

APPENDIX 4E

PRELIMINARY FINAL REPORT

JUMBO INTERACTIVE LIMITED

ABN 66 009 189 128

And its Controlled Subsidiaries

Reporting period: Financial year ended 30 June 2013

Previous corresponding period: Financial year ended 30 June 2012

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	2013	2012	Change	Change
	\$	\$	\$	%
Revenue from continuing operations	25,191,215	24,087,742	1,103,473	4.6
Profit/(loss) after tax attributable to members	2,982,157	6,743,525	(3,761,368)	(55.8)
Total comprehensive income for the period attributable to members	3,233,506	6,762,844	(3,529,338)	(52.1)

DIVIDENDS

Proposed final fully franked ordinary dividend of **1.5 (one and a half) cents per share** making a total fully franked ordinary dividend of 3.0 cents per share (2012: 3.0) with a franking percentage of 100% (2012: 100%) as follows:

- Record date: 6 September 2013
- Payment date: 27 September 2013

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

ANNUAL GENERAL MEETING

Date: Tuesday, 6 November 2013
Time: 5:00pm
Venue: Lady Theiss Room
Customs House
399 Queen Street
Brisbane, QLD, 4000

EXPLANATION OF RESULTS

Comment on the operations and the results of those operations are set out below.

The consolidated profit of the Group amounted to \$2,982,157 (2012: \$6,743,525), after providing for income tax \$2,333,761 (2012: \$2,310,544) – refer Note 4 for tax expense details, which is a large decrease on the results reported for the year ended 30 June 2012. Net reportable operating revenues increased 4.6% to \$25,191,215 (2012: \$24,087,742) and Total Transactional Value increased by 8.8% to \$109,086,062 (2012: \$100,256,769). This improvement was largely from continued growth in the Australia online lottery business.

Group earnings before interest, tax, depreciation and amortisation decreased by \$3,834,187 from \$10,515,449 to \$6,681,262. The main reasons for the decrease in profitability, notwithstanding an increase in revenue, are due mainly to (i) costs associated with increased efforts to expand into new internet lottery markets overseas and (ii) a revision of the customer acquisition costs treatment within the existing policy (see below for details).

Total Transaction Value is the gross amount received for the sale of goods and rendering of services.

Other revenue, being mainly interest on cash, increased by 23.6% to \$1,108,744 (2012: \$897,294) due to higher cash and cash equivalent balances and improved liquidity management.

Like-for-Like Underlying Financial Forecasts of Core Operations

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

	FY 2013	FY 2012	YoY change
\$ Million	\$	\$	%
TTV	109.1	100.3	8.8
Reported Revenue	25.2	24.1	4.6
EBITDA	6.7	10.5	(36.2)
International expansion costs ¹	3.6	1.0	260.0
Changed treatment customer acquisition costs ²	1.9		
Like-for-like EBITDA of core operations	12.2	11.5	6.1
Reported Profit After Tax	3.0	6.7	(55.2)
International expansion costs ¹	2.5	0.7	257.1
Changed treatment customer acquisition costs ²	0.8		
Tax concession overclaim ³	0.5	(0.5)	200.0
Discontinued operations ⁴	-	(0.3)	100.0
Like-for-like Profit After Tax of core operations	6.8	6.6	3.0

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

During the financial year the Company announced the following international agreements:

1. July 11, 2013. Awarded licenses in all German States
2. June 25, 2013. Agreements signed with major retail chains in USA (Joint Venture referred to in 5 below)
3. March 5, 2013. Expands into Germany
4. November 30, 2012. Expands into Latin America through landmark deal in Mexico.
5. November 29, 2012. Expands into USA through Joint Venture.
6. 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 Mexico and Germany and has plans to enter more international markets in the future.

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.

² 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. This changed treatment does not affect Net Cash Flows and will reduce the variance between reported Net Profit After Tax and Operating Cash Flows.

³ the Company undertakes a large R&D program with regards to its proprietary website developments. When the 2012 income tax return was just finalised, some R&D costs were identified that are non-deductible for tax purposes that were incorrectly claimed over the past 4 years. This had the effect of carried forward income tax losses being fully utilised earlier than previous with a consequential adjusted tax payable of \$6,065 for the period to 2011 and \$552,033 for 2012.

⁴ an income tax effect for discontinued operations.

Further discussion on the Group's operations now follows:

Review of Operations

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

	Note	Segment Revenues		Segment Results - NPBT	
		2013	2012	2013	2012
		\$	\$	\$	\$
Internet lotteries	14	24,403,335	23,584,433	6,354,472	10,002,512
All other segments	14	866,480	548,760	(84,962)	(33,866)
		<u>25,269,815</u>	<u>24,133,193</u>	<u>6,269,510</u>	<u>9,968,646</u>

(a) Online Lottery Segment

The Company continues to make significant investment in its internet intellectual properties, notably www.ozlotteries.com, and customer management, with 3.5% growth in net reportable operating revenues to \$24,403,335 (2012: \$23,584,433). Gross transactional value increased 8.6% to \$108,267,254 (2012: \$99,719,424), being achieved mainly through an increasing customer database.

These investments, investments in staff and improvements to underlying technology, as well as efforts to expand into overseas markets have increased the operating costs. This has supported the growth in revenues and resulted in a decrease in operating profit contribution to \$6,354,472 (2012: \$10,002,512).

As previously advised, in May 2012, the Tatts Group began accepting online orders from NSW customers bringing NSW into line with other states. The resultant expected reduction in TTV through the New South Wales Lotteries co-branded website has been more than offset by 38% growth through the ozlotteries.com website leading to the 8.6% increase in overall TTV.

(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 increased to \$866,480 (2012: \$548,760) as the product range and customer database expanded, with an operating loss of \$84,962 (2012: profit \$33,866).

A return to profitability for this segment is expected in the 2014 financial year.

Other

The information provided in this report contains all the information required by ASX Listing Rule 4.3A.

NOTE: The accounts are in the process of being audited.

JUMBO INTERACTIVE LIMITED AND ITS CONTROLLED SUBSIDIARIES STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2013

	Note	Consolidated Group	
		2013	2012
		\$	\$
Revenue from continuing operations	2	25,191,215	24,087,742
Cost of sales	3	(3,290,679)	(4,215,602)
Gross profit		<u>21,900,536</u>	<u>19,872,140</u>
Other revenue/income	2	1,108,744	897,294
Distribution expenses		(26,029)	(29,367)
Marketing costs		(3,599,335)	(1,344,409)
Occupancy expenses		(762,743)	(715,173)
Administrative expenses		(13,208,145)	(9,518,739)
Finance costs expense	3	(9,500)	(107,677)
Share of losses of joint ventures accounted for using the equity method		(87,610)	-
Profit before income tax expense		<u>5,315,918</u>	<u>9,054,069</u>
Income tax expenses	4	(2,333,761)	(2,577,553)
Profit after income tax expense from continuing operations		<u>2,982,157</u>	<u>6,476,516</u>
Profit from discontinued operations	5	-	267,009
Profit for the year attributable to the owners of Jumbo Interactive Limited		<u>2,982,157</u>	<u>6,743,525</u>
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		17,360	19,319
Gain on the revaluation of available-for-sale financial assets, net of tax		233,989	-
Other comprehensive income for the year, net of tax		<u>251,349</u>	<u>19,319</u>
Total comprehensive income for the year attributable to the owners of Jumbo Interactive Limited		<u>3,233,506</u>	<u>6,762,844</u>
Earnings Per Share (cents per share)			
From continuing and discontinued operations			
Basic earnings per share (cents per share)	6	6.9	16.7
Diluted earnings per share (cents per share)	6	6.8	16.6
From continuing operations			
Basic earnings per share (cents per share)	6	6.9	16.0
Diluted earnings per share (cents per share)	6	6.8	15.9
From discontinued operations			
Basic earnings per share (cents per share)	6	-	0.7
Diluted earnings per share (cents per share)	6	-	0.7

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

Jumbo Interactive Limited and its Controlled Subsidiaries STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Note	Consolidated Group	
		30 June	30 June
		2013	2012
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	7	24,460,703	21,686,797
Trade and other receivables		418,917	401,718
Current tax assets		-	383,245
Inventories		55,098	98,625
TOTAL CURRENT ASSETS		24,934,718	22,570,385
NON-CURRENT ASSETS			
Receivables	8	193,688	-
Investments accounted for using the equity method	9	1	-
Available-for-sale financial assets	10	2,530,054	-
Property, plant and equipment		366,059	360,372
Intangible assets		6,314,304	6,398,707
Deferred tax assets		395,562	394,334
TOTAL NON-CURRENT ASSETS		9,799,668	7,153,413
TOTAL ASSETS		34,734,386	29,723,798
CURRENT LIABILITIES			
Trade and other payables	11	12,496,899	10,354,686
Borrowings		-	194,680
Current tax liabilities		752,946	-
Provisions		369,816	334,684
TOTAL CURRENT LIABILITIES		13,619,661	10,884,050
NON-CURRENT LIABILITIES			
Borrowings		-	250,000
Provisions		133,857	103,708
Deferred tax liabilities		471,643	402,331
TOTAL NON-CURRENT LIABILITIES		605,500	756,039
TOTAL LIABILITIES		14,225,161	11,640,089
NET ASSETS		20,509,225	18,083,709
EQUITY			
Issued capital	12	29,544,572	28,876,572
Accumulated losses		(9,796,328)	(11,269,145)
Reserves		760,981	476,282
TOTAL EQUITY		20,509,225	18,083,709

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

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

For the year ended 30 June 2013

	Issued capital	Accumulated losses	Share-based payment reserve	Foreign currency translation reserve and Available-for-sale reserve	Total equity
	\$	\$	\$	\$	\$
CONSOLIDATED GROUP					
Balance at 1 July 2011	27,113,586	(17,398,827)	409,962	(42,747)	10,081,974
Total comprehensive income for the year					
Profit for the year	-	6,743,525	-	-	6,743,525
<i>Other comprehensive income</i>					
Foreign currency translation reserve differences	-	-	-	19,319	19,319
Total comprehensive income for the year	-	6,743,525	-	19,319	6,762,844
Transactions with owners in their capacity as owners					
Dividends paid	-	(613,843)	-	-	(613,843)
Issue of shares	1,854,733	-	-	-	1,854,733
Share buy back	(91,747)	-	-	-	(91,747)
Share-based payments	-	-	89,748	-	89,748
	1,762,986	(613,843)	89,748	-	1,238,891
Balance at 30 June 2012	28,876,572	(11,269,145)	499,710	(23,428)	18,083,709
Total comprehensive income for the year					
Profit for the year	-	2,982,157	-	-	2,982,157
<i>Other comprehensive income</i>					
Foreign currency translation reserve differences	-	-	-	17,360	17,360
Available-for-sale financial asset reserve	-	-	-	233,989	233,989
Total comprehensive income for the year	-	2,982,157	-	251,349	3,233,506
Transactions with owners in their capacity as owners					
Dividends paid	-	(1,509,340)	-	-	(1,509,340)
Issue of shares	668,000	-	-	-	668,000
Share-based payments	-	-	33,350	-	33,350
	668,000	(1,509,340)	33,350	-	(807,990)
Balance at 30 June 2013	29,544,572	(9,796,328)	533,060	227,921	20,509,225

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

Jumbo Interactive Limited and its Controlled Subsidiaries

STATEMENT OF CASH FLOWS

For the year ended 30 June 2013

	Note	Consolidated Group	
		2013	2012
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		27,822,996	24,914,449
Payments to suppliers and employees		(18,833,903)	(10,978,560)
Interest received		918,060	776,414
Interest and other costs of finance paid		(9,500)	(107,677)
Income tax received		87,249	1,055,794
Income tax paid		(1,216,734)	(2,717,340)
Net cash provided by (used in) operating activities	15 (a)	8,768,168	12,943,080
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets		(2,296,066)	-
Loans to related parties – payments made		(241,080)	-
Payments for plant and equipment		(209,863)	(67,811)
Payments for intangibles		(2,011,160)	(2,696,152)
Proceeds from sale of plant and equipment		17,813	1,125
Net cash provided by (used in) investing activities		(4,740,356)	(2,762,838)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		668,000	1,707,005
Payment for buyback of shares		-	(91,747)
Repayment of borrowings		(444,771)	(1,436,476)
Dividends paid	13	(1,509,340)	(466,115)
Net cash provided by (used in) financing activities		(1,286,111)	(287,333)
Net increase/(decrease) in cash and cash equivalents		2,741,701	9,892,909
Net foreign exchange differences		32,205	23,214
Cash and cash equivalents at beginning of year		21,686,797	11,770,674
Cash and cash equivalents at end of year		24,460,703	21,686,797

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 year ended 30 June 2013

NOTE 1: BASIS FOR PREPARATION OF PRELIMINARY FINAL REPORT

The Preliminary Final Report has been prepared in accordance with ASX listing rule 4.3A and has been based on the Annual Financial Report which is in the process of being audited. There are no known likely disputes or qualifications at this time. The Financial Report has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The Preliminary Final Report has been prepared on an accruals basis and is based on historical costs, including available-for-sale financial assets.

NOTE 2: REVENUE AND OTHER INCOME

	Consolidated Group	
	2013	2012
	\$	\$
Revenue		
From continuing operations:		
— Revenue from sale of goods	2,356,860	1,951,394
— Revenue from rendering services	22,834,355	22,136,348
Revenue from continuing operations	25,191,215	24,087,742
Other income/ revenue		
From continued operations:		
— Interest received		
- Cash	918,060	776,414
— Other revenues		
- Foreign exchange gains	112,084	37,248
- Other	78,600	83,632
	1,108,744	897,294
Total	26,299,959	24,985,036

NOTE 3: PROFIT FOR THE YEAR

	Consolidated Group	
	2013	2012
	\$	\$
Profit before income tax from continuing operations includes the following specific expenses:		
Cost of sales		
— Sale of goods	1,258,899	1,179,446
— Rendering of services	2,031,780	3,036,156
Finance costs		
— Interest on financial liabilities not at fair value through profit and loss	1,477	65,311
— Fees arising from financial liabilities not at fair value through profit and loss	8,023	42,366
Depreciation of non-current assets ¹		
— Plant and equipment	118,291	99,341
Amortisation of non-current assets ¹		
— Leasehold improvements	68,067	67,341
— Intangibles	2,095,563	2,005,801
Other expenses		
— Operating lease rentals – minimum lease payments	762,743	715,173
— Employee benefits expense ¹	5,255,959	3,550,413
— Defined contribution superannuation expense ¹	511,377	308,796
— Bad debts written off ¹	346,446	-

¹ included in administration expense

NOTE 4: INCOME TAX EXPENSE

	Consolidated Group	
	2013	2012
	\$	\$
a. The components of tax expense comprise:		
— <i>Current tax</i>	1,985,168	1,875,741
— Deferred tax arising from origination and reversal of temporary differences	68,084	456,228
— Under/over provision deferred tax prior years	4,326	(61,251)
— Under/over provision tax prior years	276,183	-
— Under/over provision overseas tax prior years	-	39,826
Total income tax expense/(benefit) in profit and loss	<u>2,333,761</u>	<u>2,310,544</u>
b. <i>Reconciliation:</i>		
— Tax at the Australian tax rate of 30% (2012: 30%)	1,594,776	2,716,220
— Income tax effect of overseas tax rates	50,578	-
— R&D expense	146,235	588,765
— Share options expensed during year	10,005	26,924
— Impairment losses/(reversal) on intangible assets	-	-
— Other	688,251	(276,172)
— Under/over provision for income tax in prior year	276,178	-
— Under/over provision for overseas income tax in prior year	-	39,826
— R&D concession/credit	(432,262)	(785,019)
Total income tax expense/(benefit) in profit and loss	<u>2,333,761</u>	<u>2,310,544</u>
Income tax expense/(benefit) attributable to continuing operations	2,333,761	2,577,553
Income tax expense/(benefit) attributable to discontinued operations	-	(267,009)
Total income tax expense/(benefit) in profit and loss	<u>2,333,761</u>	<u>2,310,544</u>

NOTE 5: DISCONTINUED OPERATIONS

i. *Description*

The Manacom software publishing and distribution business was placed into voluntary administration on 31 January 2011 due to adverse market conditions in the over the counter software security market. As at 31 January 2011 the entity ceased to be controlled by Jumbo Interactive Limited and became subject to the control of the appointed liquidators. As a result, Jumbo has treated the loss of control as a disposal of a subsidiary in accordance with AASB 127. Control of the company was returned to the directors 19 June 2012 following completion of the voluntary administration process. The company is in the process of being de-registered.

Manacom Pty Ltd was a part of the Software Publishing and Distribution operating segment which ceased operations in the 2011 financial year.

ii. *Financial performance and cash flow information*

2013

There were no revenues, expenses or cash flows attributable to discontinued operations in the 30 June 2013 financial year period.

2012

There were no revenues, expenses or cash flows attributable to discontinued operations in the 30 June 2012 financial year period. Only an income tax benefit of \$208,649 was attributable to discontinued operations for the financial year period.

NOTE 6: EARNINGS PER SHARE

Reconciliation of earnings used in calculating earnings per share

	Consolidated Group	
	2013	2012
<i>Basic earnings per share</i>	\$	\$
Profit after tax from continuing operations attributable to owners of Jumbo Interactive Limited used to calculate basic earnings per share	2,982,157	6,476,516
Profit from discontinued operations	-	267,009
Profit attributable to owners of Jumbo Interactive Limited used to calculate basic earnings per share	2,982,157	6,743,525
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	43,050,857	40,389,629
<i>Diluted earnings per share</i>	\$	\$
Profit after tax from continuing operations attributable to owners of Jumbo Interactive Limited used to calculate diluted earnings per share	2,982,157	6,476,516
Profit from discontinued operations	-	267,009
Profit attributable to owners of Jumbo Interactive Limited used to calculate diluted earnings per share	2,982,157	6,743,525
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	43,050,857	40,389,629
Adjustments for calculation of diluted earnings per share: — options	1,027,309	207,985
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	44,078,166	40,597,614

NOTE 7: CASH AND CASH EQUIVALENTS

	Note	Consolidated Group	
		2013	2012
		\$	\$
Total cash and cash equivalents		24,460,703	21,686,797
<i>Current</i>			
General account balances		16,863,970	16,810,984
<i>Current</i>			
Online lottery customer account balances	11	7,596,733	4,875,813

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

NOTE 8: RECEIVABLES

	2013	2012
	\$	\$
Loan to joint venture entity	281,298	-
Share of joint entity's results:		
Revenues	25,022	-
Expenses	(112,632)	-
Profit before income tax	(87,610)	-
Income tax benefit	-	-
Profit after income tax	(87,610)	-
Net interest in joint venture	193,688	-
Reconciliation:		
Opening balance at cost	241,080	-
Foreign currency translation increment	40,218	-
Loan in joint venture entity	281,298	-

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 9: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated Group	
	2013	2012
	\$	\$
Interest in Joint Venture		
<p>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.</p> <p>The voting power held by the Company is 50%.</p> <p>The interest in joint venture entities is accounted for in the consolidated financial statements using the equity method of accounting.</p>		
Unlisted shares at cost	1	--

NOTE 10: AVAILABLE-FOR-SALE FINANCIAL ASSETS (NON-CURRENT)

	Consolidated Group	
	2013	2012
	\$	\$
Unlisted securities		
Equity securities	2,530,054	-
Unlisted securities		
<p>Unlisted securities comprise an investment in Sorteio Games Inc., USA. The Company owns 6.7% of the issued share capital of Sorteio Games Inc. The Company does not control Sorteio Games Inc because it is not able to govern the activities of this entity so as to obtain benefits from it. Shares in Sorteio 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. Unlisted available-for-sale financial assets exist within active markets and could be disposed of if required. The Company does not intend to dispose of its shares at present.</p> <p>Reconciliation:</p>		
Opening value at cost	2,296,065	-
Foreign currency translation increment	233,989	-
	2,530,054	-

NOTE 11: TRADE AND OTHER PAYABLES

Consolidated Group			
	Note	2013	2012
		\$	\$
Total trade and other payables		<u>12,496,899</u>	<u>10,354,686</u>
<i>Current</i>			
Trade creditors and other payables		<u>4,900,166</u>	<u>5,478,873</u>
<i>Current</i>			
Customer funds payable	7	<u>7,596,733</u>	<u>4,875,813</u>

NOTE 12: ISSUED CAPITAL

	2013	2012	2013	2012
	Shares	Shares	\$	\$
At the beginning of the reporting period	42,412,560	39,536,805	28,876,572	27,113,586
Shares issued during the year				
Dividend reinvestment plan	-	295,779	-	147,733
Exercise of options	1,140,000	2,910,000	668,000	1,707,000
Shares bought back during the year				
Unmarketable parcel sale and buyback	-	(330,024)	-	(91,747)
	<u>43,552,560</u>	<u>42,412,560</u>	<u>29,544,572</u>	<u>28,876,572</u>

NOTE 13: DIVIDENDS

Consolidated Group			
	2013	2012	
	\$	\$	
Ordinary shares			
Dividends paid during the financial year	<u>1,509,340</u>	<u>613,842</u>	
	<u>1,509,340</u>	<u>613,842</u>	
Dividends paid in cash or satisfied by the issue of shares under the Dividend Reinvestment Plan during the financial years ended 30 June 2013 and 30 June 2012 were as follows:			
Paid in cash	1,509,340	466,115	
Satisfied by issue of shares	-	147,727	
	<u>1,509,340</u>	<u>613,842</u>	

NOTE 14: 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 chief operating decision maker (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 combined.

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.

(b) Segment information provided to the Board

The segment information provided to the Board for the reportable segments for the year ended 30 June 2013 is as follows:

2013	Internet Lotteries
	\$
Total segment revenue/income	24,403,335
Inter-segment revenue	-
Revenue from external customers	<u>24,403,335</u>
Net profit before tax	<u>6,354,472</u>
Interest revenue	810,150
Finance costs expense	978
Depreciation and amortisation	2,168,753
Bad debt written off	346,446

There was no impairment charge or other significant non-cash item recognised in 2013 relating to the segment.

The segment information provided to the Board for the reportable segments for the year ended 30 June 2012 is as follows:

2012	Internet Lotteries
	\$
Total segment revenue/income	23,584,433
Inter-segment revenue	-
Revenue from external customers	<u>23,584,433</u>
Net profit before tax	<u>10,002,512</u>
Interest revenue	771,129
Finance costs expense	3,907
Depreciation and amortisation	2,147,568

There was no impairment charge or other significant non-cash item recognised 2012 relating to the segment.

NOTE 14: 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 from continuing operations as follows:

	Consolidated Group	
	2013	2012
	\$	\$
Total segment revenue	24,403,335	23,584,433
All other segments	866,480	548,760
Interest revenue	918,060	776,414
Other	112,084	75,429
Total revenue from continuing operations (note 2)	<u>26,299,959</u>	<u>24,985,036</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:

	Consolidated Group	
	2013	2012
	\$	\$
NPBT	6,354,472	10,002,512
All other segments	(84,962)	(33,866)
Interest revenue	918,060	776,414
Other	-	1,091
Corporate expenses		
Finance costs expense	(8,522)	(103,770)
Share based payments expense	(33,350)	(89,748)
Directors' remuneration	(130,800)	(130,800)
Salaries and wages	(807,977)	(917,628)
Other	(891,003)	(450,136)
Profit before income tax from continuing operations (per P&L)	<u>5,315,918</u>	<u>9,054,069</u>

NOTE 15: CASH FLOW INFORMATION

	Consolidated Group	
	2013	2012
	\$	\$
a. Reconciliation of Cash Flow from Operations with Profit/(Loss) after Income Tax		
Profit for the year after income tax	2,982,157	6,743,525
Non-cash flows		
Amortisation	2,163,630	2,073,142
Depreciation	118,291	99,341
Unrealised foreign currency (gains)/losses	(62,326)	(23,214)
Share of losses of joint ventures accounted for using the equity method	87,610	-
Share option expense	33,350	89,748
Increase/(decrease) in foreign exchange reserve excluding bank balances	17,360	19,319
Changes in operating assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
Decrease/(Increase) in trade receivables	(31,077)	(34,190)
Decrease/(Increase) in other receivables	13,878	(90,881)
Decrease/(Increase) in inventories	43,526	(58,732)
Decrease/(increase) in DTA	(1,228)	302,252
Increase/(decrease) in trade creditors	856,040	618,756
Increase/(decrease) in other creditors	1,276,173	2,786,408
Increase/(decrease) in other provisions	65,281	70,859
Increase/(decrease) in DTL	69,312	153,976
Increase/(decrease) in provision for income tax	1,136,191	192,771
Cash flow from operations	8,768,168	12,943,080

NOTE 15: CASH FLOW INFORMATION cont'd

b. Facilities with Banks

	Consolidated Group	
	2013	2012
	\$	\$
Credit facility	1,211,000	1,453,666
Facilities utilised		
– Overdraft	-	-
– Multi Option	-	(28,014)
– Loans	-	(416,666)
– Bank guarantees	(160,763)	(367,416)
Amount Available	1,050,237	641,570

NOTE 16: NET TANGIBLE ASSETS PER SECURITY

	Consolidated Group	
	2013	2012
	Cent	Cent
Net Tangible Assets per ordinary share	31.7	26.6

NOTE 17: CONTINGENT LIABILITIES

Estimates of the potential financial effect of contingent liabilities that may become payable:

Contingent Liabilities

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
---------	---------

The Group's bankers have provided a performance guarantee to a third party in respect of a Request for Proposal. This guarantee was subsequently cancelled 3 July 2012.

-	206,653
160,763	367,416

NOTE 18: EVENTS AFTER THE REPORTING PERIOD

There were no material events after the balance sheet date.