash on hand and in banks - significant restrictions (i)	**354.0**	200.4
Cash on hand and in banks - available for corporate use	**80.5**	115.8
	434.5	316.2

For the purpose of the cash flow statement, cash comprises cash and bank overdrafts (refer to note B3).

(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 B2) 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.

(b) Reconciliation of net profit after tax to net cash flows from operating activities	2023 $m	2022 $m
Net profit after tax	**264.8**	346.6
Add items classified as investing/financing activities:		
- net loss on disposal of non current assets	**0.8**	1.1
- other	**0.7**	-
Add non cash income and expense items:		
- depreciation and amortisation	**98.2**	61.9
- impairment	**4.8**	8.8
- share based payments expense	**6.9**	1.8
- other	**1.9**	8.0
Net cash provided by operating activities before changes in assets and liabilities	**378.1**	428.2
Changes in assets and liabilities:		
(Increase)/decrease in:		
- debtors	**11.0**	(16.3)
- prepayments	**(8.6)**	(5.0)
- other assets	**(2.8)**	(0.4)
(Decrease)/increase in:		
- payables	**85.9**	192.8
- provisions	**1.2**	3.3
- deferred tax liabilities	**(33.2)**	10.6
- provision for income tax	**24.0**	12.2
- other liabilities	**0.9**	(1.0)
Net cash flows from operating activities	**456.5**	624.4

(c) Non cash financing activities

In the prior year, the US Private Placement debt of $1,937.9m and associated derivative financial instruments of $176.0m were effectively transferred from Tabcorp on the demerger, and were recognised in the demerger reserve.

Notes to the financial statements:

Section C – Operating assets and liabilities

For the year ended 30 June 2023

C7 Receivables

	2023 $m	2022 $m
Current		
Trade debtors	**4.6**	23.5
Allowance for expected credit losses	**-**	(0.1)
	4.6	23.4
Other	**37.2**	24.5
	41.8	47.9
Non current		
Other	**8.0**	8.7

Trade debtors are recognised and carried at original invoice amount less an allowance for any uncollectible amount.

Expected credit losses for the Group are calculated using a lifetime expected loss allowance under the simplified approach of AASB 9. The expected credit loss is based on historical credit loss experience adjusted for forward-looking factors specific to the debtors and the economic environment.

C8 Payables

	2023 $m	2022 $m
Current		
Payables [i]	**883.9**	830.2
Non current		
Payables [ii]	**325.2**	291.0

(i) Includes prize liabilities and customer account balances totalling $582.1m (2022: $599.9m).
(ii) Comprises prizes payable to the winners of certain lottery games where winnings are payable for up to 20 years (refer to note B2).

Payables are recognised initially at fair value, and subsequent to initial recognition are recognised at amortised cost which is calculated using the effective interest rate method.

Notes to the financial statements:

Section C – Operating assets and liabilities

For the year ended 30 June 2023

C9 Provisions

	2023 $m	2022 $m
Current		
Employee benefits	**14.0**	12.2
Other	**-**	0.8
	14.0	13.0
Non current		
Employee benefits	**2.4**	2.2
Make good	**7.2**	6.8
	9.6	9.0

Movement in provisions other than employee benefits during the year are set out below:

	Make good $m	Other $m
Carrying amount at beginning of year	**6.8**	**0.8**
Provisions made during year	**0.4**	**-**
Provisions used during year	**-**	**(0.5)**
Provisions reversed during year	**-**	**(0.3)**
Carrying amount at end of year	**7.2**	**-**

A **provision** is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recorded as a finance cost.

Employee benefits (short term) are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided and the obligation can be estimated reliably.

Employee benefits (long term) - the Group's net obligation is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is discounted to determine its present value. Remeasurements are recognised in the income statement in the period in which they arise. This excludes pension plans.

Make good provision is recognised for leasehold properties requiring remedial work at the end of the lease arrangement. The provision recognised represents the present value of the estimated expenditure required for remedial work.

Notes to the financial statements:

Section C – Operating assets and liabilities

For the year ended 30 June 2023

C10 Other current assets and liabilities

	2023 $m	2022 $m
Current assets		
SA Lotteries monies held in trust (i)	**100.4**	98.8
Other	**15.6**	12.8
	116.0	111.6
Current liabilities		
SA Lotteries monies held in trust (i)	**100.4**	98.8
Other	**2.7**	1.6
	103.1	100.4

(i) SA Lotteries is operated under a Master Agency Agreement with Lotteries Commission of South Australia, and monies are held in trust.

Notes to the financial statements:

Section D – Group structure

For the year ended 30 June 2023

D1 Subsidiaries

The ultimate parent entity within the Group is The Lottery Corporation Limited.[(iii)]

The consolidated financial statements incorporate the assets, liabilities and results of The Lottery Corporation Limited and the following controlled entities, that were held in both current and prior period unless otherwise stated:

100% owned Australian subsidiaries in a deed of cross guarantee with The Lottery Corporation Limited entered into on 15 June 2022 (refer to note D2):

50-50 Software Pty Ltd [(i)(iii)]
Golden Casket Lottery Corporation Limited [(iii)]
Keno (ACT) Pty Ltd [(ii)]
Keno (NSW) Pty Ltd [(i)(iii)]
Keno (Qld) Pty Ltd [(i)(iii)]
Keno Online Pty Ltd [(ii)]
Tattersall's Gaming Pty Ltd
Tatts Employment Co (NSW) Pty Ltd
Keno (VIC) Pty Ltd [(i)(iii)]
L&K Finance Pty Ltd [(ii)]
L&K Operations Pty Ltd [(ii)]
TattsTech Pty Ltd [(i)(iii)]
TAHAL Pty Ltd [(i)(iii)]
Tattersall's Sweeps Pty Ltd [(iii)]
Tatts Keno Holdings Pty Ltd [(ii)]
Tatts Employee Share Plan Pty Ltd
Thelott Enterprises Pty Ltd
Tatts Lotteries SA Pty Ltd [(iii)]
Tatts NT Lotteries Pty Ltd [(iii)]
Tatts Online Pty Ltd
tatts.com Pty Ltd [(iii)]
Club Gaming Systems (Holdings) Pty Ltd [(i)]
New South Wales Lotteries Corporation Pty Ltd [(iii)]
Tattersall's Gaming Systems NSW Pty Ltd
Wintech Investments Pty Ltd

International subsidiaries

Name	Country of incorporation	% equity interest
Tattersall's Investments (South Africa) (Pty) Limited	South Africa	100

(i) Company was acquired by the Group during the prior year from Tabcorp, as part of the corporate restructure to effect the demerger.
(ii) Company incorporated during the prior year.
(iii) Removed from the deed of cross guarantee with Tabcorp Holdings Limited during the prior year by way of a revocation deed.

Subsidiaries are entities controlled by the Company. The Group controls an entity if and only if the Group has:

- power over the entity;
- exposure, or rights, to variable returns from its involvement with the entity; and
- the ability to use its power over the entity to affect its returns.

The financial statements of subsidiaries are included in the consolidated financial report from the date control commences until the date control ceases.

Elimination of intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are undertaken in preparing the consolidated financial statements.

Investments are initially recognised at cost, being the fair value of the consideration given, and if acquired prior to 1 July 2009 included acquisition charges associated with the investment. Subsequently investments are carried at cost less any impairment losses unless an accounting policy choice is made by a company to measure its investments at fair value, they are stated at fair value with any resultant gain or loss being recognised in the income statement.

D2 Deed of cross guarantee

The parties to the deed of cross guarantee, as identified in note D1, each guarantee the debts of the others. By entering into the deed, the subsidiaries are relieved from the requirements of preparation, audit and lodgement of a financial report and a Directors' report under *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*. Together with The Lottery Corporation Limited, the entities represent a 'Closed Group' for the purposes of the ASIC Instrument. The consolidated financial statements of the Group represent the results and the financial position of the Closed Group.

Notes to the financial statements:

Section D – Group structure

For the year ended 30 June 2023

D3 Parent entity disclosures

	The Lottery Corporation	
	2023 $m	2022 $m
Result of the parent entity		
Profit for the year	**1,364.2**	676.6
Other comprehensive income	**-**	-
Total comprehensive income for the year	**1,364.2**	676.6
Financial position of the parent entity		
Current assets	**3.4**	34.7
Total assets	**11,089.7**	9,966.6
Current liabilities	**2,015.0**	2,039.0
Total liabilities	**2,015.0**	2,056.5
Net assets	**9,074.7**	7,910.1
Total equity of the parent entity comprising of:		
Issued capital	**779.6**	785.9
Retained earnings	**10,050.1**	8,886.2
Reserves	**(1,755.0)**	(1,762.0)
Total equity	**9,074.7**	7,910.1

Investment in subsidiaries

The Lottery Corporation has made an accounting policy choice to measure its investment in subsidiaries at fair value. Any resultant gain or loss on remeasurement is recognised in the income statement, and eliminates on consolidation at the Group level. The profit for the year includes the gain or loss on remeasurement.

Contingent liabilities

Refer to note E3.

Capital expenditure

The parent entity did not have any capital expenditure commitments for the acquisition of property, plant and equipment contracted but not provided for at 30 June 2023 or 30 June 2022.

Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has entered into a deed of cross guarantee with the effect that the Company guarantees debts in respect of its subsidiaries. Further details of the deed of cross guarantee and the subsidiaries subject to the deed, are set out in note D2.

Tax consolidation

The Lottery Corporation Limited (the Head Company) and its 100% owned Australian tax resident subsidiaries have formed an income tax consolidation group, and are therefore taxed as a single entity. Members of the tax consolidation group entered into a tax sharing arrangement that provides for the allocation of income tax liabilities between the entities should the Head Company default on its tax payment obligations. At balance date, the possibility of default is considered remote.

Members of the tax consolidation group have entered into a tax funding agreement which requires each member of the tax consolidation group to make a tax equivalent payment to or from the Head Company, based on the current tax liability or current tax asset of the member. These amounts are recognised as either an increase or decrease in the subsidiaries' intercompany accounts with the Head Company. Deferred taxes are recognised separately by each member of the tax consolidation group.

Notes to the financial statements:

Section D – Group structure

For the year ended 30 June 2023

D4 Business combinations

Acquisition of Keno business in the prior year

In May 2022 of the prior financial year, as part of the corporate restructure required to effect the demerger, the Group acquired 100% of the Keno business from Tabcorp. The business comprises the operation of Keno pursuant to licences and approvals in certain Australian states and territories.

Management elected to apply the acquisition method of accounting for business combinations under common control and therefore the assets and liabilities were recognised at fair value. The Keno business was valued based on its Enterprise Value. 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.

(a) Identifiable assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities as at the date of the acquisition were:

	2022 $m
Cash and cash equivalents	18.7
Receivables	4.5
Other assets	5.5
Property, plant and equipment	13.3
Licences	280.1
Customer related assets	9.8
Software	24.9
Payables	(22.9)
Deferred tax liabilities	(86.1)
Provisions	(0.8)
Net identifiable assets acquired	247.0
Goodwill arising on acquisition(i)	572.2
Enterprise Value	819.2

(i) Goodwill recognised is primarily attributable to significant retail network footprint and value of Keno business beyond the useful lives of the current licences. The goodwill is not deductible for tax purposes.

(b) Purchase consideration

Consideration for the acquisition was $195.9m and was settled via intercompany account with Tabcorp prior to the demerger. The difference between Enterprise Value and consideration transferred was recognised as a capital contribution within the demerger reserve in the prior year. Net cash inflow of $18.7m in the prior year represented the cash and cash equivalents held by the Keno business at the acquisition date.

(c) Revenue and profit contribution in the prior year

		If acquisition had taken place at beginning of the prior year	
Contribution of Keno business in the prior year	Since acquisition date $m	Keno $m	Group $m
Revenue	23.7	252.4	3,507.3
Profit before interest and tax (includes significant items of $9.4m refer to note A1)	6.5	61.8	593.7
Profit before income tax (includes significant items of $9.4m refer to note A1)	6.5	61.8	581.6

Notes to the financial statements:

Section E – Other disclosures

For the year ended 30 June 2023

E1 Employee share plans

During the current year, the Company established share plans which provide equity instruments to senior executives and management as a component of their remuneration.

Long Term Incentive Plan (**LTI Plan**)

The LTI Plan is available at the most senior executive levels. Under the LTI Plan employees may become entitled to Performance Rights in the Company. Performance Rights are subject to a single performance measure, being relative total shareholder return (relative TSR), a market vesting condition.

The fair value of Performance Rights under each performance measure is determined at grant date by an external valuer and takes into account the terms and conditions upon which they were granted. The fair value is recognised as an employee expense (with a corresponding increase in equity) over the vesting period.

For the relative TSR measure the fair value is recognised as an expense irrespective of whether the Performance Rights vest to the holder, and a reversal of the expense is only recognised in the event the instruments lapse due to cessation of employment within the vesting period.

The dilutive effect, if any, of outstanding Performance Rights is reflected in the computation of diluted earnings per share.

Short Term Incentive Plan (**STI Plan**)

For senior management it is mandatory to defer 25% (50% for the Managing Director and Chief Executive Officer) of their STI Plan into Restricted Shares, which are subject to a two year service condition. The cost of the Restricted Shares is based on the market price at grant date and is recognised over the vesting period. The share based payments expense in respect of the equity instruments granted is recognised in the income statement for the period.

Further explanation of the share plans is disclosed in the Remuneration Report.

Notes to the financial statements:

Section E – Other disclosures

For the year ended 30 June 2023

E1 Employee share plans (continued)

Performance Rights (number)

Details of and movements in Performance Rights granted under the LTI Plan that existed during the current year are:

			Movement during the year			
Grant date	**Expiry date**	**Balance at start of year**	**Granted**	**Forfeited**	**Vested**	**Balance at end of year**
2023						
8 November 2022	28 September 2025	-	**1,925,779**	**-**	**-**	**1,925,779**

No Performance Rights existed during the prior year.

No Performance Rights were exercisable at the end of the current or prior year.

Fair value of equity instruments

Performance Rights have been independently valued at the date of grant using a Monte Carlo simulation option pricing model.

The weighted average fair value of Performance Rights granted during the year was $2.42.

The assumptions underlying the Performance Rights valuations are:

Grant date	**Expiry date**	**Share price at date of grant $**	**Expected volatility in share price %**	**Expected dividend yield %**	**Risk free interest rate %**	**Value per Performance Right $**
8 November 2022	28 September 2025	4.47	20.00	3.44	3.45	2.42

The expected volatility reflects the volatility in the Company's share price post demerger, together with consideration of the historic volatility of Tabcorp as a consolidated business prior to the demerger.

Notes to the financial statements:

Section E – Other disclosures

For the year ended 30 June 2023

E2 Pensions and other post employment benefit plans

The Group has a defined benefit superannuation plan (closed to new entrants), the New South Wales Lotteries Corporation Pty Limited defined benefit plan, which provides benefits based on salary and length of service. The plan is governed by the employment laws of Australia and the Group contributes to the plan at rates based on actuarial advice.

	Fair value of plan assets $m	Present value of defined benefit obligation $m	Net defined benefit plan liabilities $m
Reconciliation of the net defined benefit liabilities recognised in the balance sheet [i]			
Balance at 30 June 2021	19.8	(26.1)	(6.3)
Actuarial gains/(losses)	(0.8)	4.8	4.0
Benefits paid	(1.1)	1.1	-
Other	1.5	(0.9)	0.6
Balance at 30 June 2022	**19.4**	**(21.1)**	**(1.7)**
Actuarial gains/(losses)	**0.8**	**(0.3)**	**0.5**
Benefits paid	**(1.1)**	**1.1**	**-**
Other	**1.8**	**(1.0)**	**0.8**
Balance at 30 June 2023	**20.9**	**(21.3)**	**(0.4)**

(i) Net defined benefit plan liabilities are recognised on the balance sheet in other non current liabilities.

	2023 $m	2022 $m
Amounts recognised in other comprehensive income	**0.5**	4.0

Fair value of plan assets
The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2023 %	2022 %
Cash	**14.3**	13.7
Fixed interest	**3.8**	4.6
Australian equities	**25.9**	17.7
International equities	**37.7**	33.0
Property	**2.1**	6.4
Alternatives	**16.2**	24.6
	100.0	100 .0

The Trustees are responsible for the governance and administration of the fund, the management and investment of the fund assets and compliance with other applicable regulations.

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. The fund has no significant concentration of investment risk or liquidity risk.

The Group's total defined benefit obligation is not materially sensitive to changes in assumptions.

Notes to the financial statements:

Section E – Other disclosures

For the year ended 30 June 2023

E2 Pensions and other post employment benefit plans (continued)

Defined benefit plans are recognised in the balance sheet as the difference between the present value of the estimated future benefits that will be payable to plan members and the fair value of the plan's assets. An annual adjustment is made to recognise all movements in the carrying amount of the plan in the income statement, except for the portion of the movement that is attributable to actuarial gains and losses, which are recognised directly in equity. Actuarial gains and losses represent the difference between previous actuarial assumptions of future outcomes and the actual outcome, in addition to the effect of changes in actuarial assumptions.

E3 Contingencies

Details of contingencies where the probability of future payments is not considered remote are set out below as well as details of contingencies, which although considered remote, the Directors consider should be disclosed as they are not disclosed elsewhere in the notes to the financial statements.

(a) Legal disputes

From time to time, controlled entities within the Group become party to disputes and/or receive claims in the ordinary course of business, including disputes with retail partners and claims from customers in relation to prizes. There are outstanding legal actions on foot and other potential legal exposures between controlled entities and third parties at 30 June 2023. It is not currently expected that any liabilities arising from any current disputes would have a material adverse effect on the Group's financial position.

Notes to the financial statements:

Section E – Other disclosures

For the year ended 30 June 2023

E4 Related party disclosures

(a) Transactions with Tabcorp

Prior to the demerger from Tabcorp in the prior year and subsequent listing as a standalone entity on the ASX, the ultimate parent entity of the Group was Tabcorp Holdings Limited. Transactions in the prior year with entities as part of Tabcorp were identified as related party transactions up until the date of demerger on 1 June 2022.

During the prior year, group entities entered into the following transactions with the Tabcorp Group (comprising Tabcorp Holdings Limited and its controlled entities):

- acquisitions whilst under common control (refer to note D4);
- transfer of assets whilst under common control (refer to note C2 and C4);
- shares issued under the Tabcorp Holdings Limited demerger scheme of arrangement (refer to statement of changes in equity);
- dividends and distributions paid by the Group (refer to statement of changes in equity);
- repayment of loans of $1,322.5m;
- income tax and GST paid on behalf of the Group by Tabcorp as head of the tax consolidation group of $311.1m;
- income tax and GST exit payments made to Tabcorp of $68.8m (refer to note A5); and
- payments made for services rendered of $96.6m.

All transactions were undertaken on normal commercial terms and conditions.

(b) Compensation of Key Management Personnel (KMP)

	2023 $	2022 $
Short term	**6,267,249**	666,600
Other long term	**64,036**	489,398
Post employment	**416,349**	36,598
Share based payments	**2,321,710**	117,987
	9,069,344	1,310,583

Compensation of KMP in the prior year reflects period as KMP for The Lottery Corporation, being from:

- 24 May 2022 (ASX listing date) to 30 June 2022 for Directors; and
- 1 June 2022 to 30 June 2022 for other KMP.

E5 Auditor's remuneration

	2023 $000	2022 $000
Amounts received or due and receivable by Ernst and Young for:		
- audit and review of the statutory financial report of the Group and subsidiaries (i)	**1,405**	430
- other assurance and agreed upon procedures services under other legislation or contractual arrangements (ii)	**399**	-
- other services (iii)	**78**	95
	1,882	525

(i) Prior to demerger, audit fees were borne by Tabcorp in the prior year.

(ii) Includes $300,000 (2022: nil) for which the Group has been, or is entitled to be, reimbursed by the South Australian Lotteries Commission.

(iii) The Group engages Ernst and Young to provide permitted non-audit services where there is a compelling reason to do so provided stringent independence requirements are satisfied.

Notes to the financial statements:

Section E – Other disclosures

For the year ended 30 June 2023

E6 Other accounting policies

(a) Statement of compliance

(i) Changes in accounting policy and disclosures

A number of new and amended accounting standards became mandatorily applicable for the Group for the first time in the current financial year. The adoption of these new and amended standards had no impact on the financial position or performance of the Group, or the disclosures included in this Financial Report.

(ii) New Australian Accounting Standards or International Financial Reporting Standards issued but not yet effective

A number of new and amended accounting standards and interpretations have been recently issued by the Australian Accounting Standards Board but not yet effective. These new or amended accounting standards and interpretations have not been early adopted and are not expected to have a material impact on the financial position or performance of the Group.

(b) Goods and services tax

Revenues, expenses, assets and liabilities are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- certain Keno revenues, due to the GST being offset against government taxes; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(c) Foreign currency translation and balances

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at balance date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement with the exception of differences on foreign currency borrowings that are in an effective hedge relationship. These are taken directly to equity until the liability is extinguished at which time they are recognised in the income statement. Refer to note B4 for further detail.

Non monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

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 30 June 2023 and of its performance for the year ended on that date; and

 (ii) complying with Accounting Standards and *Corporations Regulations 2001* (Cth);

(b) the financial statements and notes also comply with International Financial Reporting Standards; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2023.

In the opinion of the Directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note D2 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

Signed in accordance with a resolution of Directors.

Steven Gregg
Chairman

Sue van der Merwe
Managing Director and
Chief Executive Officer

23 August 2023

Independent Auditor's Report

Ernst & Young
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Independent Auditor's Report to the Members of The Lottery Corporation Limited

Report on the Audit of the Financial Report

Opinion

We have audited the Financial Report of The Lottery Corporation Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 30 June 2023, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying Financial Report of the Group is 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 30 June 2023 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 Financial Report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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Reliance on automated processes and controls related to revenue

Why significant	How our audit addressed the key audit matter
The Group's financial reporting processes are reliant on IT systems with automated processes and controls over the capturing and recording of Lotteries and Keno subscription and commission revenue transactions. During the prior year, the Group demerged from Tabcorp Holdings Limited (Tabcorp). To effect the demerger the group entered into a number of Transitional Service Agreements (TSAs) which have directly impacted the financial reporting processes of the Group during the current financial year, including the capturing and recording of Lotteries and Keno subscription and commission revenue transactions. Given the significance of these processes and controls to the recording of subscription and commission revenue, the understanding and testing of these IT systems and the related processes and controls was considered a key audit matter.	With the involvement of our IT specialists, we assessed the operating effectiveness of the IT control environment and automated transaction processing controls relevant to the recording of subscription and commission revenue, including those performed by Tabcorp under TSA. When testing controls was not considered an appropriate or efficient testing approach, alternative audit procedures were performed on the financial information being produced by those IT systems.

Impairment assessment of Keno's licence intangibles, other intangibles and goodwill

Why significant	How our audit addressed the key audit matter
The Group has licence intangibles of $269.1 million, other intangibles of $27.3 million and goodwill of $572.2 million attributable to the Keno cash generating unit (CGU). The assets of the Keno CGU were remeasured at fair value at the time of the demerger in 2022. For this reason, minimal headroom exists between the carrying value of the assets and their recoverable amount. An impairment assessment is performed on an annual basis for goodwill and indefinite life intangibles. Finite life intangibles including license intangibles and other intangibles are assessed for impairment when there is a trigger. This assessment determines whether the carrying value of these assets and the related non-current assets exceed the recoverable amount. There are judgements inherent in the cash flow forecast including forecast business growth rates, discount rates, licence renewal and terminal value assumptions. The estimate of recoverable amount is sensitive to changes in these assumptions. Given the value of goodwill, licences and other intangibles and the judgements and estimation involved in impairment testing, this was a key audit matter.	Our audit procedures included the following: ► We evaluated the future cash flow forecasts supporting the impairment assessment for goodwill, licence intangibles, other intangibles, and the related non-current assets within the Keno CGU. ► We evaluated the appropriateness of the forecasts by comparing the future cash flows to approved budgets and compared the Keno CGU's results to historical forecasts to assess forecast accuracy. ► We performed sensitivity analysis around the key assumptions to ascertain the extent of change in those assumptions that would either individually or collectively result in impairment. ► We involved our valuation specialists to assess whether the methodology applied is in accordance with Australian Accounting Standards and evaluated key assumptions including licence renewal and terminal values, long term growth rates, discount rates, capital expenditure assumptions and working capital requirements applied in the impairment model. ► We performed market capitalisation and earnings multiples cross checks in comparison with other comparable businesses to assess the output of impairment testing models.

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Page 3

Why significant	How our audit addressed the key audit matter
	▸ We assessed the Group's determination of the cash generating units (CGUs) used for their impairment assessment is in accordance with Australian Accounting Standards. ▸ We tested the mathematical accuracy of the discounted cash flow models. ▸ We assessed the adequacy of the associated disclosures made within Note C3 - Impairment testing.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2023 annual report, but does not include the Financial Report and our Auditor's Report thereon.

Our opinion on the Financial Report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the Financial Report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

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As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Financial Report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the Financial Report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Page 5

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of The Lottery Corporation Limited for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Michael Collins
Partner
Melbourne
23 August 2023

Shareholder Information

Shareholder Information

As at 31 July 2023

Securities on issue

The Lottery Corporation has on issue 2,225,771,703 fully paid ordinary shares (shares) which are quoted on the ASX under the code TLC. These shares represent the only Company securities quoted on the ASX.

Voting rights

Shares issued by The Lottery Corporation carry one vote per share.

Substantial shareholders

The following organisations have disclosed a substantial shareholder notice to The Lottery Corporation.

Name	No. of ordinary shares	% of issued capital
AustralianSuper Pty Ltd	232,281,974	10.44
State Street Corporation	134,931,945	6.06
BlackRock Group	123,793,533	5.56
Vanguard Group	112,955,745	5.08

On-market buy back

There is no current on-market buy back.

Distribution of securities held

No. of shares held	No. of holders	No. of ordinary shares	% of issued capital
1 - 1,000	74,635	25,005,546	1.12
1,000 - 5,000	61,982	148,244,487	6.66
5,001 - 10,000	10,945	77,783,272	3.50
10,001 - 100,000	8,065	175,226,447	7.87
100,001 and over	348	1,799,511,951	80.85
Total	**155,975**	**2,225,771,703**	**100**

Unmarketable parcels

As at 31 July 2023, there were 10,542 shareholders holding less than a marketable parcel of TLC shares. These shareholders held a combined total of 467,156 securities.

A marketable parcel of TLC shares was 96 shares, based on a closing price of $5.170 on 31 July 2023.

Twenty largest registered holders of ordinary shares

Investor name	No. of ordinary shares	% of issued capital
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	639,533,184	28.74
J P MORGAN NOMINEES AUSTRALIA LIMITED	521,905,540	23.45
CITICORP NOMINEES PTY LIMITED	234,635,891	10.55
BNP PARIBAS NOMS PTY LTD	137,903,960	6.19
NATIONAL NOMINEES LIMITED	67,439,746	3.03
WENTWORTH INVESTMENTS	12,966,844	0.58
NETWEALTH INVESTMENTS LIMITED	12,666,120	0.57
ARGO INVESTMENTS LIMITED	10,548,951	0.47
SEYMOUR GROUP PTY LTD	6,278,911	0.28
IOOF INVESTMENT SERVICES LIMITED	6,127,696	0.27
WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	6,040,040	0.27
INVIA CUSTODIAN PTY LIMITED	5,569,380	0.25
MUTUAL TRUST PTY LTD	3,079,839	0.14
TABCORP NRT LIMITED	3,020,448	0.14
PACIFIC CUSTODIANS PTY LIMITED	2,988,584	0.13
COLONIAL FIRST STATE INV LIMITED	2,986,189	0.13
KAYAAL PTY LTD	2,681,819	0.12
BNP PARIBAS NOMS (NZ) LTD	2,607,204	0.12
RIVER CAPITAL PTY LTD	2,600,000	0.12
GEANMONEY INVESTMENTS PTY LTD	2,400,000	0.11
Total Top 20	**1,683,980,346**	**75.66**

Key Dates

2023	
Half year results	23 February
Ex-dividend for interim dividend	1 March
Record date for interim dividend	2 March
Interim dividend payment	23 March
End of financial year	30 June
Full year results announcement	23 August
Ex-dividend for final dividend	29 August
Record date for final dividend	30 August
Final dividend payment	20 September
Annual General Meeting - Sydney	19 October

Indicative Key Dates

2024 (i)	
Half year results	21 February
Ex-dividend for interim dividend	28 February
Record date for interim dividend	29 February
Interim dividend payment	28 March
End of financial year	30 June
Full year results announcement	21 August
Ex-dividend for final dividend	28 August
Record date for final dividend	29 August
Final dividend payment	25 September
Annual General Meeting	23 September

Notice of meeting

The 2023 Annual General Meeting of The Lottery Corporation will be held in person on Thursday, 19 October 2023, commencing at 10:00am (Sydney time) at the Ibis Room, The Pullman Hotel Sydney Hyde Park, 36 College Street, Darlinghurst, New South Wales.

(i) Proposed dates set out above are subject to change. Payment of any dividend is subject to Board approval and the key dates for each dividend will be confirmed to the ASX. Please refer to the Company's website for any updates.

Glossary

Term	Definition
ACNC	Australian Charities and Not-for-profits Commission.
ASIC	Australian Securities and Investments Commission.
ASX	the Australian Securities Exchange.
Board	the Board of The Lottery Corporation Limited.
Company	The Lottery Corporation Limited (ABN 21 081 925 706).
CEO	Chief Executive Officer.
Comparable	has the meaning given on page 13.
Corporations Act	the Corporations Act 2001 (Cth).
CPS	cents per share.
Demerger booklet	the booklet dated 30 March 2022 in relation to the demerger of The Lottery Corporation Limited from Tabcorp Holdings Limited.
Directors	the Directors of the Board of The Lottery Corporation.
Directors' Report	the report on pages 50 to 89.
DRP	dividend reinvestment plan.
EBIT	earnings before interest and Tax [i].
EBITDA	earnings before interest, taxes, depreciation, and amortisation [i].
ELT	Executive Leadership Team comprising of the CEO and direct reports.
EPS	earnings per share.
ESG	environmental, social and governance.
Financial Report	the report on pages 90 to 139.
FY22	the financial year ended 30 June 2022.
FY23	the financial year ended 30 June 2023.
Group	The Lottery Corporation Limited and its subsidiaries.
Keno	refers to a random number game offered by the Company as further described on page 18 of this report or the Company's Keno business segment.
KMP	key management personnel.
Lottery or Lotteries	refers to the Company's lotteries business and includes the lotteries products as further described on page 15 of this report.
LTI	long term incentive.
LTIFR	lost time Injury frequency rate.
MD	Managing Director.
n.m.	not material.

(i) Includes interest revenue earned in the ordinary course of operations from certain prize-related financial assets.

Term	Definition
non-IFRS	non-International Financial Reporting Standards.
NPAT	net profit after tax.
Operating & Financial Review	the report on pages 10 to 27.
p.a.	per annum.
pcp	prior corresponding period.
Performance Rights	a right to receive one ordinary The Lottery Corporation share, at no cost to the employee, subject to the satisfaction of performance and service conditions.
Remuneration Report	the report on pages 62 to 89.
Reported	has the meaning given on page 13.
Restricted Shares	The Lottery Corporation shares that are registered in the employee's name and placed under a holding lock on the share register. The shares are restricted from trading until the end of the applicable restriction period and are subject to forfeiture, malus, and clawback conditions.
S&P	Standard and Poor Global Ratings.
SDGs	sustainable development goals as defined by the United Nationals Department of Economic and Social Affairs.
Senior Leader	A member of the Executive Leadership Team or their direct report.
Sustainability Report	the report on pages 32 to 47.
STI	short term incentive.
SGC	superannuation guarantee contribution - the minimum superannuation contributions The Lottery Corporation is required to make into a nominated superannuation fund on behalf of the employee.
Tabcorp Holdings or Tabcorp	Tabcorp Holdings Limited (ABN 66 063 780 709).
TCFD	the Task Force on Climate-related Financial Disclosures.
The Lott®	umbrella brand for the entire Lotteries business.
TSR	total shareholder return.
Turnover	game sales, excluding commissions paid.

Directory

Share Registry

For any queries about shareholdings in The Lottery Corporation Limited, please direct all correspondence to our share registry, Link Market Services.

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Australia

Telephone (within Australia) 1800 550 560

Telephone (outside Australia) +61 1800 550 560

Email registrars@linkmarketservices.com.au
Website www.linkmarketservices.com.au

Registered Office

The Lottery Corporation Limited
Level 8, 180 Ann Street
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Australia

Telephone 07 3001 9300

Corporate information

The Company is a company limited by shares that is incorporated and domiciled in Australia.

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Investment warning

Past performance of shares is not necessarily a guide to future performance. The value of investments and any income from them is not guaranteed and can fall as well as rise. The Lottery Corporation recommends investors seek independent professional advice before making investment decisions.

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Telephone 03 6811 2700

Website

www.thelotterycorporation.com

Privacy

The Lottery Corporation respects the privacy of its stakeholders. The Lottery Corporation's Privacy Policy is available on the Company's website at www.thelotterycorporation.com.

Currency

References to currency are in Australian dollars unless otherwise stated.

Trade marks

® These trade marks are registered in Australia either across Australia or limited to certain State(s) or Territory(ies) and are owned by or licensed to a company in The Lottery Corporation Group.

The Lottery Corporation