



JUMBO INTERACTIVE LIMITED AND ITS CONTROLLED SUBSIDIARIES

(ABN 66 009 189 128)

APPENDIX 4D HALF YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2016

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

Current period:	1 July 2016 to 31 December 2016
Prior corresponding period:	1 July 2015 to 31 December 2015

ROUNDING OF AMOUNTS

The company satisfies the requirements of ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission in relation to rounding of amounts in the directors' report and the financial statements to the nearest thousand dollars. Amounts have been rounded off in the Appendix 4D Half Year Report in accordance with that Legislative Instrument.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the period ended 31 December 2016:

	Consolidated Group		Change	Change
	2016	2015		
	\$'000	\$'000	\$'000	%
Revenue from operations	16,149	17,801	(1,652)	(9.3)
Profit after tax attributable to members	2,603	2,025	578	28.5
Total comprehensive income for the period attributable to members	2,565	1,891	674	35.6

DIVIDENDS

A fully franked final dividend of 5.0 (five) cents per ordinary share for the financial year ended 30 June 2016 was paid on ordinary shares during the half year ended 31 December 2016 (2015: final 1.5¢).

An interim fully franked ordinary dividend of **3.5 (three and a half) cents per share** (2015: interim 2.0¢) with a franking percentage of 100% will be paid as follows:

- Record date: 10 March 2017
- Payment date: 24 March 2017

The conduit foreign income component of the dividend is nil.

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

EXPLANATION OF RESULTS

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 with the sale of lottery tickets. The gross amount received from the sale of goods and rendering of services is advised as Total Transaction Value ("TTV") for information purposes.

Both TTV and Revenue decreased and Profit increased compared to the same period last year. The lower level of large jackpot activity in Australia in the half year was the main reason for the decreased TTV and Revenue. Large jackpot activity is an important driver of sales and can randomly fluctuate over time. During the 31 December 2016 half year, the large jackpot activity was unusually low with only 15 (2015: 24) large jackpots with an aggregate value of \$345 million (2015: \$730 million) This is 37% lower in number and 53% lower in aggregate value in the 2016 half year compared to the previous period. The continued focus on cost management in both Australia and Germany, together with lower impairment/share of losses in an associate company, has resulted in the increased Profit, notwithstanding the decreased Revenue.

During the 2016 half year, the business in Germany was scaled down with customers being referred/converted to Lotto24 under an agreement with them, and tickets ceased being sold early December 2016.

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 (the Company) and the entities it controlled at the end of, and during, the half year ended 31 December 2016.

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 OPERATIONS FOR THE HALF YEAR

Consolidated results

The Company continues to invest in the three main pillars that support the ongoing growth of the Company with \$2,253,000 (2015: \$2,198,000) on its proprietary software platform (intangible assets), \$2,338,000 (2015: \$3,220,000) in marketing activities primarily to acquire new and retain existing customers, and \$3,857,000 (2015: \$4,021,000) on employees who provide the software development and marketing skills, customer support services, and management.

	Half Year			
	2016 \$'000	2015 \$'000	Change \$'000	Change %
TTV	71,100	81,261	(10,161)	(12.5)
Revenue	16,149	17,801	(1,652)	(9.3)
Gross profit	14,855	16,333	(1,478)	(9.0)
Other revenue	611	648	(37)	(5.7)
Expenses	(11,279)	(13,480)	(2,201)	(16.3)
EBITDA	5,769	5,074	695	13.7
NPBT	4,187	3,501	686	19.6
NPAT	2,603	2,025	578	28.5

TTV decreased largely due to a decrease in the Australia Lotteries segment which was partly offset by an increase in the Germany Lotteries segment.

This decrease in TTV resulted in a decrease in Revenue, at a lower percentage due to a slightly better margin in the 2016 half year.

Expenses reduced primarily due to decreases in the Australia Lotteries segment, the German segment and Corporate.

The above has resulted in the increase in earnings and profits.

The size and 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 in Australia is summarised as follows:

	HY 2016	HY 2015	HY 2014
TTV	\$71.1 million	\$81.3 million	\$66.4 million
Reported Revenue	\$16.1 million	\$17.8 million	\$14.7 million
OZ Lotto/ Powerball Division 1 of \$15 million or more			
Number of jackpots of \$15 million or more	15	24	18
Average Division 1 jackpot of \$15 million or more	\$23.0 million	\$30.4 million	\$26.9 million
Peak Division 1 jackpot during the financial year period	\$40 million	\$70 million	\$70 million
Aggregate Division 1 jackpots on offer during the financial year period	\$345 million	\$730 million	\$485 million

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

	Note	Segment Revenue and Other Income		Segment Results - NPBT	
		HY Dec 2016 \$'000	HY Dec 2015 \$'000	HY Dec 2016 \$'000	HY Dec 2015 \$'000
Internet lotteries					
Australia		15,997	17,800	5,739	5,847
Germany		285	123	(870)	(1,334)
Internet lotteries segment	2	16,282	17,923	4,869	4,513
All other segments	2	422	434	181	178
		16,704	18,357	5,050	4,691

For a reconciliation between these segment results and the results per the Statement of Profit or Loss and Other Comprehensive Income, refer to Note 2 of the financial statements.

Mexico was removed as a reportable segment in the 2016 financial year as it effectively became dormant in July 2015, and is included in All other segments.

Review of Operations

(a) Online Lottery Segment

The Internet lottery segment revenue and other income decreased 9.1% or \$1,641,000 to \$16,282,000 (2015: \$17,923,000) following a decrease in TTV of 12.6% or \$10,148,000 to \$70,678,000 (2015: \$80,826,000) mainly as a result of the lower level of large jackpot activity in the Australia Lotteries segment.

Notwithstanding the decrease in Revenue, there has been a reasonable increase in net profit before tax contribution of 7.9% or \$356,000 to \$4,869,000 (2015: \$4,513,000) due mainly to a continued focus on cost management in both Australia and Germany, particularly in respect of marketing expenses associated with the lower level of large jackpot activity in Australia.

Australia

TTV for the half year decreased by \$10,613,000 or 13.3% to \$69,290,000 (2015: \$79,903,000) due primarily to the lower level of large jackpot activity. This has resulted in a decrease in Revenue by \$1,679,000 or 9.7% to \$15,589,000 (2015: \$17,268,000). The combination of lower TTV, Revenue and Other revenue, and lower Expenses, has resulted in a small decrease in NPBT.

Appendix 4D – Half Year Report

Jumbo invests extensively in online marketing to grow and activate the customer database that transact via its website (www.ozlotteries.com) and associated mobile apps (iOS & Android). The following key performance indicators (KPIs) are used to track the effectiveness of these campaigns:

1. CPL: Cost per Lead (new online accounts) defined as total cost to acquire these new accounts divided by the number of new accounts in a given period. New accounts potentially become active customers after the account has been established.
2. Number of Active Online Customers defined as customers who have spent money on tickets in a given period.
3. Average spends per active online customer defined as the total spent by active online customers divided by the number of active online customers in a given period.

The following table summarizes the Marketing KPI's:

<u>www.ozlotteries.com</u> and mobile apps	HY 2016	HY 2015
Number of new online accounts	77,803	108,650
CPL	\$16.52	\$19.06
Number of active online customers (12 months)	361,701	350,300
Average spend per active online customer (12 months)	\$321.89	\$340.35

Charities continue to show strong growth with TTV increasing by \$1,111,000 or 223.5% to \$1,608,000 (2015: \$497,000) since launching in June 2015.

Operating expenses decreased by \$1,532,000 or 14.6% to \$8,990,000 (2015: 10,522,000) mainly due to decreases in marketing of \$1,087,000 and merchant fees of \$209,000 associated with a decrease in TTV through lower jackpot activity and recruitment respectively.

As a result of the above, NPBT decreased slightly by \$108,000 or 1.8% to \$5,739,000 (2015: 5,847,000).

Germany

Although there was an improvement in TTV by \$465,000 or 50.4% to \$1,388,000 (2015: \$923,000) and Revenue by \$40,000 or 40.8% to \$138,000 (2015: \$98,000), as announced 24 November 2016, unfavourable market conditions resulted in a decision to scale down the business. Ticket sales ceased early December 2016 and Other revenue increased by \$121,000 to \$146,000 (2015: \$25,000) largely as a result of income from the Lotto24 agreement for the sign-up of customers to their website.

The reduction in operating expenses by \$303,000 or 20.8% to \$1,154,000 (2015: \$1,457,000) was mainly due to approximately \$400,000 non-recurring expenses in the 2015 half year relating to the restructure of the business undertaken in June 2015, and increased marketing (which contributed to the increased TTV).

As a result of the above, the NLBT improved by \$464,000 or 34.8% to \$870,000 loss (2015: \$1,334,000 loss).

Expenses and NLBT for H2 FY2017 are estimated at approximately \$300,000 in relation to ceasing the business.

(b) All Other Segments

This segment consists of the sale of non-lottery products and services.

Mexico

With no meaningful opportunities in the foreseeable future in Mexico, activity is minimal and this segment ceased being reportable during the 2016 financial year.

The NLBT for Mexico was \$25,000 loss (2015: \$38,000 loss) due to professional services expenses.

Proprietary payroll software program

TTV and Revenue decreased by \$13,000 or 3.0% to \$422,000 (2015: \$435,000) mainly due to lower marketing spend for the 2016 half year compared to 2015, with a small decrease in profit of \$9,000 or 4.2% to \$264,000 (2015: \$291,000).

(c) Corporate

Operating expenses decreased \$363,000 or 28.3% to \$919,000 (2015: \$1,190,000) mainly due to no share of losses and no impairment relating to associate company for the 2016 half year.

NLBT improved by \$343,000 or 27.3% to \$919,000 (2015: \$1,262,000).

Other

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

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.



David K Barwick

Chairman

Brisbane

16 February 2017

AUDITOR'S INDEPENDENCE DECLARATION



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DECLARATION OF INDEPENDENCE BY K L COLYER TO THE DIRECTORS OF JUMBO INTERACTIVE LIMITED

As lead auditor for the review of Jumbo Interactive Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

- a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) 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, appearing to read 'K L Colyer'. The signature is written in a cursive style with a large, looped 'y' at the end.

K L Colyer

Director

BDO Audit Pty Ltd

Brisbane, 16 February 2017

Jumbo Interactive Limited and its Controlled Subsidiaries

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended 31 December 2016

	Note	Consolidated Group Half Year	
		2016 \$'000	2015 \$'000
Revenue	3	16,149	17,801
Cost of sales	4	(1,294)	(1,468)
Gross profit		14,855	16,333
Other revenue/income	3	611	648
Expenses			
Distribution expenses		(11)	(17)
Marketing costs		(2,338)	(3,220)
Occupancy expenses	4	(529)	(539)
Administrative expenses	4	(8,398)	(9,252)
Finance costs		(3)	(3)
Impairment of investment		-	(224)
Share of losses of associates/joint venture(s) accounted for using the equity method		-	(225)
Profit before income tax expense		4,187	3,501
Income tax expense		(1,584)	(1,476)
Profit after income tax expense for the year attributable to the owners of Jumbo Interactive Limited		2,603	2,025
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences		(38)	(134)
Other comprehensive income for the half year, net of tax		(38)	(134)
Total comprehensive income for the half year attributable to the owners of Jumbo Interactive Limited		2,565	1,891
		Cents	Cents
Basic earnings per share		5.9	4.6
Diluted earnings per share		5.9	4.6

The above Consolidated 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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	31 December 2016 \$'000	30 June 2016 \$'000
Current Assets			
Cash and cash equivalents	5	25,889	25,306
Trade and other receivables		904	568
Inventories		52	62
Total current assets		<u>26,845</u>	<u>25,936</u>
Non-current assets			
Receivables		100	100
Investments accounted for using the equity method	6	-	-
Available-for-sale financial assets	7	-	-
Property, plant and equipment		360	401
Intangible assets		11,270	10,719
Deferred tax assets		1,044	1,076
Total non-current assets		<u>12,774</u>	<u>12,296</u>
Total assets		<u>39,619</u>	<u>38,232</u>
Current liabilities			
Trade and other payables	8	13,560	12,239
Current tax liabilities		388	697
Provisions		278	281
Total current liabilities		<u>14,226</u>	<u>13,217</u>
Non-current liabilities			
Provisions		240	271
Deferred tax liabilities		28	48
Total non-current liabilities		<u>268</u>	<u>319</u>
Total liabilities		<u>14,494</u>	<u>13,536</u>
Net assets		<u>25,125</u>	<u>24,696</u>
Equity			
Contributed equity	9	29,827	29,827
Accumulated losses		(17,399)	(17,399)
Profits appropriation reserve		14,250	13,850
Other reserves		(1,553)	(1,582)
Total equity		<u>25,125</u>	<u>24,696</u>

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

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

For the half year ended 31 December 2016

	Contributed equity	Accumulated losses	Profits appropriation reserve	Share- based payments reserve	Foreign currency translation reserve	Financial assets revaluation reserve	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CONSOLIDATED GROUP							
Balance at 1 July 2015	29,970	(17,399)	10,724	777	(89)	(2,302)	21,681
Total comprehensive income for the half-year							
Profit for the half-year	-	-	2,025	-	-	-	2,025
<i>Other comprehensive income</i>							
Foreign currency translation reserve differences	-	-	-	-	(134)	-	(134)
Total comprehensive income for the half-year	-	-	2,025	-	(134)	-	1,891
Transactions with owners in their capacity as owners							
Issue of shares	(118)	-	-	-	-	-	(118)
Dividends paid	-	-	(663)	-	-	-	(663)
Share-based payments	-	-	-	65	-	-	65
	(118)	-	(663)	65	-	-	(716)
Balance at 31 December 2015	29,851	(17,399)	12,087	842	(223)	(2,302)	22,855
Total comprehensive income for the half-year							
Profit for the half-year	-	-	2,645	-	-	-	2,645
<i>Other comprehensive income</i>							
Foreign currency translation reserve differences	-	-	-	-	32	-	32
Total comprehensive income for the half-year	-	-	2,645	-	32	-	2,677

CONSOLIDATED GROUP	Contributed equity	Accumulated losses	Profits appropriation reserve	Share-based payments reserve	Foreign currency translation reserve	Financial assets revaluation reserve	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Transactions with owners in their capacity as owners							
Share buyback	(24)	-	-	-	-	-	(24)
Dividends paid	-	-	(881)	-	-	-	(881)
Share-based payments	-	-	-	69	-	-	69
	(24)	-	(881)	69	-	-	(836)
Balance at 30 June 2016	29,827	(17,399)	13,850	911	(191)	(2,302)	24,696
Total comprehensive income for the half-year							
Profit for the half-year	-	-	2,603	-	-	-	2,603
<i>Other comprehensive income</i>							
Foreign currency translation reserve differences	-	-	-	-	(38)	-	(38)
Total comprehensive income for the half year	-	-	2,603	-	(38)	-	2,565
Transactions with owners in their capacity as owners							
Dividends paid	-	-	(2,203)	-	-	-	(2,203)
Share-based payments	-	-	-	67	-	-	67
	-	-	(2,203)	67	-	-	(2,136)
Balance at 31 December 2016	29,827	(17,399)	14,250	978	(229)	(2,302)	25,125

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

Jumbo Interactive Limited and its Controlled Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 31 December 2016

	Note	Consolidated Group	
		Half Year	
		2016	2015
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		17,400	19,296
Payments to suppliers and employees		(10,636)	(11,467)
Interest received		291	295
Interest and other costs of finance paid		(3)	(3)
Income tax paid		(1,882)	(2,329)
Net cash provided by (used in) operating activities		5,170	5,792
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(61)	(98)
Payments for intangibles		(2,321)	(2,287)
Proceeds from sale of plant and equipment		-	12
Net cash provided by (used in) investing activities		(2,382)	(2,373)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for share buybacks		-	(118)
Dividends paid	10	(2,203)	(663)
Net cash provided by (used in) financing activities		(2,203)	(781)
Net increase in cash and cash equivalents		585	2,638
Net foreign exchange differences		(2)	(2)
Cash and cash equivalents at beginning of half year		25,306	23,778
Cash and cash equivalents at end of half year		25,889	26,414

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

Jumbo Interactive Limited and its Controlled Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 31 December 2016

NOTE 1: BASIS FOR PREPARATION OF HALF YEAR FINANCIAL STATEMENTS

These general purpose financial statements for the half year reporting period ended 31 December 2016 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 2016 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 half year 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: 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 2015 are 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

Mexico was removed as a reportable segment in the 2016 financial year as it effectively became dormant in July 2015, and is now included in All Other Segments.

NOTE 2: SEGMENT REPORTING (CONT'D)

(b) Segment information provided to the Board

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

Half year ended 31 December 2016	Internet Lotteries Australia \$'000	Internet Lotteries Germany \$'000	Total Internet Lotteries \$000
Total segment sales revenue	15,589	138	15,727
Intersegment revenue	-	-	-
Total sales revenue from external customers	15,589	138	15,727
Other revenue/income from external customers	408	147	555
Total revenue and other income from external customers	15,997	285	16,282
Net profit before tax	5,739	(870)	4,869
Interest revenue	235	-	235
Depreciation and amortisation	1,795	20	1,815
Foreign exchange (gain)/loss	(127)	-	(127)

There was no impairment charge or other significant non-cash item recognised in the 2016 half year relating to the segments.

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

Half year ended 31 December 2015	Internet Lotteries Australia \$'000	Internet Lotteries Germany \$'000	Total Internet Lotteries \$'000
Total segment sales revenue	17,268	98	17,366
Intersegment revenue	-	-	-
Total sales revenue from external customers	17,268	98	17,366
Other revenue/income from external customers	531	25	566
Total revenue and other income from external customers	17,799	123	17,922
Net profit before tax	5,847	(1,334)	4,513
Interest revenue	239	-	239
Depreciation and amortisation	1,796	13	1,809
Foreign exchange (gain)/loss	(211)	-	(211)

There was no impairment charge or other significant non-cash item recognised in the 2015 half year relating to the segments.

(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.

NOTE 2: SEGMENT REPORTING (CONT'D)

Segment revenue and other income reconciles to total revenue and other income as follows:

	Consolidated Group Half Year	
	2016	2015
	\$'000	\$'000
Total Internet Lotteries segment revenue and other income	16,282	17,922
All Other Segments revenue other income	422	434
All other interest revenue	56	73
Other	-	20
Total revenue and other income from operations (note 3)	16,760	18,449

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 Half Year	
	2016	2015
	\$'000	\$'000
NPBT	4,869	4,513
All Other Segments	181	178
Other	-	20
Interest revenue	56	73
Corporate expenses		
Finance costs expense	(3)	(3)
Share based payments expense	(67)	(65)
Directors' remuneration	(72)	(72)
Salaries and wages	(458)	(393)
Impairment of investments	-	(224)
Share of gains/(losses) in associate companies	-	(225)
Other	(319)	(301)
Profit before income tax from operations (per P&L)	4,187	3,501

NOTE 3: REVENUE AND OTHER INCOME

	Consolidated Group Half Year	
	2016 \$'000	2015 \$'000
Revenue		
— Revenue from sale of goods	1,277	1,328
— Revenue from rendering services	14,872	16,473
Revenue from continuing operations	<u>16,149</u>	<u>17,801</u>
Other income/ revenue		
— Interest received		
- Cash	291	312
— Other revenues		
- Foreign exchange gains	127	231
- Other	193	105
	<u>611</u>	<u>648</u>
Total	<u>16,760</u>	<u>18,449</u>

NOTE 4: PROFIT FOR THE YEAR

	Consolidated Group Half Year	
	2016 \$'000	2015 \$'000
Profit before income tax from operations includes the following specific expenses:		
Cost of sales		
— Sale of goods	595	613
— Rendering of services	699	855
Administration expenses		
Depreciation of non-current assets		
- Plant and equipment	78	79
Amortisation of non-current assets		
- Leasehold improvements	24	33
- Intangibles	1,770	1,772
Other expenses		
- Employee benefits expense	3,444	3,564
- Defined contribution superannuation expense	413	457
Occupancy expenses		
— Operating lease rentals-minimum lease payments	529	539

NOTE 5: CASH AND CASH EQUIVALENTS

	Note	Consolidated Group	
		31 December 2016 \$'000	30 June 2016 \$'000
Total cash and cash equivalents		25,889	25,306
<i>Included in the above balance:</i>			
General account balances		19,241	18,251
Online lottery customer account balances	8	6,648	7,055
		<u>25,889</u>	<u>25,306</u>

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

NOTE 6: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Interest in Associate – Lotto Points Plus Inc., USA	Place of business/ Country of incorporation	31 Dec 2016 %	30 Jun 2016 %	31 December 2016 \$'000	30 June 2016 \$'000
<i>Unlisted shares</i>					
Lotto Points Plus Inc	New York, USA	30.9	34.8	_____	_____
Net investment in associate company				-	-

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

Unlisted securities comprise investments in:

- a) Sorteio Games Inc., USA. The Company owns 7% of the issued share capital of Sorteio Games Inc. Shares in Sorteio Games Inc are carried at fair value of \$nil (2015: \$nil).
- b) Lottery Rewards Inc., USA. The Company owns 6.4% of the issued share capital of Lottery Rewards Inc directly (0.2%) and indirectly (6.2%). Shares in Lottery Rewards Inc are carried at fair value of \$nil.

NOTE 8: TRADE AND OTHER PAYABLES

	Note	Consolidated Group	
		31 December 2016 \$'000	30 June 2016 \$'000
Total trade and other payables		13,560	12,239
<i>Included in the above balance:</i>			
Trade creditors and other payables		6,912	5,184
Customer funds payable	5	6,648	7,055
		<u>13,560</u>	<u>12,239</u>

NOTE 9: ISSUED CAPITAL

	Half Year		Half Year	
	2016 Shares	2016 \$'000	2015 Shares	2015 \$'000
At the beginning of the reporting period	44,064,579	29,827	44,202,560	29,969
Shares bought back during the year				
On-market share buy-back plan	-	-	(112,981)	(118)
	<u>44,064,579</u>	<u>29,827</u>	<u>44,089,579</u>	<u>29,851</u>

NOTE 10: DIVIDENDS

	Consolidated Group Half Year	
	2016 \$'000	2015 \$'000
Ordinary shares		
Dividends paid in cash during the half year	<u>2,203</u>	<u>663</u>
	<u>2,203</u>	<u>663</u>

NOTE 11: NET TANGIBLE ASSETS PER SECURITY

	Consolidated Group Half Year	
	2016 Cent	2015 Cent
Net Tangible Assets per ordinary share	29.1	27.4

NOTE 12: FAIR VALUE MEASUREMENTS

Financial assets at fair value through Other Comprehensive Income are recognised and measured at fair value on a recurring basis.

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).

Recognised fair value measurements

The following table sets out the group's assets and liabilities that are measured and recognised at fair value in the financial statements

	Note	Consolidated Group Half Year	
		2016 \$'000	2015 \$'000
Available-for-sale financial assets	7	-	-

NOTE 13: 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 2016 half year occurred inside the reportable period in 31 December 2016, whereas for the December 2015 half year this occurred outside the reportable period on 2 January 2016. There were 15 OZ Lotto/ Powerball jackpots of \$15 million or more during the December 2016 half-year period, with a peak \$40 million OZ Lotto jackpot in August 2016, compared to the December 2015 half-year period of 24 such jackpots with a peak \$70 million Powerball jackpot in November 2015.

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

	HY Dec 2016	HY Jun 2016	HY Dec 2015
TTV	\$71.1 million	\$74.4 million	\$81.3 million
Reported Revenue	\$16.1 million	\$16.5 million	\$17.8 million
OZ Lotto/ Powerball			
Number of jackpots of \$15 million or more	15	21	24
Average Division 1 jackpot of \$15 million or more	\$23.0 million	\$26.9 million	\$30.4 million
Peak Division 1 jackpot during the half-year period	\$40 million	\$70 million	\$70 million

NOTE 14: EVENTS AFTER THE REPORTING PERIOD

Apart from the interim dividend declared, the directors are not aware of any matter or circumstance that has arisen that has significantly affected, or may significantly affect, the operations of the Group in the half year subsequent to 31 December 2016.

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 2016 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.



David K Barwick
Chairman
Brisbane

16 February 2017



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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 2016, 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 2016 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 2016 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



K L Colyer

Director

Brisbane, 16 February 2017