



Annual Financial Report
For the year ended 30 June 2006



Jumbo Corporation Ltd
ABN 66 009 189 128

"Jumbo's 4th straight record profit is a direct result of bringing together the TMS lottery business and Jumbo's online experience to produce one of Australia's more popular lottery web sites - Ozlotteries.com"

Mike Veverka
CEO



"The lottery division is well positioned to expand its range of games to also include a suite of wholly owned and operated online lottery games directed to international markets".



CORPORATE DIRECTORY

DIRECTORS

Alan Phillips	(Chairman)
Mike Veverka	(Chief Executive Officer)
David Barwick	(Non-executive Director)
Jon Starink	(Non-executive Director)

CHIEF FINANCIAL OFFICER

David Taplin

COMPANY SECRETARY

David Taplin

REGISTERED OFFICE

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Telephone: 07 3831 3705
Facsimile: 07 3831 9720

BANKERS

Westpac Banking Corporation
Commonwealth Bank of Australia
ANZ Banking Group
St George Bank

SHARE REGISTRAR

Computershare Investor Services Pty Limited
Level 27, Central Plaza 1
345 Queen Street
Brisbane QLD 4001
Telephone: 07 3237 2173
Facsimile: 07 3229 9860

AUDITORS

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GPO Box 457
Brisbane QLD 4000

INTERNET ADDRESS

www.jumbocorporation.com

AUSTRALIAN BUSINESS NUMBER

66 009 189 128

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BUSINESS OVERVIEW

WHAT DOES JUMBO DO?

Jumbo specialises in online ecommerce and is positioned for growth in the expanding internet industry. Established in 1995, the company has been at the forefront of developments in the internet industry. Currently the company comprises of 2 divisions – online lotteries and e-commerce.

The Jumbo Lottery Division is an online wholesaler and retailer of lottery games. Through agreements with Tattersall's (Victoria) and the NSW Lotteries Corporation, the division retails popular lotteries such as OzLotto and Powerball to Australian and International customers. The games are sold through the popular www.ozlotteries.com web site which has undergone significant growth over the past 2 years.



Oz Lotteries - Buy Australian Lotto Tickets Online - Microsoft Internet Explorer

Address: <http://www.ozlotteries.com>

Choose language: English

BASKET 3 Items **Checkout >>** **Total: AUD \$25.00**

Home Play Lotto Results Help Earn Cash About Us Contact Logout My Account

Welcome to OzLotteries.com

The best place to play Australian Lottery games online.

- See why, take a look at our [winning record](#).
- We offer a huge range of Syndicate options to play
- [Join now](#). Its free!

SAFE & SECURE
All transactions are protected with 128 bit SSL encryption technology.

FULLY ACCREDITED
We are a fully accredited distributor of official Australian lottery games.

AUDITED
Subsidiary of an Australian publicly listed company audited annually.

NEW TO OZLOTTERIES?
Learn to play lotto online in just a few easy steps..

FREE MEMBERSHIP
Get updates, special offers & notification of results, Join now!

SUPPORT HOTLINE
Freecall Int: 800 8600 0086
Freecall AU: 1800 774 137

Upcoming Games

LOTTERY	JACKPOT	NEXT DRAW
Daily Keno	AUD \$1,063,990.89	Tue 26th Sep 7:00pm*
Monday Lotto	AUD \$1,000,000.00	Mon 2nd Oct 8:30pm*
Tuesday Super 7's Ozlotto	AUD \$8,000,000.00	Tue 26th Sep 8:30pm*
Wednesday Lotto	AUD \$750,000.00	Wed 27th Sep 8:30pm*
Thursday Powerball	AUD \$15,000,000.00	Thu 28th Sep 8:30pm*
Saturday Lotto	AUD \$4,000,000.00	Sat 30th Sep 8:30pm*

Play Lotto Systems Syndicates

POWERBALL \$15 MILLION

Hurry! Buy tickets for the Powerball \$15 Million Dollar draw 28th September.

SIGN UP NOW AND GET 2 FREE GAMES!

Join OzLotteries and receive 2 free games when you play any lotto game.
[Sign up now...](#)

EARN CASH AND SHARE THE FUN!

Refer your friends and we'll give you 5% of whatever they spend!
[Refer a friend now...](#)

Winning Record

- 16 x 1st Division Saturday Lotto wins
- 1st Division Powerball win \$6.9 Million
- 1st Division Ozlotto Win
- 3 x 1st Division Monday Lotto wins
- 2 x 1st Division Monday Lotto wins

Latest Results

Monday Lotto

Draw 2550 - Mon 25th Sep 8:30pm*
[See dividends](#)

Main Numbers: 7 13 22 26 39 45 10 12

Daily Keno

Draw 6484 - Mon 25th Sep 7:00pm*
[See dividends](#)

Main Numbers: 4 14 15 16 21 23 24 26 27 28
33 36 40 48 49 52 56 57 60 76

Saturday Lotto

The new ozlotteries.com web site due for release before the end of 2006.

Jumbo has the advantage of being one of the first in the world able to sell large prize lotteries online. Very few lotteries around the world have begun selling their tickets online. Jumbo has accumulated significant online experience in this area and is well positioned for the expected growth in the online lotteries industry. Customer convenience, reliability and interactivity are all factors in the growing popularity of online lotteries.

The Jumbo Lottery Division also owns and operates a computer network throughout a number of Pacific countries from which it is able to sell Australian lotteries. Currently there are over 40 agents using this network in countries such as Fiji, the Cook Islands and Norfolk Island.

In July 2006, Jumbo signed an exclusive 3 year internet-based reseller agreement with the Mater Foundation, a respected charity and lottery operator. The Mater's web sites have been redeveloped and re-released at www.materprizehome.com.au and www.carsforcancer.com.au.

The Jumbo e-commerce Division provides technical services to the lottery division and other clients. This division develops Jumbostore.com which allows online merchants to build online stores. In addition, this division provides services such as software development, web hosting and online marketing to clients.

WHAT EXPERIENCE DOES JUMBO HAVE?

Jumbo commenced operations in 1995 in the early days of the internet. The company developed one of the first e-commerce systems providing online merchants with tools to operate their own online store. The service is available at www.jumbostore.com and has been used by thousands of merchants around the world. This service was later expanded into the Jumbomall (www.jumbomall.com) which combined select merchants together on one web site.



The Ecommerce Division has been restructured to focus on development of the lottery division. The experience gained in online retailing and marketing has proven to be effective in marketing the online lotteries. The company began retailing its first lottery in 2000 and has developed a significant customer database, online marketing techniques and unique software tools for online lotteries.

ACQUISITION OF TMS GLOBAL SERVICES PTY LTD



In May 2005, Jumbo completed the acquisition of TMS Global Services Pty Limited, which is an established lottery wholesaler and retailer. The company holds 5 year agreements with 2 key government licensed lottery operators, the NSW Lotteries Corporation and Tattersall's Limited, to sell lotteries online. The NSW Lotteries Corporation is a government owned lottery operator in the state of New South Wales and Tattersall's Limited is an Australian public company with a license to operate lotteries in the state of Victoria. Lotteries are specifically permitted under the Australian Interactive Gaming Act, which bans other forms of online gaming such as online casinos.

Since the acquisition, both TMS and Jumbo have been restructured to minimise ongoing costs and focus resources on high growth areas. The online experience and skills of Jumbo have considerably grown the online business of TMS and the ozlotteries.com web site. The key factors tracking improving year-on-year performance include:

- Unique web site visitors increased 154%
- New customers to sign up to the site have increased 36%
- Total customer signups increased 86%
- Active customers making repeat purchases increased 118%

TMS also operates a private network of lottery outlets in a number of Pacific countries including Fiji, the Cook Islands and Norfolk Island. This network has also been restructured with the best performing outlets retained and further developed.

GROWTH STRATEGY

Australian Lottery Games

The sale of Australian lottery games such as OzLotto and Powerball via www.ozlotteries.com represents the bulk of the company's revenue and growth. The Ozlotteries.com site has undergone significant redevelopment in the past year and is scheduled for re-release later this year. The new site is more vibrant and has new features to improve customer conversion and retention.

Further projects are planned to increase the sites exposure on the internet by expanding the affiliate network and partnering with larger sites. Overseas expansion is a priority with an increasingly larger portion of the marketing budget being spent internationally. The release of the Lottery Division's own proprietary lottery games is expected to boost international customer acquisition, which will continue to grow the Ozlotteries.com web site.

Proprietary Lottery Games

In addition to reselling Australian lottery games, the Lottery Division is developing and operating its own proprietary lottery games for the international market. These games are specifically designed for international markets with cultural diversity taken into account. The software and hardware for these games is being developed by the Lottery Division, which retains intellectual property ownership. This approach avoids payment of ongoing license fees, provides a competitive differentiation and facilitates licensing of the games to partners.

The games can be modified to meet partners' and target market requirements.

The prize money for these proprietary lottery games will initially reach \$1 million with potential increases over time. The company is seeking insurance support to defray risks and permit higher prize values.

A number of games have been in development over the past year and are scheduled for release in the year ahead.



Acquisitions

Jumbo is continuing to search for suitable acquisition targets with sufficient synergy in terms of skills and assets. The company considers the following factors when reviewing acquisitions.

1. **Improvements to the Target** - Jumbo looks for opportunities to improve the target company with its skills, experience, customer database and established business. Jumbo acquired TMS because it was able to use its online skills and experience to grow the lottery business. Other opportunities for improvement include offering lotteries to the target's customer database and expanding the target's market.
2. **Improvements to Jumbo** - Jumbo considers how acquiring the target will improve its business through expanding customer reach and enhancing marketing effectiveness. Other opportunities for improvement include enhancement of lottery business operations.
3. **Pricing** - Jumbo has sufficient cash reserves to offer a substantial cash component as well as shares for an acquisition. This improves Jumbo's negotiation position as it is less reliant on market share price fluctuations and is able to move quickly if the opportunity arises.
4. **Vendors** - Value that vendors bring to Jumbo is an important acquisition consideration and consequently determines the amount and type of consideration. For example, vendors that have a similar strategic direction to Jumbo are more likely to be offered a larger component of shares.

Jumbo will continue to review opportunities in accordance with these guidelines in the year ahead.

DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2006.

Directors

The names of directors in office at any time during or since the end of the year are:

- Alan Phillips (Chairman)
- Mike Veverka (Chief Executive Officer)
- David DeCampo (Executive Director of Gaming Activities (retired 30 August 2006))
- Earl Evans (Non-executive Director (retired 30 June 2006))
- David Barwick (Non-executive Director (appointed 30 August 2006))
- Jon Starink (Non-executive Director (appointed 30 August 2006))

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

The Company Secretary at the commencement of the financial year was Garry James Clark. Garry was Company Secretary of Jumbo Corporation Limited for the last two years. During this time, Garry made an invaluable contribution to the growth of the company. Due to illness, Garry retired as Company Secretary on 1 June 2006. Sadly, Garry passed away and the company extends its sincere condolences to his family and friends.

David Taplin (Chief Financial Officer) was appointed Company Secretary on 3 July 2006. David has extensive experience in corporate finance and governance. He has worked for leading corporations and professional services organisations both in Australia and internationally. Prior to joining Jumbo, David worked as a senior manager in corporate development at a 'top 100' Australian company. David's formal qualifications include an MBA (AGSM), Bachelor of Laws, Post Graduate Diploma in Business and he is a CPA and Solicitor.

Principal Activities

The principal activities of the economic entity during the financial year were:

- TMS Global Services Pty Limited (100% owned by Jumbo Corporation Limited). This company and its 100% owned subsidiaries are the main operational entities for the lottery retailing activity described in the Business Overview section of this report.
- Benon Technologies Pty Limited (100% owned by Jumbo Corporation Limited). This company is the main operational entity for the online retailing activity and a provider of IT services and support
- Dealer Dan Pty Limited (100% owned by Jumbo Corporation Limited). This company was involved in online retailing of computer hardware but is currently not operational.
- Building Site Services (Aust) Pty Limited (70% owned by Jumbo Corporation Limited). This company ceased operations in 2004 and is in the process of being liquidated.

The following significant changes in the nature of the principal activities occurred during the financial year:

- Since the acquisition of TMS Global Services Pty Limited, Jumbo Corporation has refocussed its business of on-line retailing activities to concentrate on on-line lottery retailing.

There were no other significant changes in the nature of the economic entity's principal activities during the financial year.

Operating Results

The consolidated profit and extraordinary items of the economic entity after providing for income tax amounted to \$786,973.

Dividends Paid or Recommended

No dividends have been paid or provided for on ordinary shares during the year ended 30 June 2006 (30 June 2005 – Nil).

Review of Operations
Fourth Year of Profit Growth

Jumbo Corporation Limited recorded its fourth consecutive year of profit growth for the 12 months ending June 2006, driven primarily by the success of its online lottery business. Jumbo has consistently reported increasing profits for the last 4 years with a compound annual growth rate (CAGR) of 91% per annum.

Revenues have increased by 129% to \$16.6 million and EBITDA (Earnings Before Interest Tax Depreciation and Amortisation) has increased by 32% to \$869,970. The financial position has strengthened with cash levels at \$6.2 million¹ and Net Assets at \$7.8 million.

The consistent growth over the past 4 years is summarised below:

4 Year Profit Growth

	2006	2005	2004	2003	3 year CAGR
Revenue	\$16.6 million	\$7.2 million	\$7.7 million	\$2.7 million	82%
EBITDA	\$869,970	\$657,402	\$400,033	\$142,035	83%
PROFIT - NPAT	\$786,973	\$625,213	\$289,705	\$111,797	91%

4 Year Asset Growth

	2006	2005	2004	2003	3 year CAGR
Cash at Bank ¹	\$6.2 million	\$6.9 million	\$1.9 million	\$0.9 million	93%
Net Assets	\$7.8 million	\$4.0 million	\$1.2 million	\$0.6 million	137%
NTA	\$4.8 million	\$1.1 million	\$1.0 million	\$0.2 million	175%

¹ includes cash held under term deposit.

4 Year Share Price Analysis

	2006	2005	2004	2003	3 year CAGR
PROFIT (NPAT)	\$783,097	\$625,213	\$289,705	\$111,797	91%
EPS	0.23c	0.24c	0.13c	0.06c	57%
Share Price	3.4c	5.8c	1.8c	1.2c	42%
Shares on Issue	370 million	321 million	223 million	199 million	23%
Market Cap	\$12.6 million	\$18.6 million	\$4.0 million	\$2.4 million	74%

Significant Changes in State of Affairs

No significant change in the economic entity's state of affairs occurred during the year.

Future Developments, Prospects and Business Strategies

Details are contained on pages 3 to 5.

Adoption of Australian Equivalents to IFRS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS), the company's financial report has been prepared in accordance with those Standards. A reconciliation of adjustments arising on the transition to AIFRS is included in Note 2 to this report.

After Balance Date Events

There have been no materially significant events after Balance Date.

Information on Directors

Alan Phillips	—	Chairman (Non-executive)
Qualifications and Experience	—	Alan Phillips is the non-executive chairman of Jumbo Corporation Ltd. Alan has been a director, executive director and chairman of ASX listed public companies covering a period of 30 years, specialising in start-up and turn-around companies across a broad range of industries, but predominantly in the mining exploration and technology industries. Alan was appointed Chairman of Jumbo Corporation Limited on 10 May 2000. Prior to his current appointment, Alan was a director of Windsor Resources NL (now Jumbo Corporation Limited) from October 1997 to September 1999.
Directorships held in other listed entities	—	Global Approach Limited; Sur American Gold Corporation Inc. (TSX Venture Exchange); Macarthur Minerals Limited (TSX Venture Exchange); Eastern Gold Corporation (ceased 26 March 2003); Crescent Gold Corporation Limited (ceased 26 March 2005); Sherlock Bay Nickel Corporation Limited (ceased 1 April 2003); Michaelangelo Limited (ceased 6 May 2003); InterCOAL Limited; Verus Investments Limited (ceased 6 December 2005).
Interest in Shares and Options	—	3,400,000 ordinary shares in Jumbo Corporation Limited.
Mike Veverka	—	Chief Executive Officer
Qualifications and Experience	—	Mike Veverka has been chief executive officer and a director of Jumbo Corporation Limited since the restructuring of the company in September 1999. Mike was instrumental in the development of the e-commerce software that is the foundation to the various Jumbo operations. Mike was the original founder of Benon Technologies in 1995 when development of the software began. Mike also established a leading Internet Service Provider in Queensland which operated successfully for 3 years before being sold. Mike is regarded as a pioneer in the Australian internet industry with many successful Internet endeavours to his name. Mike graduated with an honours degree in engineering in 1987.
Interest in Shares and Options	—	75,375,240 ordinary shares in Jumbo Corporation Limited.
Earl Evans	—	Non-executive Director
Qualifications and Experience	—	Earl Evans is a senior executive of Macquarie Bank and has been instrumental in the capital raisings by the company. Earl retired as a non-executive director of Jumbo Corporation Limited on 30 June 2006.
Directorships held in other listed entities	—	Nil
Interest in Shares and Options	—	Nil

David DeCampo	—	Executive Director of Gaming Activities
Qualifications and Experience	—	David DeCampo was the CEO of TMS Global Services Pty Limited which was acquired by Jumbo in 2005. David was formerly Chairman and Director of Canbet (ASX:CBT) for 4 years and has held several other directorships of public and private companies. Prior to that, David held senior management roles in large telecommunications companies including Lucent, Hewlett Packard and Telstra. David retired as an Executive Director of Jumbo Corporation Limited on 30 August 2006 but continues as a consultant to the company until June 2007.
Interest in Shares and Options	—	Nil
David Barwick	—	Non-executive Director
Qualifications and Experience	—	David Barwick is an accountant by profession with over 34 years experience in the management and administration of publicly listed companies both in Australia and North America. During this period David has held the position of Chairman, Managing Director or President of over 26 public companies covering a broad range of activities.
Directorships held in other listed entities	—	Global Approach Limited (Chairman); Metallica Minerals Limited (Chairman); Eastern Corporation Limited (ceased 2 December 2003); Macarthur Minerals Limited (TSX Venture Exchange) (Chairman, President & CEO); InterCOAL Limited.
Interest in Shares and Options	—	Nil
Jon Starink	—	Non-executive Director
Qualifications and Experience	—	Based in London, Jon Starink's 30 years experience includes corporate finance, strategic business development, and corporate governance in Australia and the UK. Jon has served on the Boards of two enterprises, taking one public on the ASX and the other on the London Stock Exchange Alternate Investment Market. Jon's qualifications include a Bachelor of Science with First Class Honours in Chemistry (University of Sydney), a Bachelor of Chemical Engineering with First Class Honours (University of Sydney) and a Master of Applied Science in Molecular Biotechnology (University of Sydney). Jon is also a Chartered Professional Engineer, a Chartered Scientist and a Chartered Chemist. Jon was recently invited to the Board of Jumbo to assist and advise the company through its current growth plans that include international expansion particularly in the UK.
Directorships held in other listed entities	—	Nil
Interest and Shares and Options	—	Nil

REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of Jumbo Corporation Limited and for the executives receiving the highest remuneration.

Remuneration Policy

The remuneration policy of Jumbo Corporation Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the economic entity's financial results. The Board of Jumbo Corporation Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the economic entity is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Board after seeking professional advice from independent external consultants.
- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
- The Board reviews executive packages annually by reference to the economic entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The performance of executives is measured against criteria agreed biannually with each executive and is based predominantly on the forecast growth of the economic entity's profits and shareholder value. All bonuses and incentives must be linked to predetermined performance criteria. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the economic entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

Performance Based Remuneration

As part of each executive director and executives remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between directors/executives with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with directors/executives to ensure buy-in. The measures are specifically tailored to the areas each director/executive is involved in and has a level of control over.

The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short- and long-term goals. The level set for each KPI is based on budgeted figures for the group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the group's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, Jumbo Corporation Limited bases the assessment on audited figures, however, where the KPI involves comparison of the group or a division within the group to the market, independent reports are obtained from organisations such as Standard & Poor's.

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. There have been two methods applied in achieving this aim, the first being a performance based bonus based on key performance indicators, and the second being the issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests. The company believes this policy to have been effective in increasing shareholder wealth over the past four years.

The following table shows the gross revenue and profits for the last four years for the listed entity, as well as the share price at the end of the respective financial years. The company has consistently grown net profit over the last four years. The Board is of the opinion that these results can be attributed in part to the previously described remuneration policy and is satisfied that this continued improvement has lead to increased shareholder wealth over the past four years.

Remuneration Report

	2003	2004	2005	2006
Revenue	\$2.8 mil	\$7.7 mil	\$7.2 mil	\$16.6 mil
Net Profit	\$101,677	\$289,705	\$625,213	\$786,973
Share Price at Year-end	1.2c	1.8c	5.8c	3.4c

Details of Remuneration for Year Ended 30 June 2006

The remuneration for each director and key management personnel of the consolidated entity was as follows:

	Salary, Fees and Commissions	Super- annuation Contribution	Cash Bonus	Non-cash benefits	Options	Total	Performance Related
	\$	\$	\$	\$	\$	\$	%
Directors							
Alan Phillips	73,500	-	-	-	-	73,500	-
Mike Veverka	245,407	4,500	-	-	-	249,907	-
David DeCampo	120,000	-	-	-	-	120,000	-
Earl Evans	30,000	-	-	-	-	30,000	-
Key Management Personnel							
Xavier Bergade	53,079	4,327	-	-	-	57,406	-
Brad Board	75,000	6,750	-	-	-	81,750	-
	596,986	15,577	-	-	-	612,563	-

Employment contracts of directors and senior executives

The employment conditions of directors and senior executives are formalised in contracts of employment.

The employment contracts stipulate a range of terms and conditions. The company may terminate an employment contract without cause by providing generally four weeks written notice or making payment in lieu of notice, based on the individuals annual salary component. A termination payment may or may not be applicable dependent on the particular circumstances. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time. Any options not exercised before or on the date of termination will lapse.

Meetings of Directors

During the financial year, 7 meetings of directors were held. Attendances by each director during the year were:

	Directors' Meetings	
	Number eligible to attend	Number attended
Alan Phillips	7	7
Mike Veverka	7	7
Earl Evans	7	3
David De Campo	7	7

The company is not of a sufficient size nor are its financial affairs of such complexity to justify a separate Audit Committee, Nomination Committee or Remuneration Committee. All matters were handled directly at the Board level.

Indemnifying Officers or Auditor

Since the end of the financial year the company has agreed to indemnify the Company Secretary, David Taplin against any legal actions brought against him personally as a result of his employment in the company. The company has not otherwise during or since the end of the financial year, indemnified or agreed to indemnify, or paid or agreed to pay insurance premiums to indemnify officer or an auditor.

Shareholdings

	Balance 1.7.05	Net Change	Balance 30.6.06
Parent Entity Directors			
Alan Phillips	4,000,000	(600,000)	3,400,000
Mike Veverka	73,748,572	2,626,668	76,375,240
Earl Evans ¹	1,000,000	83,334	1,083,334
David De Campo	2,000,000	(2,000,000)	-

¹ Since the end of the financial year, Earl Evans has disposed on the remainder of his shares.

Options

At the date of this report, the unissued ordinary shares of Jumbo Corporation Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
13 May 2005	19 May 2007	4 cents	5,000,000
4 July 2006	4 July 2009	10 cents	16,250,000
			21,250,000

During the financial year ended 30 June 2006, the following ordinary shares of Jumbo Corporation Limited were issued on the exercise of options granted under the Jumbo Corporation Limited Employee Share Option Plan. No further shares have been issues since these dates. No amounts are unpaid on any of the shares.

Grant Date	Exercise Price	Number of Shares Issued
29 March 2002	5 cents	500,000
13 May 2005	5 cents	1,250,000
		1,750,000

Proceedings on Behalf of Company

During the financial year, no person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings, further, during the financial year, the company was not a party to any such proceedings during the year.

Non-audit Services

The Board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

No non-audit services were provided by the external auditors during the year ended 30 June 2006.

Auditors' Independence

The auditor's independence declaration for the year ended 30 June 2006 has been received and can be found on page 14 of the Directors' report

Signed in accordance with a resolution of the Board of Directors.



Mike Veverka

Director

29 September 2006.

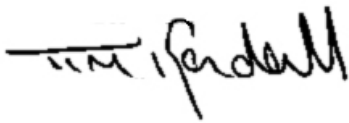
AUDIT INDEPENDENCE DECLARATION

I declare that to the best of my knowledge and belief; during the year ended 30 June 2006 there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

BDO Kendalls

Chartered Accountants



T. KENDALL

Partner

Brisbane, Australia

29 September 2006

CORPORATE GOVERNANCE STATEMENT

Introduction

The ASX Listing Rule 4.10.3 requires listed companies to disclose in their Annual Report the extent to which they have complied with the ASX Best Practice Recommendations of the ASX Corporate Governance Council in the reporting period.

This statement summarises our corporate governance practices. It is structured along the same lines as the Council's guidelines, with sections dealing in turn with each of the Council's 10 corporate governance principles. The various codes, policies and charters referred to in this statement are all posted on the Jumbo website, www.jumbocorporation.com, and shareholders and other interested readers are welcome to refer to them. The Board will keep its corporate governance practices under review.

1. Lay solid foundations for management and oversight

The ASX Corporate Governance Council states that a company should "Recognise and publish the respective roles and responsibilities of Board and management." Jumbo has adopted a formal Board Charter that sets out the functions reserved to the Board and those delegated to the CEO.

Specifically the Board is responsible for:

- Oversight of the company, including its control and accountability systems;
- Appointing, monitoring, managing the performance of, and if necessary terminating (the employment of) the Chief Executive Officer;
- Ratifying the appointment and, if necessary, terminating (the employment) of the Chief Financial Officer and the Company Secretary;
- Input, assessment, appraisal and final approval of management's development of corporate strategy and performance objectives;
- Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance;
- Monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available to undertake those strategies;
- Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- Approving and monitoring financial and other reporting (including audit matters); and
- Recruitment, remuneration, performance review and succession plans for the company Board.

The Board has delegated responsibilities and authorities to management to enable management to conduct the company's day to day activities. Matters which exceed certain defined authority limits require Board approval.

2. Structure the Board to add Value

The ASX Corporate Governance Council states that a company should "Have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties." Jumbo's Board is so structured, and its directors have adequately discharged their responsibilities and duties to the benefit of shareholders.

The Board comprises three non-executive Directors and the executive director CEO. A fundamental requirement for the Jumbo Board is a deep understanding of business management and financial markets. All Board members meet this requirement, and bring a diverse range of skills, and backgrounds. The experience and qualifications of each Board member and their terms of office are set out on page 8. All Directors, apart from the CEO, are subject to re-election by rotation within every three years.

Independence

The Board considers an independent director to be a non-executive director who meets the criteria for independence included in the ASX Best Practice Recommendations. The Board considers that Earl Evans, who retired on 30 June 2006, met this criterion for the financial year ended 30 June 2006. David Barwick who was appointed to the Board on 30 August 2006 is also considered by the Board to meet the ASX Practice Recommendations for independence. Mike Veverka is considered not to be independent because he is a substantial shareholder in Jumbo Corporation Limited (i.e. holds more than 5% as defined in Section 9 of the *Corporations Act 2001*). Alan Phillips and David DeCampo are considered not to be independent because they consult to the company.

Director Access to Independent Professional Advice

Jumbo Directors may also seek external professional advice at the expense of the company on matters relating to their role as directors of Jumbo. However, they must first request approval from the Chairman, which must not be reasonably withheld. If withheld then it becomes a matter for the whole Board.

Board Committees

The Jumbo Board has not established an Audit, Remuneration or Nomination Committee. The full Board consists of only four Directors and has formed the view that it is more efficient for the Board as whole to deal with these functions. To ensure the integrity of these functions the Board has included reference to these in the Board charter and put in place measures discussed below.

3. Promote ethical and responsible decision making

The ASX Corporate Governance Council states that a company should, "Actively promote ethical and responsible decision making". Jumbo has formally adopted a Code of Conduct. The Code of Conduct is based on respect for the law and acting accordingly, dealing with conflicts of interest appropriately, and ethical matters such as acting with integrity, exercising due care and diligence in fulfilling duties, acting in the best interests of the company and respecting the confidentiality of all confidential information.

Jumbo also has documented share trading policy for Directors and Executives. The policy prohibits short term trading in the company's securities and Directors and employees are prohibited from dealing in the company's securities whilst in possession of price sensitive information. It specifies periods for transactions which broadly includes within one month of results announcements, reports and general meetings and any period where a prospectus has been issued.

4. Safeguard integrity in financial reporting

The ASX Corporate Governance Council states that a company should, "Have a structure to independently verify and safeguard the integrity of the company's financial reporting." The CEO and the CFO have certified to the Board that the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and Group and are in accordance with relevant accounting standards. Jumbo believes that it has appropriate measures in place which includes the management accounts being prepared with the assistance of an external firm (which is independent of the company and the external auditor), the engagement of an external auditor, rotation of the engagement audit partner, and a company risk management plan in place. The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

5. Make timely and balanced disclosure

The ASX Corporate Governance Council states that a company should, "Promote timely and balanced disclosure of all material matters concerning the company." Jumbo is committed to the promotion of investor confidence by ensuring that trading in the company's securities takes place in an informed market. In accordance with continuous disclosure requirements under the ASX Listing Rules, the company has documented procedures in place to ensure that all price sensitive information is identified, reviewed by management and disclosed to the ASX in a timely manner, in addition to changes in Directors' interests in the company.

6. Respect the rights of shareholders

The ASX Corporate Governance Council states that a company should, "Respect the rights of shareholders and facilitate the effective exercise of those rights". In addition to a documented procedure for continuous disclosure, Jumbo has a website which provides access to all recent ASX announcements, recent disclosure documents (e.g. prospectuses, notice of meeting explanatory memorandums, annual reports) and key contact details. Shareholders meetings also represent a good opportunity for shareholders to meet with the Board of Jumbo.

7. Recognise and manage risk

The ASX Corporate Governance Council states that a company should, "Establish a sound system of risk and oversight and management and internal control". Jumbo maintains documented policies for identifying, assessing and monitoring risk. The company maintains a dynamic matrix of key risks, ranked for their likelihood and impact, and risk control measures. Some of these measures include a formal authority limits document for management to operate within, a compliance table setting out the company's obligations and how they are executed, and an IT plan. The CEO and CFO and Company Secretary state in writing annually to the Board that to the best of their knowledge the integrity of the risk and compliance systems is in place in all material respects.

8. Encourage enhanced performance

The ASX Corporate Governance Council states that a company should, "Fairly review and actively encourage enhanced Board and management effectiveness." Jumbo provides new directors with a comprehensive letter on appointment which provides clear guidance on what input is required, and includes materials to assist with an induction to the company. The performance of the Jumbo Board is reviewed periodically in a written format. Each director is asked to complete a prepared evaluation form ranking performance against relevant agreed competencies.

9. Remunerate fairly and responsibly

The ASX Corporate Governance Council states that a company should, “Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined”. A discussion about the Jumbo policy, along with all remuneration for Directors and Key Management can be found in the Directors’ report on page 11.

10. Recognise the legitimate interests of stakeholders

The ASX Corporate Governance Council states that a company should, “Recognise legal and other obligations to legitimate stakeholders”. Jumbo has a responsibility to shareholders and the wider financial community. Jumbo has a variety of measures in place to support this principle, including the Code of Conduct for compliance (with ethical and legal responsibilities), a compliance plan, a continuous disclosure policy, and a share trading policy.

INCOME STATEMENT

For the year ended 30 June 2006.

	Note	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
Revenue	3	16,573,717	7,224,007	279,407	1,539,540
Cost of goods sold	4	(11,930,580)	(4,193,958)	-	-
Gross Profit		4,643,137	3,030,049	279,407	1,539,540
Borrowing costs expense	4	(167,663)	(49,663)	(164,215)	(42,810)
Depreciation expense	4	(38,187)	(27,024)	-	-
Amortisation expense	4	(116,173)	(989)	(771)	-
Salaries and employee benefits expense	4	(1,041,554)	(400,318)	-	(17,194)
Directors remuneration	4	(275,818)	(287,592)	(25,000)	-
Consultancy fees	4	(396,838)	(163,996)	(12,193)	(3,898)
Marketing costs	4	(391,323)	(254,840)	(2,716)	-
Other expenses from ordinary activities	4	(1,428,608)	(1,220,414)	(164,798)	(193,887)
Provision on loan to Benon	4	-	-	(1,264,536)	-
Profit before income tax expense		786,973	625,213	(1,354,823)	1,281,751
Income tax expense	5	-	-	-	-
Profit after related income tax expense		786,973	625,213	(1,354,823)	1,281,751
Net profit attributable to members of Jumbo Corporation Limited		786,973	625,213	(1,354,823)	1,281,751
Basic earnings per share (cents per share)	9	0.23	0.24		
Diluted earnings per share (cents per share)	9	0.23	0.24		

The accompanying notes form part of these financial statements

BALANCE SHEET

As at 30 June 2006.

	Note	Economic Entity		Parent Entity	
		2006 \$	2005 \$	2006 \$	2005 \$
CURRENT ASSETS					
Cash assets and cash equivalents	10	5,267,518	5,483,633	1,591,013	419,383
Trade and other receivables	11	368,110	582,413	93,229	106,025
Inventories	12	880,345	10,306	-	-
TOTAL CURRENT ASSETS		6,515,973	6,076,352	1,684,242	525,408
NON-CURRENT ASSETS					
Financial assets	13	2,142,782	2,217,705	2,142,782	2,217,705
Trade and other receivables	11	-	-	-	366,819
Interests in controlled entities	14	-	-	3,860,581	3,860,581
Property, plant and equipment	15	115,540	102,613	-	-
Intangible assets	16	3,507,083	3,141,516	316,139	270,000
TOTAL NON-CURRENT ASSETS		5,765,405	5,461,834	6,319,502	6,715,105
TOTAL ASSETS		12,281,378	11,538,186	8,003,744	7,240,513
CURRENT LIABILITIES					
Trade and other payables	17	2,725,024	4,815,297	24,393	228,000
Short-term borrowings	18	830,000	826,666	830,000	826,666
Provisions	19	-	59,941	-	-
TOTAL CURRENT LIABILITIES		3,555,024	5,701,904	854,393	1,054,666
NON-CURRENT LIABILITIES					
Trade and other payables	17	100,000	175,000	383,181	175,000
Long-term Borrowings	18	830,000	1,673,334	830,000	1,673,334
Provisions	19	7,370	-	-	-
TOTAL NON-CURRENT LIABILITIES		937,370	1,848,334	1,213,181	1,848,334
TOTAL LIABILITIES		4,492,394	7,550,238	2,067,574	2,903,000
NET ASSETS		7,788,984	3,987,948	5,936,170	4,337,513
EQUITY					
Issued Capital	20	25,981,042	23,182,343	25,981,042	23,182,343
Retained losses		(18,382,091)	(19,228,745)	(20,234,003)	(18,879,180)
Reserves	21	190,033	34,350	189,131	34,350
TOTAL EQUITY		7,788,984	3,987,948	5,936,170	4,337,513

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2006.

	Ordinary Issued Capital	Retained Losses	Asset Revaluation Reserve	Option Reserve	Foreign Exchange Reserve	Total Equity
Economic Entity						
Balance at 1 July 2004	21,094,592	(19,853,958)	21,100	-	-	1,261,734
Profit attributable to members of parent entity	-	625,213	-	-	-	625,213
Issue of shares	2,087,751	-	-	-	-	2,087,751
Revaluation increment	-	-	(3,944)	-	-	(3,944)
Share based payment expenses	-	-	-	17,194	-	17,194
Balance at 30 June 2005	23,182,343	(19,228,745)	17,156	17,194	-	3,987,948
Adjustment	-	59,681	-	-	-	59,681
Issue of shares	2,798,699	-	-	-	-	2,798,699
Profit attributable to members of parent entity	-	786,973	-	-	-	786,973
Revaluation increment	-	-	154,781	-	-	154,781
Adjustments from translation of foreign controlled entities	-	-	-	-	902	902
Balance at 30 June 2006	25,981,042	(18,382,091)	171,937	17,194	902	7,788,984
Parent Entity						
Balance at 1 July 2004	21,094,592	(20,160,931)	21,100	-	-	954,761
Profit attributable to members of parent entity	-	1,281,751	-	-	-	1,281,751
Issue of shares	2,087,751	-	-	-	-	2,087,751
Revaluation increment	-	-	(3,944)	-	-	(3,944)
Share based payment expenses	-	-	-	17,194	-	17,194
Balance at 30 June 2005	23,182,343	(18,879,180)	17,156	17,194	-	4,337,513
Issue of shares	2,798,699	-	-	-	-	2,798,699
Profit attributable to members of parent entity	-	(1,354,823)	-	-	-	(1,354,823)
Revaluation increment	-	-	154,781	-	-	154,781
Balance at 30 June 2006	25,981,042	(20,234,003)	171,937	17,194	-	5,936,170

The accompanying notes form part of these financial statements

CASH FLOW STATEMENT

	Note	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		16,715,953	7,270,739	12,916	(173,356)
Payments to suppliers and employees		(19,188,835)	(5,167,337)	(215,979)	-
Interest received		237,343	45,487	174,182	13,837
Borrowing costs		(167,663)	(43,066)	(164,215)	(72,758)
Net cash provided by (used in) operating activities	24	(2,403,202)	2,105,823	(193,097)	(232,277)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(51,857)	(39,895)	-	-
Purchase of investments		(300,393)	-	(300,395)	(2,300,400)
Cash acquired on acquisition of subsidiary		-	131,916	-	-
Funds placed on deposit		530,100	(1,437,700)	530,100	(1,437,700)
Advances from related parties		-	-	(614,537)	1,490,703
Proceeds from sale of assets		112,770	35,000	112,770	35,000
Purchase of website		(46,910)	-	(46,910)	-
Other		59,680	-	-	-
Net cash provided by (used in) investing activities		303,389	(1,310,679)	(318,972)	(2,212,397)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		2,906,521	231,151	2,906,517	250,201
Repayment of borrowings		(915,000)	13,649	(1,115,000)	-
Proceeds from borrowings		-	2,500,000	-	2,500,000
Capital raising costs		(107,822)	-	(107,818)	-
Net cash provided by (used in) financing activities		1,883,699	2,744,800	1,683,699	2,750,201
Net increase in cash held		(216,115)	3,555,394	1,171,630	305,527
Cash at 1 July 2005		5,483,633	1,928,239	419,383	113,856
Cash at 30 June 2006	10	5,267,518	5,483,633	1,591,013	419,383

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the economic entity of Jumbo Corporation Limited and controlled entities, and Jumbo Corporation Limited as an individual parent entity. Jumbo Corporation Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of Jumbo Corporation Limited and controlled entities, and Jumbo Corporation Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

First time Adoption of Australian Equivalents to International Financial Reporting Standards

Jumbo Corporation Limited and controlled entities, and Jumbo Corporation Limited as an individual parent entity have prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from July 1 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the parent entity and consolidated entity accounts resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These consolidated accounts are the first financial statements of Jumbo Corporation Limited to be prepared in accordance with Australian equivalents to IFRS.

The accounting policies set out below have been consistently applied to all years presented. The parent and consolidated entities have however elected to adopt the exemptions available under AASB 1 relating to AASB 132: Financial Instruments: Disclosure and Presentation, and AASB 139: Financial Instruments: Recognition and Measurement.

Reconciliations of the transition from previous Australian GAAP to AIFRS have been included in Note 2 to this report.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

a. Principles of Consolidation

A controlled entity is any entity controlled by Jumbo Corporation Limited. Control exists where Jumbo Corporation Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Jumbo Corporation Limited to achieve the objectives of Jumbo Corporation Limited. A list of controlled entities is contained in Note 14 to the financial statements.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Outside interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

b. Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that any future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

c. Inventories

Inventories are measured at the lower of cost and net realisable value.

d. Property, Plant and Equipment

Each class of property, plant is equipment are carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets, including capitalised lease assets, is depreciated on a diminishing value basis over their effective lives to the economic entity commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and Equipment	40%
Leased Plant and Equipment	30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

e. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, that is transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line

basis over the shorter of their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability. Lease payments received reduce the liability.

f. Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management and within the requirement of AASB139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in inactive market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intension to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

g. Impairment of assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

h. Investments in associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognised group's share of post-acquisition reserves of its associates.

i. Intangibles

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in the intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually or impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life ranging from 15 to 20 years.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

j. Foreign Currency Transactions and Balances and Other Classes of Intangibles

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the transaction of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group Companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are treated as follows:

- Assets and liabilities are translated at the year-end exchange rates prevailing at the reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

k. Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with

entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

Equity-settled compensation

The group operates a number of share-based compensation plans. These include both share option arrangement and an employee share scheme. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares of the options granted.

l. Cash and Cash Equivalent

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

m. Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

n. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis except for the GST component of investing in financing activities, which are disclosed as operating cash flows.

o. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in income in the period in which they are incurred.

p. Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

q. Critical Accounting Estimates and Judgement

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

i. Impairment of Assets

Under AASB 136: Impairment of Assets, the recoverable amount of an asset is determined as the higher of fair value less costs to sell, and value in use. In determining value in use, projected future cash flows are discounted using a risk adjusted pre-tax discount rate and impairment is assessed for the individual asset or at the 'cash generating unit' level. A 'cash generating unit' is determined as the smallest group of assets that generates cash flows that are largely independent of the cash inflows from other assets or groups of assets.

The current policy is to determine the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the asset's use and subsequent disposal. It is likely that this change in accounting policy will lead to impairments being recognised more often.

No impairment has been recognised.

ii. Goodwill on Consolidation

Under AASB 3: Business Combinations, goodwill is capitalised to the statement of financial position and subjected to an annual impairment test. Amortisation of goodwill is prohibited.

Impairment testing as at 1 July 2006 confirmed no impairment of the \$3,686,355 goodwill less accumulated amortisation of \$854,805 as disclosed in the economic entity's financial statements at 30 June 2006.

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

	Note	Previous GAAP at 1 July 2004	Effect of Transition to AIFRS	AIFRS at 1 July 2004
		\$	\$	\$
Economic Entity				
Reconciliation of Equity at 1 July 2004				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		1,928,239	-	1,928,239
Trade and other receivables		424,528	-	424,528
Inventories		5,100	-	5,100
TOTAL CURRENT ASSETS		2,357,867	-	2,357,867
NON-CURRENT ASSETS				
Financial assets - held to maturity		62,300	-	62,300
Property, plant and equipment		31,934	-	31,934
Intangible assets		270,000	-	270,000
Financial assets available for sale	2a	705,549	21,100	726,649
TOTAL NON-CURRENT ASSETS		1,069,783	21,100	1,090,883
TOTAL ASSETS		3,427,650	21,100	3,448,750
CURRENT LIABILITIES				
Trade and other payables		2,170,687	-	2,170,687
Short-term provisions		16,329	-	16,329
TOTAL CURRENT LIABILITIES		2,187,016	-	2,187,016
TOTAL NON-CURRENT LIABILITIES		-	-	-
TOTAL LIABILITIES		2,187,016	-	2,187,016
NET ASSETS		1,240,634	21,100	1,261,734
EQUITY				
Issued capital		21,094,592	-	21,094,592
Reserves	2a	-	21,100	21,100
Retained earnings		(19,853,958)	-	(19,853,958)
TOTAL EQUITY		1,240,634	21,100	1,261,734

	Note	Previous GAAP at 30 June 2005 \$	Effect of Transition to AIFRS \$	AIFRS at 30 June 2005 \$
Reconciliation of Equity at 30 June 2005				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		5,483,633	-	5,483,633
Trade and other receivables		582,413	-	582,413
Inventories		10,306	-	10,306
TOTAL CURRENT ASSETS		6,076,352	-	6,076,352
NON-CURRENT ASSETS				
Financial assets - held to maturity		1,500,000	-	1,500,000
Property, plant and equipment	2b	407,049	(304,436)	102,613
Intangible assets	2b, 2c	2,825,044	316,472	3,141,516
Financial assets - available for sale	2a	700,549	17,156	717,705
TOTAL NON-CURRENT ASSETS		5,432,642	29,192	5,461,834
TOTAL ASSETS		11,508,994	29,192	11,538,186
CURRENT LIABILITIES				
Trade and other payables	2d	4,701,817	113,480	4,815,297
Short-term borrowings		826,666	-	826,666
Short-term provisions	2d	173,421	(113,480)	59,941
TOTAL CURRENT LIABILITIES		5,701,904	-	5,701,904
NON-CURRENT LIABILITIES				
Payables		175,000	-	175,000
Long-term borrowings		1,673,334	-	1,673,334
TOTAL NON-CURRENT LIABILITIES		1,848,334	-	1,848,334
TOTAL LIABILITIES		7,550,238	-	7,550,238
NET ASSETS		3,958,756	29,192	3,987,948
EQUITY				
Issued capital		23,182,343	-	23,182,343
Reserves	2a, 2e	-	34,350	34,350
Retained earnings	2c, 2e, 2f, 2g	(19,223,587)	(5,158)	(19,228,745)
TOTAL EQUITY		3,958,756	29,192	3,987,948

	Note	Previous GAAP at 1 July 2004	Effect of Transition to AIFRS	AIFRS at 1 July 2004
		\$	\$	\$
Parent Entity				
Reconciliation of Equity at 1 July 2004				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		113,856	-	113,856
Trade and other receivables		63,750	-	63,750
TOTAL CURRENT ASSETS		177,606	-	177,606
NON-CURRENT ASSETS				
Intangible Assets		270,000	-	270,000
Financial Assets - held to maturity		62,300	-	62,300
Financial Assets - available for sale	2a	705,549	21,100	726,649
TOTAL NON-CURRENT ASSETS		1,037,849	21,100	1,058,949
TOTAL ASSETS		1,215,455	21,100	1,236,555
CURRENT LIABILITIES				
Trade and other payables		281,794	-	281,794
TOTAL CURRENT LIABILITIES		281,794	-	281,794
TOTAL NON-CURRENT LIABILITIES		-	-	-
TOTAL LIABILITIES		281,794	-	281,794
NET ASSETS		933,661	21,100	954,761
EQUITY				
Issued capital		21,094,592	-	21,094,592
Reserves	2a	-	21,100	21,100
Retained earnings		(20,160,931)	-	(20,160,931)
TOTAL EQUITY		933,661	21,100	954,761

	Note	Previous GAAP at 30 June 2005 \$	Effect of Transition to AIFRS \$	AIFRS at 30 June 2005 \$
Reconciliation of Equity at 30 June 2005				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		419,383	-	419,383
Trade and other receivables		106,025	-	106,025
TOTAL CURRENT ASSETS		525,408	-	525,408
NON-CURRENT ASSETS				
Trade and other receivables		366,819	-	366,819
Intangible Assets	2c	262,286	7,714	270,000
Interests in controlled entities		3,860,581	-	3,860,581
Other Financial assets - held to maturity		1,500,000	-	1,500,000
Financial assets - available for sale	2a	700,549	17,156	717,705
TOTAL NON-CURRENT ASSETS		6,690,235	24,870	6,715,105
TOTAL ASSETS		7,215,643	24,870	7,240,513
CURRENT LIABILITIES				
Trade and other payables		228,000	-	228,000
Short-term borrowings		826,666	-	826,666
TOTAL CURRENT LIABILITIES		1,054,666	-	1,054,666
NON-CURRENT LIABILITIES				
Trade and other payables		175,000	-	175,000
Long-term borrowings		1,673,334	-	1,673,334
TOTAL NON-CURRENT LIABILITIES		1,848,334	-	1,848,334
TOTAL LIABILITIES		2,903,000	-	2,903,000
NET ASSETS		4,312,643	24,870	4,337,513
EQUITY				
Issued capital		23,182,343	-	23,182,343
Reserves	2a, 2e	-	34,350	34,350
Retained earnings	2c, 2e, 2f	(18,869,700)	(9,480)	(18,879,180)
TOTAL EQUITY		4,312,643	24,870	4,337,513

	Note	Previous GAAP 2005	Effect of Transition to AIFRS 2005	AIFRS 2005
		\$	\$	\$
Economic Entity				
Reconciliation of Profit or Loss for 2005				
Revenue	2g	7,229,007	(5,000)	7,224,007
Cost of Goods Sold		(4,193,958)	-	(4,193,958)
		3,035,049	(5,000)	3,030,049
Borrowing costs expense	2f	(22,419)	(27,244)	(49,663)
Depreciation expense		(27,024)	-	(27,024)
Amortisation expense	2c	(40,269)	39,280	(989)
Salaries and employee benefits expense	2e	(383,124)	(17,194)	(400,318)
Directors Remuneration		(287,592)	-	(287,592)
Consultancy fees		(163,996)	-	(163,996)
Marketing costs		(254,840)	-	(254,840)
Other expenses		(1,220,414)	-	(1,220,414)
Carrying value of assets disposed	2g	(5,000)	5,000	-
Profit before income tax expense		630,371	(5,158)	625,213
Income tax expense		-	-	-
Profit for the year		630,371	(5,158)	625,213

	Note	Previous GAAP 2005	Effect of Transition to AIFRS 2005	AIFRS 2005
		\$	\$	\$
Parent Entity				
Reconciliation of Profit or Loss for 2005				
Revenues		1,539,540	-	1,539,540
Borrowing costs expense	2f	(16,774)	(26,036)	(42,810)
Amortisation expense	2c	(33,750)	33,750	-
Employee Benefits	2e	-	(17,194)	(17,194)
Consultancy fees		(3,898)	-	(3,898)
Other expenses		(193,887)	-	(193,887)
Profit before income tax expense		1,291,231	(9,480)	1,281,751
Income tax expense		-	-	-
Profit for the year		1,291,231	(9,480)	1,281,751

Notes to the reconciliations of equity and profit and loss at 1 July 2004 and 30 June 2005

- a. Revaluation of financial assets available for sale.
- b. Reclassification of software from property, plant and equipment to intangible assets.
- c. Write back of goodwill amortisation.
- d. Reclassification of annual leave provision to trade and other payables and short-term provisions.
- e. Recognition of share options expense for employees.
- f. Expensing of borrowing costs previously capitalised.
- g. Reclassification of the carrying value of non-current assets sold.

NOTE 3: REVENUE

	Note	Economic Entity		Parent Entity	
		2006 \$	2005 \$	2006 \$	2005 \$
Operating activities					
—	Jumbo mall commissions and licensing income	499,961	5,655,291	-	-
—	Other commissions	270,797	449,386	-	-
—	Revenue from sale of goods	5,214	55,003	-	-
—	Revenue from services	25,644	55,153	-	-
—	Revenue from online lottery	15,457,940	928,581	-	-
		<u>16,259,556</u>	<u>7,143,414</u>	-	-
Non-operating activities					
—	Interest Received – other persons/corporations	237,343	45,487	166,270	13,837
—	Gain from sale of shares	49,020	30,000	49,020	35,000
—	Debts Forgiven	-	-	-	1,490,703
—	Other revenues	27,798	5,106	64,117	-
		<u>314,161</u>	<u>80,593</u>	<u>279,407</u>	<u>1,539,540</u>
Total Revenue		<u>16,573,717</u>	<u>7,224,007</u>	<u>279,407</u>	<u>1,539,540</u>

NOTE 4: PROFIT FOR THE YEAR

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Profit from ordinary activities before income tax has been determined after				
a. Expenses				
Cost of sales				
Sale of goods	11,615,215	1,509,240	-	-
Sale of services	315,365	2,684,718	-	-
Borrowing costs expensed				
— Interest expense	167,538	17,030	164,090	16,774
— Other	125	32,413	125	26,036
Depreciation of non-current assets:				
— Plant and equipment	38,187	12,378	-	-
Amortisation of non-current assets:				
— Leased plant and equipment	743	989	-	-
— Intangibles	115,430	14,646	771	-
Salaries and employee benefits expense				
— Salaries	936,752	342,748	-	-
— Superannuation contributions	78,397	26,941	-	-
— Leave provision	26,405	13,435	-	-
— Employee share options	-	17,194	-	17,194
Consultancy Fees				
— Legal fees	89,823	26,941	6,711	3,898
— Corporate other	307,015	137,055	5,482	-
Directors remuneration	275,818	287,592	25,000	-
Marketing costs				
— Commissions	39,229	38,668	-	-
— Promotions	193,341	6,703	2,716	-
— Other	158,752	209,469	-	-
Other Expenses				
— Bad and doubtful debts	9,135	304	-	-
— Operating lease rental	316,666	117,168	-	-
— Auditors remuneration	90,681	29,350	90,681	29,000
— Accountancy fees	57,281	48,934	1,450	6,455
— Bank merchant fees and charges	230,435	613,564	3,595	-
— ASX & ASIC fees	44,704	46,625	43,791	46,625
— Capital raising costs	-	15,000	-	15,000
— Software licensing & IT fees	212,094	29,075	-	-
— Communications fees	114,215	-	-	-
— Provision on loan to Benon	-	-	1,264,536	-
— Other	356,764	320,614	25,281	96,807
	<u>15,786,744</u>	<u>6,598,794</u>	<u>1,634,229</u>	<u>257,789</u>
b. Significant Expenses				
Provision on loan to Benon	-	-	1,264,536	-

NOTE 5: INCOME TAX EXPENSE

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
a. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:				
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2005: 30%)				
— Economic entity	236,092	187,564	-	-
— Parent entity	-	-	(406,447)	384,525
Add tax effect of:				
— other non-allowable items	6,640	8,536	-	-
— Share options expensed during year	-	5,158	-	5,158
Less tax effect of:				
— Write-downs to recoverable amounts	-	-	(379,361)	(447,211)
	<u>242,732</u>	<u>201,258</u>	<u>(785,808)</u>	<u>(57,528)</u>
Recoupment of prior year tax losses not previously brought to account	(242,732)	(201,258)	-	-
Deferred tax assets not brought into account	-	-	785,808	57,528
Income tax attributable to entity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
b. Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1b occur				
— temporary differences	-	777	-	-
— operating losses	512,886	754,841	1,098,626	312,818
	<u>512,886</u>	<u>755,618</u>	<u>1,098,626</u>	<u>312,818</u>

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION

a. **Names and Positions held of economic and parent entity key management personnel in office at any time during the financial year are:**

Key Management Person	Position
Alan Phillips	Chairman
Mike Veverka	Director/CEO
David DeCampo	Director (retired)
Earl Evans	Director (retired)
Xavier Bergade	Chief Technology Officer
Brad Board	Chief Marketing Officer

b. Compensation Policy

The Board's policy for determining the nature and amount of compensation of key management personnel is as follows:

The compensation policy of Jumbo Corporation Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the economic entity's financial results. The Board of Jumbo Corporation Limited believes the compensation policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of compensation for Board members and senior executives of the economic entity is as follows:

- The compensation policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Board after seeking professional advice from independent external consultants.
- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
- The Board reviews executive packages annually by reference to the economic entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The performance of executives is measured against criteria agreed biannually with each executive and is based predominantly on the forecast growth of the economic entity's profits and shareholder value. All bonuses and incentives must be linked to predetermined performance criteria. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

All compensation paid to directors and executives is valued at the cost to the company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

The Board policy is to compensate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the economic entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

Performance Based Compensation

As part of each executive director and executives remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between directors/executives with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with directors/executives to ensure buy-in. The measures are specifically tailored to the areas each director/executive is involved in and has a level of control over.

The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short- and long-term goals. The level set for each KPI is based on budgeted figures for the group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the group's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, Jumbo Corporation Limited bases the assessment on audited figures, however, where the KPI involves comparison of the group or a division within the group to the market, independent reports are obtained from organisations such as Standard & Poor's.

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The compensation policy has been tailored to increase goal congruence between shareholders and directors and executives. There have been two methods applied in achieving this aim, the first being a performance based bonus based on key performance indicators, and the second being the issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests. The company believes this policy to have been effective in increasing shareholder wealth over the past four years.

c. Key Management Personnel Compensation

Key Management Personnel	Short-term Benefits	Post-employment Benefits	Share-based Payment	Total	Performance Related
	Cash, salary and commissions	Super-annuation	Options		%
2006	\$	\$		\$	%
Alan Phillips	73,500	-	-	73,500	-
Mike Veverka	245,407	4,500	-	249,907	-
David DeCampo	120,000	-	-	120,000	-
Earl Evans	30,000	-	-	30,000	-
Xavier Bergade	53,709	4,327	-	57,406	-
Brad Board	75,000	6,750	-	81,750	-
	596,986	15,577	-	612,563	-
2005					
Alan Phillips	93,000	-	-	93,000	-
Mike Veverka	155,398	-	-	155,398	-
David DeCampo	9,194	-	-	9,194	-
Earl Evans	30,000	-	-	30,000	-
Xavier Bergade	70,034	-	-	70,034	-
Brad Board	36,400	3,276	7,369	47,045	-
	394,026	3,276	7,369	404,671	-

d. Compensation Options

Options Granted As Compensation

	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date \$	Terms & Conditions for Each Grant		
					Exercise Price \$	First Exercise Date	Last Exercise Date
Key Management Personnel							
Brad Board	-	250,000	29/03/02	0.001	0.05	29/03/02	05/06/06
	-	750,000	13/05/05	0.001	0.05	13/05/05	05/06/06
		<u>1,000,000</u>					

All options were granted for nil consideration.

No options have been granted as compensation during this period

e. Shares Issued Exercise of Compensation Options

Options exercised during the year that were granted as compensation in prior periods

	No. of Ordinary Shares Issued	Amount Paid per Share \$	Amount Unpaid per Share \$
Key Management Personnel			
Brad Board	1,000,000	0.05	-

f. Options and Rights Holdings

Number of Options Held by Key Management Personnel

	Balance 1.7.2005	Granted as Compensation	Options Exercised	Net Change Other	Balance 30.6.2006	Total Vested 30.6.2006	Total Exercisable 30.6.2006	Total Unexercisable 30.6.2006
Brad Board	1,000,000	-	1,000,000	-	-	-	-	-

g. Shareholdings

Number of Shares held by Key Management Personnel

	Balance 1.7.2005	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2006
Alan Phillips	4,000,000	-	-	(600,000)	3,400,000
Mike Veverka	73,748,572	-	-	2,626,668	76,375,240
David DeCampo	2,000,000	-	-	(2,000,000)	-
Earl Evans ¹	1,000,000	-	-	83,334	1,083,334
Xavier Bergade	3,000,000	-	-	(1,000,000)	2,000,000
Brad Board	525,000	-	1,000,000	(1,525,000)	-
Total	84,273,572	-	1,000,000	(2,414,998)	82,858,574

¹ Since the end of the financial year, Earl Evans has disposed of the remainder of his shares.

NOTE 7: AUDITORS' REMUNERATION

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Remuneration of the auditor of the parent entity for:				
— auditing or reviewing the financial report – BDO Kendalls	90,681	29,350	90,681	29,000
Parent company pays all group audit fees.				

NOTE 8: DIVIDENDS

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
No dividends have been paid or provided for on ordinary shares during the year ended 30 June 2006 (30 June 2005 – Nil)	-	-	-	-

NOTE 9: EARNINGS PER SHARE

	Economic Entity	
	2006	2005
	\$	\$
a. Reconciliation of earnings to net profit or loss		
Net profit	786,973	625,213
Earnings used in the calculation of basic EPS	786,973	625,213
Earnings used in the calculation of dilutive EPS	786,973	625,213
b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	341,145,415	258,601,189
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	341,145,415	258,601,189

NOTE 10: CASH AND CASH EQUIVALENTS

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Cash at bank and in hand	5,267,518	5,483,633	1,591,013	419,383

NOTE 11: TRADE AND OTHER RECEIVABLES

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
CURRENT				
Trade debtors	252,893	229,314	58,866	-
Sundry debtors	96,964	22,259	17,420	-
Receivable from sale of shares in Kringle Pty Ltd	-	63,750	-	63,750
Amounts receivable from:				
— other than related parties	18,253	267,090	16,943	42,275
	<u>368,110</u>	<u>582,413</u>	<u>93,229</u>	<u>106,025</u>
NON-CURRENT				
Amounts receivable from:				
Related parties	-	-	2,740,018	1,803,841
Less provision for non-recovery	-	-	(2,740,018)	(1,437,022)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>366,819</u>

a. Specified Directors and Specified Executives' Loans

	Opening Balance	Interest Charged	Interest Not Charged	Allowance for Doubtful Debts	Closing Balance	Number of Individuals
	\$	\$	\$	\$	\$	
Mike Veverka						
2005	13,649	-	-	-	-	1
2006	-	-	-	-	-	-

NOTE 12: INVENTORIES

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
CURRENT				
Finished goods at cost	880,345	10,306	-	-

NOTE 13: FINANCIAL ASSETS

	Note	Economic Entity		Parent Entity	
		2006	2005	2006	2005
NON CURRENT		\$	\$	\$	\$
Financial Assets					
Available-for-sale financial assets		1,172,882	717,705	1,172,882	717,705
Held-to-maturity financial assets		969,900	1,500,000	969,900	1,500,000
		<u>2,142,782</u>	<u>2,217,705</u>	<u>2,142,782</u>	<u>2,217,705</u>
a. Available-for-sale Financial Assets Comprise					
Listed Investments, at fair value					
—	Shares in listed corporations	1,172,882	726,649	1,172,882	726,649

NOTE 14: CONTROLLED ENTITIES

	Country of Incorporation	Percentage Ownership		Carrying Value of Investment	
		2006	2005	2006	2005
		%	%	\$	\$
Benon Technologies Pty Ltd	Australia	100	100	12,170,000	10,400,000
Provision for write down				(12,170,000)	(10,400,000)
Editson Pty Ltd	Australia	100	100	160,000	160,000
Provision for write down				(160,000)	(160,000)
TMS Global Services Pty Ltd	Australia	100	100	3,860,581	3,860,581
Provision for write down				-	-
Building Site Services (Aust) Pty Ltd	Australia	70	70	160,150	160,150
Provision for write down				(160,150)	(160,150)
Dealer Dan Pty Ltd	Australia	100	100	8	6
Provision for write down				(8)	(6)
Online Computing Australia Pty Ltd	Australia	100	100	16,000	12,000
Provision for write down				(16,000)	(12,000)
Total carrying value of investment in controlled entities				<u>3,860,581</u>	<u>3,860,581</u>

b. Controlled Entities Acquired

On the 1st June 2005 the parent entity acquired 100% of TMS Global Services Pty Ltd for a purchase consideration of \$3,860,581.

NOTE 15: PROPERTY, PLANT AND EQUIPMENT

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
PLANT AND EQUIPMENT				
Plant and equipment				
At cost	964,996	913,139	-	-
Accumulated depreciation	(852,059)	(813,872)	-	-
	<u>112,937</u>	<u>99,267</u>	-	-
Leasehold improvements				
Leased plant and equipment	21,600	21,600	-	-
Accumulated depreciation	(18,997)	(18,254)	-	-
	<u>2,603</u>	<u>3,346</u>	-	-
Total Property, Plant and Equipment	<u>115,540</u>	<u>102,613</u>	-	-

a. **Movements in Carrying Amounts**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Plant and Equipment	Leased Plant and Equipment	Total
	\$	\$	\$
Economic Entity:			
Balance at the beginning of year	99,267	3,346	102,613
Additions	51,857	-	51,857
Depreciation expense	(38,187)	(743)	(38,930)
Carrying amount at the end of year	<u>112,937</u>	<u>2,603</u>	<u>115,540</u>

NOTE 16: INTANGIBLE ASSETS

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Goodwill	3,691,635	3,686,355	337,500	337,500
Accumulated impaired losses	(854,805)	(849,275)	(67,500)	(67,500)
Net carrying value	2,836,830	2,837,080	270,000	270,000
Website Development costs	852,336	376,619	46,910	-
Accumulated amortisation	(182,083)	(72,183)	(771)	-
Net carrying value	670,253	304,436	46,139	-
Total intangibles	3,507,803	3,141,516	316,139	270,000

	Goodwill	Website Development Costs	Total
	\$	\$	\$
Economic Entity:			
Year ended 30 June 2005			
Balance at the beginning of year	270,000	-	270,000
Net additions	2,567,080	356,529	2,923,609
Amortisation charge	-	(52,093)	(52,093)
	2,837,080	304,436	3,141,516
Year ended 30 June 2006			
Balance at the beginning of year	2,837,080	304,436	3,141,516
Additions	5,280	475,717	480,997
Amortisation charge	(5,530)	(109,900)	(115,430)
Closing value at 30 June 2006	2,836,830	670,253	3,507,083
Parent Entity:			
Year ended 30 June 2005			
Balance at the beginning of year	270,000	-	270,000
Additions	-	-	-
Amortisation charge	-	-	-
	270,000	-	270,000
Year ended 30 June 2006			
Balance at the beginning of year	270,000	-	270,000
Additions	-	46,910	46,910
Amortisation charge	-	(771)	(771)
Closing value at 30 June 2006	270,000	46,139	316,139

NOTE 17: TRADE AND OTHER PAYABLES

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
CURRENT				
Trade creditors	2,408,804	4,207,288	-	-
Payables - other	(3,600)	196,400	-	200,000
GST payable	11,465	-	(23,927)	-
Sundry creditors and accrued expenses	176,861	298,129	48,320	28,000
Annual leave provision	131,494	113,480	-	-
	<u>2,725,024</u>	<u>4,815,297</u>	<u>24,393</u>	<u>228,000</u>
NON-CURRENT				
Payables to TMS	-	75,000	283,181	75,000
Payable - other	100,000	100,000	100,000	100,000
	<u>100,000</u>	<u>175,000</u>	<u>383,181</u>	<u>175,000</u>

NOTE 18: BORROWINGS

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
CURRENT				
Bank loans	830,000	826,666	830,000	826,666
	<u>830,000</u>	<u>826,666</u>	<u>830,000</u>	<u>826,666</u>
NON-CURRENT				
Bank loans	830,000	1,673,334	830,000	1,673,334
	<u>830,000</u>	<u>1,673,334</u>	<u>830,000</u>	<u>1,673,334</u>

Borrowings are secured by a fixed and floating charge over the assets of the company.

NOTE 19: PROVISIONS

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
CURRENT				
Fringe Benefits Tax	-	(59)	-	-
Other	-	60,000	-	-
	<u>-</u>	<u>59,941</u>	<u>-</u>	<u>-</u>
NON-CURRENT				
Long-term employee benefits	7,370	-	-	-
	<u>7,370</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTE 20: ISSUED CAPITAL

	Note	Economic Entity		Parent Entity	
		\$		\$	
		2006	2005	2006	2005
370,071,110 (2005: 321,337,408) fully paid ordinary shares		25,981,042	23,182,343	25,981,042	23,182,343

	Note	Economic Entity		Parent Entity	
		Number of shares		Number of shares	
		2006	2005	2006	2005
a. Ordinary shares					
At the beginning of the reporting period		321,337,408	223,765,227	321,337,408	223,765,227
Shares issued during the year					
— 5 October 2004					
Shares issued under private placement for the Global Approach acquisition		-	17,993,523	-	17,993,523
— 22 October 2004					
Shares issued under private placement for the Global Approach acquisition		-	17,993,523	-	17,993,523
— 29 October 2004					
Satisfaction of debts		-	1,000,000	-	1,000,000
— 13 May 2005					
Satisfaction of debts		-	135,135	-	135,135
— 19 May 2005					
Shares issued under private placement for the TMS acquisition		-	59,700,000	-	59,700,000
— 3 June 2005					
Shares issued under private placement for TMS employees		-	750,000	-	750,000
— 4 November 2005					
Shares issued under private placement		200,000	-	200,000	-
— 11 November 2005					
Shares issued under private placement		400,000	-	400,000	-
— 16 November 2005					
Shares issued under private placement		400,000	-	400,000	-

—	28 November 2005				
	Shares issued under private placement	300,000	-	300,000	-
—	20 December 2005				
	Shares issued under private placement	300,000	-	300,000	-
—	11 January 2006				
	Shares issued under exercise of options under employee share option plan	150,000	-	150,000	-
—	31 January 2006				
	Shares issued under shareholder share purchase plan	46,983,702	-	46,983,702	-
		<u>370,071,110</u>	<u>321,337,408</u>	<u>370,071,110</u>	<u>321,337,408</u>

b. **Options**

For details of options see Note 25.

NOTE 21: RESERVES

a. **Asset Revaluation Reserve**

The asset revaluation reserve records revaluations of non-current assets. Under certain circumstances dividends can be declared from this reserve.

b. **Foreign Currency Translation Reserve**

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

c. **Option Reserve**

The option reserve records items recognised as expenses on valuation of employee share options.

NOTE 22: CAPITAL AND LEASING COMMITMENTS

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
a. Operating Lease Commitments				
Non-cancellable operating leases contracted for but not capitalised in the financial statements				
Payable				
— Not later than 1 year	183,235	126,324	128,150	126,324
— Later than 1 year but not later than 5 years	265,757	252,648	155,708	252,648
	<u>448,992</u>	<u>378,972</u>	<u>283,858</u>	<u>378,972</u>

Leases range from terms of 1 to 3 years. Rent and outgoings are paid on a monthly basis with periodic pricing reviews.

NOTES Cont'd
NOTE 23: SEGMENT REPORTING

	Primary Reporting – Business Segments													
	On-line		Shopping Mall		Lottery		On-line		Other		Eliminations		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
REVENUE														
External sales	1,106,616	6,214,833	15,152,940	928,581	-	-	314,160	80,593	-	-	-	-	16,259,557	7,143,414
Other segments	-	-	-	-	314,160	80,593	-	-	-	-	-	-	314,160	80,593
Total revenue	1,106,616	6,214,833	15,152,940	928,581	314,160	80,593	314,160	80,593	-	-	-	-	16,573,717	7,224,007
RESULTS														
Segment results	205,678	784,340	710,582	44,824	(1,354,823)	1,286,751			1,225,536	(1,490,702)			786,973	625,213
ASSETS														
Segment assets	1,431,474	1,987,230	6,100,984	4,604,778	162	162	-	-	(3,334,531)	(2,293,289)			4,198,089	4,298,881
Unallocated assets	-	-	-	-	-	-	-	-	8,083,289	7,239,305			8,083,289	7,239,305
Total assets	1,431,474	1,987,230	6,100,984	4,604,778	162	162	-	-	4,748,758	4,946,016			12,281,378	11,538,186
LIABILITIES														
Segment liabilities	3,063,169	3,818,803	3,534,137	2,793,826	-	-	-	-	(4,252,031)	(1,965,391)			2,345,275	4,647,238
Unallocated liabilities	-	-	-	-	-	-	-	-	2,147,119	2,903,000			2,147,119	2,903,000
Total liabilities	3,063,169	3,818,803	3,534,137	2,793,826	-	-	-	-	(2,104,912)	937,609			4,492,394	7,550,238
OTHER														
Amortisation	1,694	13,367	35,722	-	771	-	-	-	-	-			38,187	13,367
Depreciation	13,793	-	102,380	14,646	-	-	-	-	-	-			116,173	14,646
Other non cash	-	-	-	-	-	-	-	-	-	-			-	-

Accounting policies

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment and goodwill and other intangible assets. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, employee benefits and provisions for service warranties. Segment assets and liabilities do not include income taxes.

Intersegment transfers

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the economic entity at an arm's length. These transfers are eliminated on consolidation.

Business and Geographical Segments**Business Segments**

The economic entity has the following two major business segments:

- Online shopping mall, including online retailing, IT Services and Online Database
- Online Lottery

Geographical Segments

The economic entity's business segments are located predominantly in Australia. The economic entity also has online lottery operations in various Pacific countries. Online lottery purchases are made by overseas residents but these are predominantly processed through the Australian banking system.

NOTE 24: CASH FLOW INFORMATION

	Economic Entity		Parent Entity	
	2006 \$	2005 \$	2006 \$	2005 \$
a. Reconciliation of Cash Flow from Operations with Profit after Income Tax				
Profit from ordinary activities after income tax	786,973	625,213	(1,354,823)	1,281,751
Non-cash flows in profit from ordinary activities				
Amortisation	38,187	13,367	771	-
Depreciation	116,173	14,646	-	-
Impairment provision	-	-	1,264,537	(1,490,703)
Issue of shares with no cash consideration	-	51,000	-	51,000
Provision for employee entitlements	-	-	-	-
Share of associates losses	-	-	-	-
Gain on sale of non-current assets	(49,020)	(30,000)	(49,020)	(30,000)
Write-downs to recoverable amount	-	-	-	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
Decrease/(Increase) in acquisition costs	-	(15,450)	(82,793)	(15,450)
Decrease/(Increase) in trade receivables	(23,579)	122,218	-	-
Decrease/(Increase) in other receivables	174,131	(11,496)	7,911	(42,275)
Decrease/(Increase) in inventories	(870,039)	11,314	-	-
Decrease/(Increase) in intangibles	(434,086)	1,208	-	-
Increase/(decrease) in trade creditors	(3,145,441)	1,294,480	20,320	(3,794)
Increase/(decrease) in other creditors	1,037,154	-	-	-
Increase/(decrease) in other provisions	(34,557)	12,129	-	-
Increase/(decrease) in foreign exchange reserve	902	-	-	-
Increase/(decrease) in options reserve	-	17,194	-	17,194
Cash flow from operations	<u>(2,403,202)</u>	<u>2,105,823</u>	<u>(193,097)</u>	<u>(232,277)</u>

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
b. Acquisition of Entities				
During the 2005 year 100% of the controlled entity TMS Global Services Pty Ltd was acquired. Details of this transaction are:				
Purchase consideration	-	4,227,400	-	4,227,400
Cash consideration	-	2,675,400	-	2,675,400
Cash acquired on acquisition	-	(2,432,316)	-	-
Amount due under contract of sale	-	(375,000)	-	(375,000)
Cash outflow/(inflow)	-	(131,916)	-	2,300,400
Assets and liabilities held at acquisition date:				
Cash	-	2,432,316	-	-
Receivables	-	364,956	-	-
Acquired Goodwill	-	451,558	-	-
Inventories	-	16,519	-	-
Other Assets	-	1,208	-	-
Property, plant and equipment	-	363,234	-	-
Creditors	-	(1,372,917)	-	-
Provisions	-	(144,996)	-	-
	-	2,111,878	-	-
Goodwill on consolidation	-	2,115,522	-	-
	-	4,227,400	-	-

NOTE 25: OPTIONS

The following share-based payment arrangements existed at 30 June 2006:

- On 19 May 2005, 5,000,000 options were issued for the acquisition of TMS Global Services Pty Ltd. These options have a conversion price of 4.0c and an expiry date of 19 May 2007 and are unlisted.
- On 13 May 2005, 6,000,000 employee options lapsed and 1,250,000 employee options were granted. These options have a conversion price of 5.0c and an expiry date of 5 June 2006.
- No options were granted during the 2006 financial year.

The company established the Jumbo Corporation Limited Public Employee Share Scheme. Employees are invited to participate in the scheme from time to time. When issued, the shares carry full dividend and voting rights.

All options granted are for ordinary shares in Jumbo Corporation Limited, which confer a right of one ordinary share for every option held.

	Parent Entity			
	2006		2005	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at the beginning of the year	6,750,000	0.04	6,500,000	0.05
Granted	-	-	6,250,000	0.04
Forfeited	-	-	-	-
Exercised	(1,750,000)	0.05	-	-
Expired	-	0.05	(6,000,000)	0.05
Outstanding at year-end	5,000,000	0.04	6,750,000	0.04
Exercisable at year-end	5,000,000	0.04	6,750,000	0.04

There were 1,750,000 options exercised during the year ended 2006. These options had a weighted average share price of \$0.07 at exercise date.

The options outstanding at 30 June 2006 had a weighted average exercise price of \$0.04 and a weighted average remaining contractual life of 0.86 years. The exercise price is \$0.04 in respect of options outstanding at 30 June 2006.

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Included under employee benefits expense in the income statement for 2005 is \$17,194 and relates, in full, to equity-settled share-based payment transactions.

NOTE 26: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

a. Ultimate Parent Company

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
- Loan to TMS Global Services Pty Ltd for which a provision has been made for non-recovery.	-	-	2,701,559	-
- Loan to Dealer Dan Pty Ltd for which provision has been made for non-recovery.	-	-	38,459	-
- Shares in Benon Technologies Pty Ltd for which a provision has been made for non-recovery.	-	-	12,170,000	-
- Shares in Building Site Services (Aust) Pty Ltd for which a provision has been made for non-recovery.	-	-	160,150	-
- Shares in Dealer Dan Pty Ltd for which a provision has been made for non-recovery.	-	-	4	-
- Shares in Bozzo Brown Pty Ltd for which a provision has been made for non-recovery.	-	-	16,000	-
- Loan from TMS Global Services Pty Ltd to Jumbo Corporation.	-	-	283,181	-
- Loan to Benon Technologies Pty Ltd of \$1,490,703 which was repaid reducing the balance to \$1,437,022.	-	-	-	1,437,022
- Loan to Online Computing (Aust) Pty Ltd	-	-	-	16,000

b. Associated Companies

- Loan from Benon Technologies Pty Ltd to TMS Global Services Pty Ltd and its subsidiaries. The loan funds were made available in relation to management services invoiced by Benon.	1,229,000	-	-	-
- Loan from Benon Technologies Pty Ltd to Dealer Dan Pty Ltd.	-	4,667	-	-
- Loan from Benon Technologies Pty Ltd to Bozzo Brown Pty Ltd.	-	33,624	-	-
- Proceeds of sale from TMS Global Services Pty Ltd to TMS Fiji Online Pty Ltd.	194,254	-	-	-
- Loan from Benon Technologies Pty Ltd to Online Computing (Aust) Pty Ltd	-	77,216	-	-

c. Other Related Parties

- Sub-lease of premises by Jumbo Corporation to Alan Phillips (Chairman).	-	28,009	-	10,848
- Entities of which Mike Veverka is a director and shareholder were paid licensing fees.	147,318	96,758	-	-
- Loan from Benon Technologies Pty Ltd to Mike Veverka. Repaid in 2005.	-	13,359	-	-

	1,570,572	253,633	15,369,353	1,463,870
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NOTE 27: FINANCIAL INSTRUMENTS

a. Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, bills and leases.

The main purpose of non-derivative financial instruments is to raise finance for group operations.

There are no derivative instruments recognised or unrecognised.

i. Treasury Risk Management

The Board considers currency and interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

ii. Financial Risks

The main risks the group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

Interest rate risk

At 30 June 2006 approximately 100% of group debt is fixed.

Foreign currency risk

The group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the group's measurement currency.

Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The economic entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the economic entity.

b. Financial Instruments

i. Interest Rate Risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

NOTES Cont'd

	Weighted Avg. Effective Interest Rate		Floating Interest Rate		Within Year		1 to 5 years		Over 5 years		Non Interest Bearing		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	%	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets:														
Cash and cash equivalents	5.06	4.40	5,267,518	5,483,633	-	-	-	-	-	-	-	-	5,267,518	5,483,633
Receivables			-	-	-	-	-	-	-	-	368,110	582,413	368,110	582,413
Term deposits	5.59	5.55	-	-	-	-	969,900	1,500,000	-	-	-	-	969,900	1,500,000
Listed Shares			-	-	-	-	-	-	-	-	1,172,882	717,705	1,172,882	717,705
Total Financial Assets			5,267,518	5,483,633	-	-	969,900	1,500,000	-	-	1,540,992	1,300,118	7,778,410	8,283,751
Financial Liabilities:														
Bank loans and overdrafts	6.02	8.40	1,660,000	2,500,000	-	-	-	-	-	-	-	-	1,660,000	2,500,000
Trade and sundry payables			100,000	175,000	-	-	-	-	-	-	2,725,024	4,815,297	2,825,024	4,990,297
Total Financial Liabilities			1,760,000	2,675,000	-	-	-	-	-	-	2,725,024	4,815,297	4,485,024	7,490,297

ii. **Net Fair Values**

The net fair values of:

- Cash, cash equivalents, receivables and term deposits are valued at their carrying value because of their short term to maturity.
- Listed investments have been valued at the quoted market bid price at balance date, adjusted for transaction costs expected to be incurred. For unlisted investments where there is no organised financial market, the net fair value has been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment.
- Bank loans, overdrafts, trade and sundry payables are valued at their carrying value because of their short term to maturity.
- Other assets and other liabilities approximate their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments, forward exchange contracts and interest rate swaps.

Financial assets where the carrying amount exceeds net fair values have not been written down as the economic entity intends to hold these assets to maturity.

NOTE 28: COMPANY DETAILS

The registered office of the company is:

Jumbo Corporation limited

Level 19, Riverside Centre, 123 Eagle Street, Brisbane. Qld 4000

The principal places of business are:

- Level 19, Riverside Centre, 123 Eagle Street, Brisbane. Qld 4000
- Level 1, 351 William Street, Melbourne. Vic 3000

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements, comprising the Income Statement, Balance Sheet, Statement of Changes in Equity and Cash Flow Statement, and accompanying notes, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2006 and of the performance for the year ended on that date of the company and the consolidated entity.
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

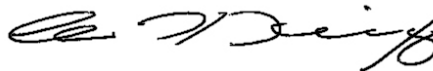
This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Director



Mike Veverka

Director



Alan Phillips

Dated this

29 September 2006

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF JUMBO CORPORATION LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the income statement, balance sheet, statement of changes in equity and cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Jumbo Corporation Limited (the company) and Jumbo Corporation Limited (the consolidated entity), for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

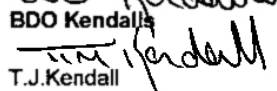
Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. The declaration set out in the Directors Report would be in the same terms if it had been given to the relevant Directors at the time that this audit report was made.

Audit Opinion

In our opinion, the financial report of Jumbo Corporation Limited is in accordance with:

- a. the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
 - ii. complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- b. other mandatory professional reporting requirements in Australia.

800 Kendall
BDO Kendall

T.J. Kendall
Partner
Brisbane

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is required by the Australian Stock Exchange Ltd in respect of listed public companies only.

1. Shareholding

a. Distribution of Shareholders Number at 31 August 2006

Category (size of Holding)	Ordinary Shares
1 – 1,000	10,770
1,001 – 5,000	301,802
5,001 – 10,000	2,650,582
10,001 – 100,000	46,819,149
100,001 – and over	320,288,807
	370,071,110

b. The number of shareholdings held in less than marketable parcels is 0.

c. The names of the substantial shareholders listed in the holding company's register as at 31 August 2006 are:

Shareholder	Number	
	Ordinary	
VESTEON PTY LTD	76,171,906	20.58%
ANZ NOMINEES LIMITED	32,935,766	8.9%
BALLINDINE LIMITED	23,750,000	6.42%
MARANELLO INVESTMENTS LIMITED	8,283,334	2.24%

d. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

e. **20 Largest Shareholders — Ordinary Shares as at 31 August 2006**

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. VESTEON PTY LTD	76,171,906	20.58
2. ANZ NOMINEES LIMITED CASH INCOME A/C	32,935,766	8.90
3. BALLINDINE LIMITED	23,750,000	6.42
4. MARANELLO INVESTMENTS LIMITED	8,283,334	2.24
5. WARAWONG PTY LTD BETHANGA HOLDINGS	5,260,000	1.42
6. NATIONAL NOMINEES LIMITED	5,009,770	1.35
7. BARRY PLANT PTY LTD BARRY PLANT SUPER FUND A/C	3,395,000	0.92
8. BEACHHOUSE INVESTMENTS P/L	3,083,334	0.83
9. MR XAVIER ROBERT BERGADE	2,500,000	0.68
10. MR ANTHONY BROWN MS MELISSA GOLLAN JARVIS BROWN S/F A/C	2,500,000	0.68
11. POINT DEVE UNIT A/C	2,250,000	0.61
12. MR BRADLEY DAVID BOARD	2,000,000	0.54
13. PHILLIPS EXPLORATION PTY LTD	2,000,000	0.54
14. ROCKHARD PROPERTY DEVELOPMENTS PTY LTD TOMLINS FAMILY A/C	2,000,000	0.54
15. MR MAKRAM HANNA MRS RITA HANNA HANNA & CO P/L SUPER A/C	1,833,334	0.50
16. EQUITAS NOMINEES PTY LIMITED GROUP A A/C	1,500,000	0.41
17. DIVLEASE PTY LIMITED TONY HUTTON FAMILY A/C	1,465,152	0.40
18. MR DAVID PLATT MRS SUE PLATT SUPERANNUATION FUND A/C	1,400,734	0.38
19. PHILLIPS EXPLORATION PTY LTD PHILLIPS FAMILY A/C	1,400,000	0.38
20. ROSSI ORCHARDS PTY LTD ROSSI ORCHARDS S/FUND A/C	1,383,334	0.37
	180,121,664	48.69

2. The name of the Company Secretary is Mr David Taplin
3. The address of the principal registered office in Australia is Level 19, Riverside Centre, 123 Eagle Street QLD 4000. Telephone (07) 3831 3705

4. **Registers of securities are held at the following addresses**

Queensland	Computershare Investor Services Pty Ltd
	Level 27 Central Plaza 1
	345 Queen Street
	Brisbane QLD 4000

5. **Stock Exchange Listing**

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Stock Exchange Limited.

6. **Unquoted Securities**

Options over Unissued Shares

A total of 6,750,000 options are on issue. 1,750,000 options are on issue to employees under the Jumbo Corporation Limited employee option plan and 5,000,000 options are on issue to Vendors of TMS Global Services Pty Limited.

7. **Other Disclosures**

There are no other disclosures.



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