

# APPENDIX 4D

## Half Year Report

### JUMBO INTERACTIVE LIMITED

#### ABN 66 009 189 128

#### And its Controlled Subsidiaries

*This information, given under ASX listing rule 4.2A, should be read in conjunction with the most recent annual financial report.*

Reporting period: Half year ended 31 December 2013

Previous corresponding period: Half year ended 31 December 2012

### RESULTS FOR ANNOUNCEMENT TO THE MARKET

	2013	2012	Change	Change
	\$	\$	\$	%
Revenue from continuing operations	12,325,993	13,428,494	(1,102,501)	(8.2)
Profit/(loss) after tax attributable to members	1,835,847	2,509,049	(673,202)	(26.8)
Total comprehensive income for the period attributable to members	1,856,256	2,493,372	(637,116)	(25.6)

### DIVIDENDS

A fully franked final dividend of 1.5 (one and a half) cents per ordinary share for the financial year ended 30 June 2013 was paid on ordinary shares during the half year ended 31 December 2013 (2012: 2.0).

Proposed interim fully franked ordinary dividend of **1.5 (one and a half) cents per share** with a franking percentage of 100% (2012: 100%) as follows:

- Record date: 14 March 2014
- Payment date: 28 March 2014

The Dividend Reinvestment Plan will be suspended for the proposed interim fully franked dividend.

### EXPLANATION OF RESULTS

The comparatively lower results were expected due to the exceptional run of jackpots in the previous period culminating in a record \$112 million OzLotto jackpot on Melbourne Cup day in November 2012. In addition, continued efforts to expand into international markets have increased expenses which have resulted in the launch of a new website in Germany in late December 2013.

Please refer to the Directors' Report for a detailed explanation of the Result.

## DIRECTORS' REPORT

The Directors of Jumbo Interactive Limited present their report on the consolidated entity (Group), consisting of Jumbo Interactive Limited and the entities it controlled at the end of, and during, the half year ended 31 December 2013.

### DIRECTORS

The following persons were Directors of Jumbo Interactive Limited during the whole of the half year and up to the date of this report, unless otherwise stated:

- David K Barwick (non-executive Chairman)
- Mike Veverka (Chief Executive Officer)
- Bill Lyne (non-executive Director)

### COMPANY SECRETARY

Mr Bill Lyne held the position of Company Secretary at the end of the half year.

### OPERATING RESULTS AND REVIEW OF CONTINUING OPERATIONS FOR THE HALF YEAR

The Company reports revenue on a net revenue inflow basis where it considers that it acts more as an Agent than as a Principal such as the sale of lottery tickets. The gross inflow is advised as Total Transaction Value (TTV) for information purposes and is the gross amount received for the sale of goods and rendering of services.

The consolidated profit of the Group amounted to \$1,835,847 (2012: \$2,509,049), after providing for income tax \$1,096,066 (2012: \$1,078,834). Net reportable operating revenues decreased 8.2% to \$12,325,993 (2012: \$13,428,494) and Total Transactional Value decreased by 7.5% to \$54,718,619 (2012: \$59,150,557) due from the Australian online lottery business.

The number of large jackpots is a significant driver of sales. The sales trend over the last three half-year periods in the context of such jackpots is summarised as follows:

	HY Dec 2013	HY Jun 2013	HY Dec 2012
TTV	\$54.7 million	\$49.9 million	\$59.2 million
Reported Revenue	\$12.3 million	\$11.8 million	\$13.4 million
<b>OZ Lotto/ Powerball</b>			
Number of jackpots of \$15 million or more	22	16	21
Average Division 1 jackpot of \$15 million or more	\$28.7 million	\$26.9 million	\$31.7 million
Peak Division 1 jackpot during the half-year period	\$70 million	\$62 million	\$112 million

Group earnings before interest, tax, depreciation and amortisation decreased by \$621,147 from \$4,285,209 to \$3,664,062.

The main reasons for the decrease in profitability are due to (i) lower revenues from the Australian online lottery business which was down from the higher jackpot levels of the 2012 half-year (refer Note 15 for details) and (ii) higher effective income tax rate due to increased international subsidiary losses with no associated tax benefit recognised, as well as a decrease in eligible expenses that may be claimed as a R&D tax concession.

Other revenue, being mainly interest on cash, increased by 11.1% to \$537,935 (2012: \$484,308) due primarily to a weaker AUD against the major currencies – interest income decreased slightly due to lower interest rates in the 2013 half-year compared to 2012.

**Like-for-Like Underlying Financial Forecasts of Core Operations**

Below is a summary of the financial results to provide the user a like-for-like comparison of core operating activities, including adjustments for non-core activities:

	HY 2013	HY 2012	YoY change
\$ Million	\$	\$	%
TTV	54.7	59.2	(7.6)
Reported Revenue	12.3	13.4	(8.2)
EBITDA	3.7	4.3	(13.9)
International expansion costs <sup>1</sup>	1.1	1.0	10.0
Changed treatment customer acquisition costs <sup>2</sup>	-	-	-
Like-for-like EBITDA of core operations	4.8	5.3	(9.4)
Reported Profit After Tax	1.8	2.5	(28.0)
International expansion costs <sup>1</sup>	1.1	0.7	57.1
Changed treatment customer acquisition costs <sup>2</sup>	0.1	0.4	(75.0)
Like-for-like Profit After Tax of core operations	3.0	3.6	(16.7)

<sup>1</sup>these costs relate to international expansion activities. As noted previously, the Company continues to focus on securing offshore expansion opportunities.

The Company has made the following announcements relating to international expansion activities:

1. December 23, 2013 – launches in Germany
2. July 11, 2013- awarded licenses in all German States
3. June 25, 2013 - agreements signed with major retail chains in USA (Joint Venture referred to in 5 below)
4. March 5, 2013 - expands into Germany
5. November 30, 2012 - expands into Latin America through landmark deal in Mexico.
6. November 29, 2012 - expands into USA through Joint Venture.
7. September 7, 2012 - 5 new lottery products released at the World Lottery Summit in Montréal.

To support these expansion efforts the Company has progressively increased its international expansion expenditure as shown above.

These expenses relate to general marketing costs to find target jurisdictions as well as increased employee costs and establishment costs in jurisdictions that have been signed. To date, the Company has been successful in expanding into Germany, launching late December 2013, and has plans to enter more international markets in the future. The planned launch in Mexico is still pending.

All these expenses have been fully recognised in the Group's consolidated profit and loss and funded from operating cash flows with significant payback opportunities expected in the years ahead.

<sup>2</sup> previously, customer acquisition costs were capitalized and amortised over an 18 month period. From 1 July 2012, these costs are expensed as they are incurred. The amortisation charge in the 2013 and 2012 half-year periods on capitalised costs prior to 1 July 2012 have been added back for like-to-like comparative purposes. This changed treatment does not affect Net Cash Flows and reduces the variance between reported Net Profit After Tax and Operating Cash Flows.

TTV has reduced by 7.6% due to seasonality and irregular trends in jackpots – refer Note 15 for details. The associated reduction in Revenue is slightly higher at 8.2% due to a slightly lower margin through product mix. EBITDA of core operations is lower due to the aforementioned and increased domestic customer acquisition costs with future benefits from spending by an increased customer database. NPAT of core operations is lower due to a higher effective tax rate mentioned above.

A summary of the consolidated revenues and results of operations by reportable segment is as follows:

	Note	Segment Revenues		Segment Results - NPBT	
		HY Dec 2013	HY Dec 2012	HY Dec 2013	HY Dec 2012
		\$	\$	\$	\$
Internet lotteries					
Australia		12,164,824	12,952,545	3,762,364	3,909,191
Germany		29	-	(200,037)	-
Mexico		-	-	(167,446)	-
Internet lotteries segment	11	12,164,853	12,952,545	3,394,881	3,909,191
All other segments	11	268,507	490,424	2,103	(32,228)
		12,433,360	13,442,969	3,396,984	3,876,963

**(a) Internet Lotteries**

Net reportable operating Revenue decreased by 6.7% to \$12,065,422 (2012: \$12,937,119), coming off a higher level of jackpots for the 2012 half year – refer to Note 15 for details. The Company continues to make significant investment in its internet intellectual properties, notably www.ozlotteries.com and customer management. TTV decreased 7.2% to \$54,458,047(2012: \$58,658,484) due to the lower jackpot levels referred to earlier.

The decrease in TTV is the main reason for the decrease in the operating profit contribution of 13.1% to \$3,394,881 (2012: \$3,909,191). Operating expenses have remained relatively unchanged in the half-year periods.

As advised on 23 December 2013, the business in Germany has now launched and is expected to gain momentum in Q4 of the current financial year. This is expected to result in an increase in TTV and Revenue with a decrease in profits while the business scales up.

**(b) All Other Segments**

This segment consists of the sale of non-lottery products and services and is primarily an exploration in leveraging off the current lottery customer database. Revenues decreased 45.3% to \$268,507 (2012: \$490,424) due to a decrease in the product range, with an operating profit of \$2,103 (2012: loss \$32,228).

These are non-lottery operating segments of the business and include internet retailing of non-lottery products. The business is a relatively small component of the overall business.

**AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is attached to this report.

This report is made in accordance with a resolution of directors.



**Mike Veverka**

**Director**

Brisbane

24 February 2014

**AUDITOR'S INDEPENDENCE DECLARATION**



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**DECLARATION OF INDEPENDENCE BY TIMOTHY KENDALL TO THE DIRECTORS OF JUMBO INTERACTIVE LIMITED**

As lead auditor for the review of Jumbo Interactive Limited for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Jumbo Interactive Limited and the entities it controlled during the period.

A handwritten signature in black ink that reads 'T J Kendall'. The signature is written in a cursive style with a horizontal line above the first few letters.

T J Kendall  
Director

**BDO Audit Pty Ltd**

Brisbane, 24 February 2014

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

### Jumbo Interactive Limited and its Controlled Subsidiaries CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended 31 December 2013

	Note	Consolidated Group	
		Half year	
		2013	2012
		\$	\$
<b>Revenue</b>	2	12,325,993	13,428,494
Cost of sales		(1,447,764)	(1,827,305)
Gross profit		10,878,229	11,601,189
Other revenue/income	2	537,946	484,308
Share of profits of joint venture(s) accounted for using the equity method	5	11,430	-
<b>Expenses</b>			
Distribution expenses		(15,963)	(10,553)
Marketing costs		(2,004,924)	(2,084,771)
Occupancy expenses		(450,243)	(373,122)
Administrative expenses	3	(6,024,554)	(6,020,326)
Finance costs		(8)	(8,842)
<b>Profit before income tax expense</b>		2,931,913	3,587,883
Income tax expense		(1,096,066)	(1,078,834)
<b>Profit after income tax expense for the half year</b>		1,835,847	2,509,049
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences		(26,662)	22,869
Available-for-sale foreign currency translation difference		47,071	(38,546)
Other comprehensive income for the half year, net of tax		20,409	(15,677)
<b>Total comprehensive income for the half year attributable to the owners of Jumbo Interactive Limited</b>		1,856,256	2,493,372
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		4.32	5.87
Diluted earnings per share		4.27	5.72

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

## Consolidated Statement of Financial Position

### JUMBO INTERACTIVE LIMITED AND ITS CONTROLLED SUBSIDIARIES CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Note	Consolidated Group	
		31 December 2013	30 June 2013
		\$	\$
<b>Current Assets</b>			
Cash and cash equivalents	4	25,067,941	24,460,703
Trade and other receivables		401,961	418,917
Inventories		55,910	55,098
<b>Total current assets</b>		<u>25,525,812</u>	<u>24,934,718</u>
<b>Non-current assets</b>			
Receivables	5	210,100	193,688
Investments accounted for using the equity method	6	1	1
Available-for-sale financial assets	7	2,577,740	2,530,054
Property, plant and equipment		338,406	366,059
Intangible assets		6,838,019	6,314,304
Deferred tax assets		428,510	395,562
<b>Total non-current assets</b>		<u>10,392,776</u>	<u>9,799,668</u>
<b>Total assets</b>		<u>35,918,588</u>	<u>34,734,386</u>
<b>Current liabilities</b>			
Trade and other payables	8	12,275,289	12,496,899
Current tax liabilities		913,274	752,946
Provisions		374,813	369,816
<b>Total current liabilities</b>		<u>13,563,376</u>	<u>13,619,661</u>
<b>Non-current liabilities</b>			
Provisions		146,616	133,857
Deferred tax liabilities		296,405	471,643
<b>Total non-current liabilities</b>		<u>443,021</u>	<u>605,500</u>
<b>Total liabilities</b>		<u>14,006,397</u>	<u>14,225,161</u>
<b>Net assets</b>		<u>21,912,191</u>	<u>20,509,225</u>
<b>Equity</b>			
Contributed equity	9	29,684,572	29,544,572
Accumulated losses		(17,398,827)	(17,398,827)
Profits appropriation reserve		8,785,056	7,602,499
Other reserves		841,390	760,981
<b>Total equity</b>		<u>21,912,191</u>	<u>20,509,225</u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

## Consolidated Statement of Changes in Equity

### Jumbo Interactive Limited and its Controlled Subsidiaries CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2013

	Contributed equity	Accumulated losses	Profits appropriation reserve	Share-based payments reserve	Foreign currency translation reserve	Available-for- sale financial asset reserve	Total equity
	\$	\$		\$	\$		\$
<b>CONSOLIDATED GROUP</b>							
<b>Balance at 1 July 2012</b>	28,876,572	(17,398,827)	6,129,682	499,710	(23,428)	-	18,083,709
<b>Total comprehensive income for the half year</b>							
Profit for the half year	-	-	2,509,049	-	-	-	2,509,049
<i>Other comprehensive income</i>							
Foreign currency translation reserve differences	-	-	-	-	22,869	-	22,869
Foreign exchange movement on Available-for-sale financial asset	-	-	-	-	-	(38,546)	(38,546)
Total comprehensive income for the half year	-	-	2,509,049	-	22,869	(38,546)	2,493,372
<b>Transactions with owners in their capacity as owners</b>							
Dividends paid	-	-	(856,050)	-	-	-	(856,050)
Issue of shares	373,000	-	-	-	-	-	373,000
Share-based payments	-	-	-	22,055	-	-	22,055
	373,000	-	(856,050)	22,055	-	-	(460,995)
<b>Balance at 31 December 2012</b>	29,249,572	(17,398,827)	7,782,681	521,765	(559)	(38,546)	20,116,086
<b>Total comprehensive income for the half year</b>							
Profit for the half year	-	-	473,108	-	-	-	473,108
<i>Other comprehensive income</i>							
Foreign currency translation reserve differences	-	-	-	-	(5,509)	-	(5,509)
Foreign exchange movement on Available-for-sale financial asset	-	-	-	-	-	272,535	272,535
Total comprehensive income for the half year	-	-	473,108	-	(5,509)	272,535	740,134
<b>Transactions with owners in their capacity as owners</b>							
Dividends paid	-	-	(653,290)	-	-	-	(653,290)
Issue of shares	295,000	-	-	-	-	-	295,000
Share-based payments	-	-	-	11,295	-	-	11,295
	295,000	-	(653,290)	11,295	-	-	(346,995)
<b>Balance at 30 June 2013</b>	29,544,572	(17,398,827)	7,602,499	533,060	(6,068)	233,989	20,509,225



## Consolidated Statement of Changes in Equity

	Contributed equity	Accumulated losses	Profits appropriation reserve	Share-based payments reserve	Foreign currency translation reserve	Available-for- sale financial asset reserve	Total equity
Total comprehensive income for the half year							
Profit for the half year	-	-	1,835,847	-	-	-	1,835,847
Other comprehensive income			-				
Foreign currency translation reserve differences	-	-	-	-	(26,662)	-	(26,662)
Foreign exchange movement on Available-for-sale financial asset	-	-	-	-	-	47,071	47,071
Total comprehensive income for the half year	-	-	1,835,847	-	(26,662)	47,071	1,856,256
<b>Transactions with owners in their capacity as owners</b>							
Dividends paid	-	-	(653,290)	-	-	-	(653,290)
Issue of shares	140,000	-	-	-	-	-	140,000
Share-based payments	-	-	-	60,000	-	-	60,000
	140,000	-	(653,290)	60,000	-	-	(453,290)
<b>Balance at 31 December 2013</b>	<b>29,684,572</b>	<b>(17,398,827)</b>	<b>8,785,056</b>	<b>593,060</b>	<b>(32,730)</b>	<b>281,060</b>	<b>21,912,191</b>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## Consolidated Statement of Cash Flows

### Jumbo Interactive Limited and its Controlled Subsidiaries

#### CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 31 December 2013

	Note	Consolidated Group	
		Half year	
		2013	2012
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		13,523,474	15,044,294
Payments to suppliers and employees		(10,027,814)	(9,229,731)
Interest received		428,874	469,833
Interest and other costs of finance paid		(8)	(8,842)
Income tax paid		(1,143,924)	(345,770)
Net cash provided by (used in) operating activities		<u>2,780,602</u>	<u>5,929,784</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(130,083)	(81,987)
Payments for intangibles		(1,526,997)	(727,981)
Purchase of financial assets		(615)	(2,239,826)
Loans to related parties – payments made		(10,067)	(535,519)
Net cash provided by (used in) investing activities		<u>(1,667,762)</u>	<u>(3,585,313)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		140,000	373,000
Repayment of borrowings		-	(435,175)
Dividends paid	10	(653,290)	(856,050)
Net cash provided by (used in) financing activities		<u>(513,290)</u>	<u>(918,225)</u>
Net increase/(decrease) in cash and cash equivalents		599,550	1,426,246
Net foreign exchange differences		7,688	23,214
Cash and cash equivalents at beginning of half year		<u>24,460,703</u>	<u>21,686,797</u>
Cash and cash equivalents at end of half year		<u><u>25,067,941</u></u>	<u><u>23,136,257</u></u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes

## Jumbo Interactive Limited and its Controlled Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2013

#### NOTE 1: BASIS OF PREPARATION OF HALF YEAR FINANCIAL STATEMENTS

These general purpose financial statements for the half year reporting period ended 31 December 2013 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

These half year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated Group as the full financial statements. Accordingly, these half year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2013 and any public announcements made by Jumbo Interactive Limited during the half year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in these half year financial statements as compared with the most recent annual financial statements.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations did not have any material financial impact on the amounts recognised in the financial statements of the Group for the current or prior periods.

#### NOTE 2: REVENUE AND OTHER INCOME

	Consolidated Group	
	Half year	
	2013	2012
	\$	\$
Revenue		
From continuing operations:		
— Revenue from sale of goods	1,089,794	1,262,079
— Revenue from rendering services	11,236,199	12,166,415
Revenue from continuing operations	<u>12,325,993</u>	<u>13,428,494</u>
Other income/ revenue		
From continued operations:		
— Interest received		
- Cash	428,874	469,833
— Other revenues		
- Foreign exchange gains	83,637	-
- Other	25,435	14,475
	<u>537,946</u>	<u>484,308</u>
Total	<u>12,863,939</u>	<u>13,912,802</u>

**NOTE 3: PROFIT FOR THE YEAR**

	<b>Consolidated Group</b>	
	<b>Half Year</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Profit before income tax from continuing operations includes the following specific expenses:		
Cost of sales		
— Sale of goods	568,923	675,874
— Rendering of services	878,841	1,151,431
Finance costs		
— Interest on financial liabilities not at fair value through profit and loss	8	819
— Fees arising from financial liabilities not at fair value through profit and loss	-	8,023
Depreciation of non-current assets <sup>1</sup>		
— Plant and equipment	89,669	49,799
Amortisation of non-current assets <sup>1</sup>		
— Leasehold improvements	35,617	33,855
— Intangibles	1,035,732	1,082,687
Other expenses		
— Operating lease rentals – minimum lease payments	450,243	373,122
— Employee benefits expense <sup>1</sup>	2,291,449	2,300,201
— Defined contribution superannuation expense <sup>1</sup>	297,650	222,114

<sup>1</sup> included in administration expense

**NOTE 4: CASH AND CASH EQUIVALENTS**

	<b>Consolidated Group</b>	
Note	<b>31 December 2013</b>	<b>30 June 2013</b>
	<b>\$</b>	<b>\$</b>
Total cash and cash equivalents	<u>25,067,941</u>	<u>24,460,703</u>
<i>Current</i>		
General account balances	<u>16,896,012</u>	<u>16,863,970</u>
<i>Current</i>		
Online lottery customer account balances	<u>8</u> <u>8,171,929</u>	<u>7,596,733</u>

Online lottery customer account balances being deposits and prize winnings earmarked for payment to customers on demand.

**NOTE 5: RECEIVABLES – NON-CURRENT**

	<b>31 December 2013</b>	<b>30 June 2013</b>
	<b>\$</b>	<b>\$</b>
Loan to joint venture entity at cost	<u>286,280</u>	<u>281,298</u>
Share of joint entity's profit/(loss) brought forward	(87,610)	-
Add share of joint entity's results for the half-year period:		
Revenues	311,010	25,022
Expenses	(299,580)	(112,632)
Profit before income tax	<u>11,430</u>	<u>(87,610)</u>
Income tax benefit	-	-
Profit after income tax	<u>11,430</u>	<u>(87,610)</u>
Net interest in joint venture	<u><u>210,100</u></u>	<u><u>193,688</u></u>

The receivable is due to be repaid by 4 December 2017 and the effect of discounting is considered not to be material. This receivable is not past due nor impaired.

**NOTE 6: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

	<b>Consolidated Group</b>	
	<b>31 December 2013</b>	<b>30 June 2013</b>
	<b>\$</b>	<b>\$</b>
<b>Interest in Joint Venture</b>		
The Company has a 50% interest in the joint venture entity Lotto Points Plus Inc, incorporated in the USA, which is involved in the provision of retailer-based lottery merchandising and affinity programs combined with internet lottery solutions in the USA.		
The voting power held by the Company is 50%.		
The interest in joint venture entities is accounted for in the consolidated financial statements using the equity method of accounting.		
Unlisted shares at cost	<u>1</u>	<u>1</u>

**NOTE 7: AVAILABLE-FOR-SALE FINANCIAL ASSETS (NON-CURRENT)**

		Consolidated Group	
		31 December 2013	30 June 2013
		\$	\$
<b>Unlisted securities</b>			
Equity securities			
		2,577,740	2,530,054
<b>Unlisted securities</b>			
Unlisted securities comprise an investment in Sorteo Games Inc., USA. The Company owns 6.7% of the issued share capital of Sorteo Games Inc. The Company does not control Sorteo Games Inc because it is not able to govern the activities of this entity so as to obtain benefits from it. Shares in Sorteo Games Inc are carried at cost of US\$1.67 per share. Fair value cannot be reliably measured because variability in the range of reasonable fair value estimates is significant. As a result, the unlisted investment is reflected at cost. The Company does not intend to dispose of its shares at present.			
Reconciliation:			
Opening value at cost		2,296,065	2,296,065
Accumulated foreign currency translation increment		281,675	233,989
		2,577,740	2,530,054

**NOTE 8: TRADE AND OTHER PAYABLES**

		Consolidated Group	
Note		31 December 2013	30 June 2013
		\$	\$
Total trade and other payables		12,275,289	12,496,899
<i>Current</i>			
Trade creditors and other payables		4,103,360	4,900,166
<i>Current</i>			
Customer funds payable	4	8,171,929	7,596,733

**NOTE 9: ISSUED CAPITAL**

	Half Year		Half Year	
	2013	2012	2013	2012
	Shares	Shares	\$	\$
At the beginning of the reporting period	43,552,560	42,412,560	29,544,572	28,876,572
Shares issued during the year				
Exercise of options	200,000	590,000	140,000	373,000
	43,752,560	43,002,560	29,684,572	29,249,572

**NOTE 10: DIVIDENDS**

	<b>Consolidated Group</b>	
	<b>Half Year</b>	
	<b>2013</b>	<b>2012</b>
<b>Ordinary shares</b>	<b>\$</b>	<b>\$</b>
Dividends paid during the financial half year	653,290	856,050
	<u>653,290</u>	<u>856,050</u>
Dividends paid in cash or satisfied by the issue of shares under the Dividend Reinvestment Plan during the half years ended 31 December 2013 and 31 December 2012 were as follows:		
Paid in cash	653,290	856,050
Satisfied by issue of shares	-	-
	<u>653,290</u>	<u>856,050</u>

**NOTE 11: SEGMENT REPORTING**

Segment information is presented using a 'management approach', i.e. segment information is provided on the same basis as information used for internal reporting purposes by the chief operating decision maker (the Board). Comparatives for 2012 were stated on this basis.

**Accounting policies**

Segment revenues and expenses 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 information**

**(a) Description of segments**

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions.

The Board considered the business from both a product and a geographic perspective and has identified the reportable segments.

Internet Lotteries segment consists of retail of lottery tickets sold both in Australia and eligible international jurisdictions, and internet database management/marketing. The Board monitors the performance of the regions separated into Australia, Germany and Mexico.

All other segments include operating segments of non-lottery business activities that are not reportable in terms of AASB 8 and revenues from external customers are derived from the sale of other non-lottery products. Comparative figures for 2012 are stated on this basis.

## NOTE 11: SEGMENT REPORTING CONT'D

## (b) Segment information provided to the Board

The segment information provided to the Board for the reportable segments for the half year is as follows

## Half year ended 31 December 2013

	Australia	Germany	Mexico	Total Internet Lotteries
	\$	\$	\$	\$
Total segment revenue/income	12,164,824	29	-	12,164,853
Inter-segment revenue	-	-	-	-
<b>Revenue from external customers</b>	<b>12,164,824</b>	<b>29</b>	<b>-</b>	<b>12,164,853</b>
<b>Net profit before tax</b>	<b>3,762,364</b>	<b>(167,446)</b>	<b>(200,037)</b>	<b>3,394,881</b>
Interest revenue	360,228	-	1	360,229
Finance costs expense	7	-	-	7
Depreciation and amortisation	1,065,646	3,241	333	1,069,220

## Half year ended 31 December 2012

	Australia	Germany	Mexico	Total Internet Lotteries
	\$	\$	\$	\$
Total segment revenue/income	12,952,545	-	-	12,952,545
Inter-segment revenue	-	-	-	-
<b>Revenue from external customers</b>	<b>12,952,545</b>	<b>-</b>	<b>-</b>	<b>12,952,545</b>
<b>Net profit before tax</b>	<b>3,909,191</b>	<b>-</b>	<b>-</b>	<b>3,909,191</b>
Interest revenue	460,599	-	-	460,599
Finance costs expense	819	-	-	819
Depreciation and amortisation	1,121,369	-	-	1,121,369



**NOTE 11: SEGMENT REPORTING CONT'D**

**(c) Other segment information**

*i. Segment revenue*

The revenue from external parties reported to the Board is measured in a manner consistent with that in the profit or loss.

Revenues from external customers are derived from the sale of lottery tickets and provision of related services. A breakdown of revenue and results is provided in the tables above.

Segment revenue reconciles to total revenue as follows:

	<b>Consolidated Group</b>	
	<b>Half Year</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Total segment revenue	12,164,853	12,952,545
All other segments	268,507	490,424
Interest revenue	428,874	469,833
Other	1,705	-
<b>Total revenue from continuing operations (note 2)</b>	<u>12,863,939</u>	<u>13,912,802</u>

*ii. Net profit before tax (NPBT)*

The Board assesses the performance of the operating segments based on a measure of NPBT. This measure excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs and impairments when the impairment is the result of an isolated, non-recurring event. Furthermore the measure excludes the effects of foreign currency gains/(losses).

A reconciliation of the NPBT to operating profit before income tax is provided as follows:

	<b>Consolidated Group</b>	
	<b>Half Year</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>NPBT</b>	3,394,881	3,909,191
All other segments	2,103	(32,228)
Interest revenue	428,874	469,833
Other	1,705	1,092
Corporate expenses		
Finance costs expense	(2)	(8,023)
Share based payments expense	(60,000)	(22,055)
Directors' remuneration	(65,550)	(65,400)
Salaries and wages	(438,002)	(397,548)
Other	(332,096)	(266,979)
<b>Profit before income tax from continuing operations (per P&amp;L)</b>	<u>2,931,913</u>	<u>3,587,883</u>

**NOTE 12: NET TANGIBLE ASSETS PER SECURITY**

	Consolidated Group Half Year	
	2013 Cent	2012 Cent
Net Tangible Assets per ordinary share	65.5	61.9

**NOTE 13: FAIR VALUES OF FINANCIAL INSTRUMENTS**

The following financial instruments are subject to fair value measurements:

	Note	Consolidated Group	
		31 December 2013 \$	30 June 2013 \$
Available-for-sale financial assets:			
– Unlisted equity securities – Level 3	7	<u>2,577,740</u>	<u>2,530,054</u>

**Fair value hierarchy**

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level in the fair value measurement hierarchy as follows:

- Level 1 - the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - a valuation technique is used using inputs other than quoted prices within level 1 that are observable for the financial instrument, either directly (i.e. as prices), or indirectly (i.e. derived from prices)
- Level 3 - a valuation technique is used using inputs that are not observable based on observable market data (unobservable inputs).

As Jumbo Interactive Limited only holds unlisted equity securities, which are measured at cost, all available-for-sale financial assets fall within Level 3 of the fair value hierarchy.

**Valuation techniques used to derive level 3 fair values**

Description	Valuation approach	Unobservable inputs	Range of inputs	Relationship between unobservable inputs and fair value
Unlisted equity securities	Cost approach	Last capital raising price in January 2013	None	The longer the time lapse since the last capital raising the higher the probability that the fair value has either increased or decreased

**Reconciliation of level 3 movements**

The following table sets out the movement in level 3 fair values for unlisted equity securities.

Opening balance 1 July 2013	\$ 2,530,054
Other increases	<u>47,686</u>
Closing balance 31 December 2013	<u>2,577,740</u>
Foreign currency translation increments recognised through Other Comprehensive Income	<u>47,686</u>

**NOTE 13: FAIR VALUES OF FINANCIAL INSTRUMENTS CONT'D**

**Valuation process for level 3 fair values**

Valuations of unlisted equity securities are performed by the CFO every six months to ensure that they are current for the half-year and annual financial statements. Valuations are reviewed and approved by the audit committee.

**Fair value of financial instruments not measured at fair value**

The following financial instruments are not measured at fair value in the statement of financial position. These had the following values at 31 December 2013.

	<b>Carrying Amount</b>	<b>Fair Value</b>
	\$	\$
<b>NON-CURRENT ASSETS</b>		
Receivables	210,100	218,402

Due to their short term nature, the carrying amounts of current receivables, current trade and other payables are assumed to approximate their fair value.

**NOTE 14: CONTINGENT LIABILITIES**

	<b>Consolidated Group Half Year</b>	
	<b>2013</b>	<b>2012</b>
	\$	\$
Estimates of the potential financial effect of contingent liabilities that may become payable:		
<b>Contingent Liabilities</b>		
The Group's bankers have provided guarantees to third parties in relation to premises leased by Group companies. These guarantees have no expiry term and are payable on demand, and are secured by a fixed and floating charge over the Group's assets.	160,763	160,763
	<u>160,763</u>	<u>160,763</u>

**NOTE 15: SEASONALITY AND IRREGULAR TRENDS**

Sales in the internet lotteries segment for the half-year periods comprising sales of lottery tickets are affected by the timing of the annual New Year’s Eve Megadraw and the extent of jackpots of the various games during the period. The New Year’s Eve Megadraw for the December 2012 half year occurred within the reportable period on 29 December 2012 whilst for the December 2013 half-year, this occurred outside of the reportable period on 4 January 2014. Furthermore, there were 11 jackpots of \$30 million or more during the December 2012 half-year period, with a peak \$112 million OzLotto jackpot in November 2012, compared to the December 2013 half-year period of 10 such jackpots with a peak of \$70 million in December 2013.

The sales trend over the last three half-year periods in the context of large jackpots is summarised as follows:

	<b>HY Dec 2013</b>	<b>HY Jun 2013</b>	<b>HY Dec 2012</b>
TTV	\$54.7 million	\$49.9 million	\$59.2 million
Reported Revenue	\$12.3 million	\$11.8 million	\$13.4 million
<b>OZ Lotto/ Powerball</b>			
Number of jackpots of \$15 million or more	22	16	21
Average Division 1 jackpot of \$15 million or more	\$28.7 million	\$26.9 million	\$31.7 million
Peak Division 1 jackpot during the half-year period	\$70 million	\$62 million	\$112 million

**NOTE 16: EVENTS AFTER THE REPORTING PERIOD**

There were no material events after the balance sheet date.

**DIRECTORS' DECLARATION**

The Directors of the Company declare that:

1. The financial statements, comprising the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows, and accompanying notes, are in accordance with the *Corporations Act 2001* and:
  - (a) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
  - (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half year ended on that date.
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.

This declaration is made in accordance with a resolution of Directors.



Mike Veverka

Director

Brisbane

24 February 2014



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## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Jumbo Interactive Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Jumbo Interactive Limited, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

#### Directors' Responsibility for the Half-Year Financial Report

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

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Jumbo Interactive Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Jumbo Interactive Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Jumbo Interactive Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

### BDO Audit Pty Ltd

BDO  


**T J KENDALL**

**Director**

Brisbane, 24 February 2014