



# **JUMBO INTERACTIVE LIMITED AND ITS CONTROLLED SUBSIDIARIES**

(ABN 66 009 189 128)

## **APPENDIX 4D HALF YEAR REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

*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 2018 to 31 December 2018
Prior corresponding period:	1 July 2017 to 31 December 2017

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the period ended 31 December:

	Consolidated Group			
	Half Year		Change	Change
	2018	2017		
Continuing operations	\$'000	\$'000	\$'000	%
Revenue from continuing operations	30,510	19,324	11,186	57.9
Profit after tax from continuing operations attributable to members	12,651	5,306	7,345	138.4
Total comprehensive income for the period attributable to members	12,645	5,318	7,327	137.8

### DIVIDENDS

A fully franked final dividend of 11.0 (eleven) cents per ordinary share for the financial year ended 30 June 2018 (2017: final 5.0¢) was paid on ordinary shares during the half year ended 31 December 2018.

An interim fully franked ordinary dividend of **15.0 (fifteen) cents per share** (2017: interim 7.5¢) with a franking percentage of 100% will be paid as follows:

- Record date: 8 March 2019
- Payment date: 22 March 2019

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 for the sale of goods and rendering of services is advised as Total Transaction Value (**TTV**) for information purposes.

TTV, Revenue and Profit all increased compared to the previous corresponding period (**pcp**), due largely to improved customer engagement together with higher large jackpot activity which has led to increased customer activity (both new and existing customers) and customer spend. The improved customer engagement is evidenced by the 48% increase in Active Customers for the 12 month period to 31 December 2018 to 576,144 (2017: 389,510) made possible by the improved software platform.

Large jackpot activity is an important driver of sales and can vary period to period due to the random nature of lottery games. A large jackpot is defined as a Oz Lotto game and/or Powerball game Division 1 prize of \$15 million or more. During the current half year period, there were 23 large jackpots (2017: 18) with an aggregate value of \$860 million (2017: \$480 million). This is 28% higher in number and 79% higher in aggregate value compared to the pcp. There were also six jackpots at \$50 million or more (2017: 2), including one \$100 million jackpot (2017: nil). The continued focus on cost management has resulted in the increased Profit.

Expenses increased primarily due to:

- Australia Lotteries segment – mainly (i) increased marketing and merchant fees associated with the higher TTV, (ii) increased employee benefits and (iii) decreased depreciation and amortisation; and
- Corporate segment - largely from increased employee benefits and reduced impairment of investments.

The Company continues to invest in the three main pillars that support the ongoing growth of the Company with \$2,344,000 (2017: \$2,215,000) invested in its proprietary software platform (intangible assets), \$2,938,000 (2017: \$2,347,000) invested in marketing activities primarily to acquire new and retain existing customers, and \$4,018,000 (2017: \$3,935,000) on employees who provide the software development and marketing skills, customer support services, and management.

## 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 2018.

### 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)
- Giovanni Rizzo (non-executive Director) – appointed 1 January 2019

### 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

TTV and Revenue increased largely due to improved customer engagement (increased new customers, increased customer activity, and increased customer spend) on the back of higher jackpot activity, and together with a continued focus on management of costs, resulted in a significant increase in profits.

Continuing operations	Half Year		Change \$'000	Change %
	2018 \$'000	2017 \$'000		
TTV	147,849	89,085	58,764	66.0
Revenue	30,510	19,324	11,186	57.9
Gross profit	29,479	18,156	11,323	62.4
Other revenue	887	509	378	74.3
Expenses	(12,164)	(10,959)	1,205	11.0
NPBT	18,202	7,706	10,496	136.2
NPAT attributable to members	12,651	5,306	7,345	138.4
EBIT	17,513	7,310	10,203	139.6
EBITDA	19,110	8,984	10,126	112.7

This increase in TTV resulted in an increase in Revenue, albeit at a lower percentage due to a reduced Revenue margin of 20.6% (2017: 21.7%). The reduction of 110bps in Revenue margin is primarily due to a change in product mix largely as a result of the jackpot activity per product.

Total costs have increased by 11.0% or \$1,205,000 for the half year period with the change from the pcp represented mainly by:

- Marketing – an increase of \$591,000 (improving the marketing KPIs – see below) which drives both new customer acquisition and re-engagement with existing customers, which have contributed to the increase in TTV, Revenue and Profit;

## Appendix 4D – Half Year Report

- Occupancy – a decrease of \$80,000 mainly due to an early reset of the office lease with the landlord that was mutually beneficial; and
- Administrative expenses – an increase of \$694,000 which has mainly been (i) Bank merchant fees and charges (increase \$553,000) largely due to the increased TTV, and (ii) Electronic identification verification (increase \$55,000) due to increased new active customers.

The above-mentioned increase in TTV and Revenue together with effective cost control has resulted in an increase in earnings and profits.

*Significant changes in State of Affairs*

Significant changes in the state of affairs of the Group for the financial half year were as follows:

(a) Increase in contributed equity of \$16,297,000 resulting from:

	<b>31 Dec 2018</b>
	<b>\$'000</b>
➤ Issue of 5,724,492 shares as a result of exercise of options (see note 10 for details)	16,297
	16,297

(b) Increase in cash of \$29,386,000 resulting from:

	<b>\$'000</b>
➤ Cash raised from the issue of shares per (a) above	16,297
➤ Dividends paid (see Cash Flow Statement for details)	(6,438)
➤ Cash provided by operating activities (see Cash Flow Statement for details)	22,072
➤ Cash used in investing activities (see Cash Flow Statement for details)	(2,544)
➤ Other	(1)
	29,386

(c) Increase in non-current assets of \$735,000 resulting from:

	<b>\$'000</b>
➤ Investment in website development costs net of amortisation	822
➤ Changes in other non-current assets	(87)
	735

(d) Increase in trade and other payables of \$7,100,000 resulting from:

	<b>\$'000</b>
➤ Trade and other payables – largely due to weekly arrear payments to Tatts for tickets purchased for the last two weeks of December being rolled to two weeks and paid 2 January 2019	5,173
➤ Customer account balances – mainly prizes from New Year's Eve draw on 29 December 2018 paid into customer accounts 31 December 2018	1,927
	7,100

The number of large jackpots is an important driver of TTV. The TTV trend over the last three half year periods in the context of such jackpots in Australia is summarised as follows:

	<b>HY Dec 2018</b>	<b>HY Dec 2017</b>	<b>HY Dec 2016</b>
TTV – Internet Lotteries Australia	\$147.4 million	\$88.7 million	\$69.3 million
Reported Revenue – Internet Lotteries Australia	\$30.1 million	\$18.9 million	\$15.6 million
<b>OZ Lotto/ Powerball Division 1 of \$15 million or more</b>			
Number of jackpots of \$15 million or more	23	18	15
Average Division 1 jackpot of \$15 million or more	\$37.3 million	\$26.7 million	\$23.0 million
Peak Division 1 jackpot during the half year period	\$100 million	\$50 million	\$40 million
Aggregate Division 1 jackpots on offer during the half year period	\$860 million	\$480 million	\$345 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 2018 \$'000	HY Dec 2017 \$'000	HY Dec 2018 \$'000	HY Dec 2017 \$'000
Internet lotteries					
Australia		30,671	19,286	19,050	8,637
Internet lotteries segment		30,671	19,286	19,050	8,637
All other segments		453	407	236	220
Corporate		273	140	(1,084)	(1,151)
	2	31,397	19,833	18,202	7,706

For 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.

## Review of Operations

### (a) Online Lottery Segment

#### Australia

Improvements continue to be made to online marketing and player engagement, and together with the higher level of large jackpot activity, which was 28% higher in number and 79% higher in aggregate value compared to the pcp, resulted in a 58.9% or \$11,140,000 increase in revenue to \$30,057,000 (2017: \$18,917,000). Other income increased by \$245,000 or 66.4% to \$614,000 (2017: \$369,000). Net profit before tax increased by 120.6% or \$10,413,000 to \$19,050,000 (2017: \$8,637,000) due mainly to improved customer activity (new and existing) and higher levels of spend on the back of higher jackpot activity, notwithstanding an increase in expenses of 11.7% or \$1,110,000 to \$10,591,000 (2017: \$9,481,000).

The increase in expenses is largely attributable to the increased TTV with the principal expense increases relating to a 27.0% or \$615,000 increase in Marketing expense to \$2,895,000 (2017: \$2,280,000), and in Administration expenses being a 8.4% or \$570,000 increase to \$7,325,000 (2017: \$6,755,000) due largely to a 70.4% or \$552,000 increase in Bank merchant fees and charges to \$1,336,000 (2017: \$784,000). There was also a 229.2% or \$55,000 increase in Electronic identity verification expenses to \$79,000 (2017: \$24,000). Occupancy expenses reduced by 18.4% or \$80,000 to \$356,000 (2017: \$436,000) following a reset of the office lease.

TTV for the half year increased by 66.2% or \$58,719,000 to \$147,396,000 (2017: \$88,677,000).

Jumbo invests extensively in online marketing to grow and activate the customer database that transacts via its website ([www.ozlotteries.com](http://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) is defined as the total cost to acquire these new accounts divided by the number of new accounts in a given period. New accounts may potentially become active customers after the account has been established.
2. Number of Active Online Customers is defined as customers who have spent money on tickets in a given period.
3. Average spend per active online customer is 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:

<b><u>www.ozlotteries.com</u> and mobile apps</b>	HY Dec 2018	HY Dec 2017
Number of new online accounts (6 month period)	199,410	103,912
CPL (6 month period)	\$12.87	\$18.81
Number of active online customers (12 month period)	576,144	389,510
Average spend per active online customer (12 month period)	\$419.78	\$368.91

The 91.9% increase in new online accounts and 47.9% increase in active online customers are due mainly to improved customer engagement on the back of an increase in large jackpot activity (28% increase in number and 79% increase in aggregate value). The 13.8% increase in average spend is largely due to improved customer engagement and marketing initiatives, and an increase in charity lottery sales. The 31.6% decrease in CPL is mostly due to increased competition in the search engine marketing segment and experimenting with other marketing channels to acquire customers.

### **(b) All Other Segments**

This segment consists of the sale of non-lottery products and services. TTV and Revenue and other income increased by 11.3% or \$46,000 to \$453,000 (2017: \$407,000) and net profit before tax increased by 7.3% or \$16,000 to \$236,000 (2017: \$220,000).

### **(c) Corporate**

The net loss decreased by \$67,000 or 5.8% to NLBT \$1,084,000 (2017: NLBT \$1,151,000) and is represented mainly by a 95.0% or \$133,000 increase in Other income to \$273,000 (2017: \$140,000) and a 5.1% or \$66,000 increase in expenses to \$1,357,000 (2017: \$1,291,000).

Other revenue increased mainly due to increased interest received on an increased cash balance resulting from the proceeds of allotment of shares on exercise of options by Tatts in July 2018 and staff during the half year.

The increase in expenses is largely due to a 7.3% or \$92,000 increase in Administrative expenses to \$1,353,000 (2017: \$1,261,000) mainly due to a 7.8% or \$67,000 increase in employee benefits expenses (mainly share based payments from exercise of options by staff).

### **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 set out on page 8 of this report.

### **ROUNDING OF AMOUNTS**

The company is of a kind referred to ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with the instrument.

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



**David K Barwick**  
**Chairman**

Brisbane  
15 February 2019

## 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 2018, 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, appearing to read 'K L Colyer'. The signature is fluid and cursive, with a large loop at the end of the last name.

**K L Colyer**  
Director

**BDO Audit Pty Ltd**

Brisbane, 15 February 2019



## Jumbo Interactive Limited and its Controlled Subsidiaries

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended 31 December 2018

		Half Year	
	Note	2018 \$'000	2017 \$'000
<b>Revenue</b>	3	30,510	19,324
Cost of sales		(1,031)	(1,168)
Gross profit		29,479	18,156
Other revenue/income	3	887	509
<b>Expenses</b>			
Distribution expenses		(11)	(11)
Marketing costs		(2,938)	(2,347)
Occupancy expenses		(372)	(452)
Administrative expenses	4	(8,840)	(8,146)
Finance costs		(3)	(3)
<b>Profit before income tax expense</b>		18,202	7,706
Income tax expense		(5,551)	(2,400)
<b>Profit after income tax expense for the half year attributable to the owners of Jumbo Interactive Limited</b>		12,651	5,306
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences		(6)	12
Other comprehensive income for the half year, net of tax		(6)	12
<b>Total comprehensive income for the half year attributable to the owners of Jumbo Interactive Limited</b>		12,645	5,318
<b>Earnings per share (cents per share)</b>		<b>Cents</b>	<b>Cents</b>
<b>From continuing operations</b>			
Basic earnings per share	5	21.42	10.41
Diluted earnings per share	5	20.71	10.15

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

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	31 December 2018 \$'000	30 June 2018 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	6	77,305	47,919
Trade and other receivables		566	509
Inventories		11	57
<b>Total current assets</b>		<u>77,882</u>	<u>48,485</u>
<b>Non-current assets</b>			
Property, plant and equipment		405	280
Intangible assets		13,935	13,113
Deferred tax assets		834	1,046
<b>Total non-current assets</b>		<u>15,174</u>	<u>14,439</u>
<b>Total assets</b>		<u>93,056</u>	<u>62,924</u>
<b>Current liabilities</b>			
Trade and other payables	9	21,446	14,346
Current tax liabilities		739	594
Employee benefit obligations		290	309
<b>Total current liabilities</b>		<u>22,475</u>	<u>15,249</u>
<b>Non-current liabilities</b>			
Employee benefit obligations		436	368
Make good provisions		24	24
Deferred tax liabilities		76	72
<b>Total non-current liabilities</b>		<u>536</u>	<u>464</u>
<b>Total liabilities</b>		<u>23,011</u>	<u>15,713</u>
<b>Net assets</b>		<u>70,045</u>	<u>47,211</u>
<b>Equity</b>			
Contributed equity	10	72,214	55,917
Accumulated losses		(17,399)	(17,399)
Profits appropriation reserve		15,577	9,364
Other reserves		(347)	(671)
<b>Total equity</b>		<u>70,045</u>	<u>47,211</u>

The above 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 2018

	Contributed equity \$'000	Accumulated losses \$'000	Profits appropriation reserve \$'000	Share-based payments reserve \$'000	Foreign currency translation reserve \$'000	Available-for-Sale financial assets reserve \$'000	Total equity \$'000
<b>CONSOLIDATED GROUP</b>							
<b>Balance at 1 July 2017</b>	45,492	(17,399)	15,745	1,060	304	(2,302)	42,900
<b>Total comprehensive income for the half year</b>							
Profit for the half year	-	-	5,306	-	-	-	5,306
Other comprehensive income	-	-	-	-	12	-	12
Total comprehensive income for the half year	-	-	5,306	-	12	-	5,318
<b>Transactions with owners in their capacity as owners</b>							
Issue of shares	1,138	-	-	-	-	-	1,138
Dividends paid	-	-	(10,255)	-	-	-	(10,255)
Share-based payments	-	-	-	212	-	-	212
	1,138	-	(10,255)	212	-	-	(8,905)
<b>Balance at 31 December 2017</b>	46,630	(17,399)	10,796	1,272	316	(2,302)	39,313
<b>Total comprehensive income for the half year</b>							
Profit for the half year	-	-	6,821	-	-	-	6,821
Other comprehensive income	-	-	-	-	(389)	-	(389)
Total comprehensive income for the half year	-	-	6,821	-	(389)	-	6,432
<b>Transactions with owners in their capacity as owners</b>							
Issue of shares	9,287	-	-	-	-	-	9,287
Dividends paid	-	-	(8,253)	-	-	-	(8,253)
Share-based payments	-	-	-	432	-	-	432
	9,287	-	(8,253)	432	-	-	1,466
<b>Balance at 30 June 2018</b>	55,917	(17,399)	9,364	1,704	(73)	(2,302)	47,211

<b>CONSOLIDATED GROUP</b>	<b>Contributed equity \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Profits appropriation reserve \$'000</b>	<b>Share- based payments reserve \$'000</b>	<b>Foreign currency translation reserve \$'000</b>	<b>Available- for-Sale financial assets reserve \$'000</b>	<b>Total equity \$'000</b>
<b>Total comprehensive income for the half year</b>							
Profit for the half year	-	-	12,651	-	-	-	12,651
Other comprehensive income	-	-	-	-	(6)	-	(6)
<b>Total comprehensive income for the half year</b>	-	-	12,651	-	(6)	-	12,645
<b>Transactions with owners in their capacity as owners</b>							
Issue of shares	16,297	-	-	-	-	-	16,297
Dividends paid	-	-	(6,438)	-	-	-	(6,438)
Share-based payments	-	-	-	330	-	-	330
	16,297	-	(6,438)	330	-	-	10,189
<b>Balance at 31 December 2018</b>	72,214	(17,399)	15,577	2,034	(79)	(2,302)	70,045

The above 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 2018

		Half Year	
	Note	2018 \$'000	2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		33,363	21,104
Payments to suppliers and employees		(6,787)	(7,952)
Interest received		689	396
Interest and other costs of finance paid		(3)	(3)
Income tax received		85	-
Income tax paid		(5,275)	(2,246)
Net cash provided by (used in) operating activities		22,072	11,299
CASH FLOWS FROM INVESTING ACTIVITIES			
Loan repaid from related party		-	100
Payments for plant and equipment		(200)	(69)
Payments for intangibles		(2,344)	(2,215)
Net cash provided by (used in) investing activities		(2,544)	(2,184)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	10	16,297	1,138
Dividends paid	11	(6,438)	(10,255)
Net cash provided by (used in) financing activities		9,859	(9,117)
Net increase (decrease) in cash and cash equivalents		29,387	(2)
Net foreign exchange differences		(1)	-
Cash and cash equivalents at beginning of half year		47,919	43,320
Cash and cash equivalents at end of half year		77,305	43,318

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 PRELIMINARY FINAL REPORT**

**For the half year ended 31 December 2018**

#### **NOTE 1: BASIS FOR PREPARATION OF HALF YEAR REPORT**

These general purpose financial statements for the half year reporting period ended 31 December 2018 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 2018 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**

Jumbo determines and presents operating segments on a product and a geographic basis as this is how the results are reported internally to the Board (chief operating decision maker) and how the business is managed. The Board assesses the performance of the Group based on the net profit before tax (NPBT). Comparatives for 2017 are stated on this basis.

##### **Segment information**

###### **(a) Description of segments**

The following summary describes the operations in each of the Group's reportable segments:

###### **Internet Lotteries Australia**

Retail of Australian lottery tickets sold in Australia and eligible international jurisdictions, and internet database management/marketing. The dormant Mexico Internet Lotteries business is also included due to its similar characteristics.

###### **Other**

Business activities which are not reportable in terms of AASB 8, which are currently the online sale of an internally developed proprietary payroll software system.

###### **Corporate**

Corporate costs include costs in respect of the Directors, CEO, CFO, corporate advertising, promotion and marketing, corporate investment and finance, tax, audit, risk, governance, and strategic projects

**NOTE 2: SEGMENT REPORTING CONT'D**

**(a) Segment information provided to the Board**

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

<b>Half year ended 31 December 2018</b>	<b>Internet Lotteries Australia \$'000</b>	<b>Other \$'000</b>	<b>Corporate \$'000</b>	<b>Total continuing operations \$'000</b>
Total segment sales revenue	30,057	453	-	30,510
Intersegment revenue	-	-	-	-
Total sales revenue from external customers	30,057	453	-	30,510
Other revenue/income from external customers	614	-	273	887
<b>Total revenue and other income from external customers (note 3)</b>	<b>30,671</b>	<b>453</b>	<b>273</b>	<b>31,397</b>
<b>Net profit before tax</b>	<b>19,050</b>	<b>236</b>	<b>(1,084)</b>	<b>18,202</b>
Income tax expense				(5,551)
<b>Profit after tax for the half year per PL</b>				<b>12,651</b>
Interest revenue	416	-	273	689
Depreciation and amortisation	(1,554)	(43)	-	(1,597)
Foreign exchange gain/(loss)	194	-	-	194

There was no other significant non-cash item recognised in 2018 relating to the segments.

**NOTE 2: SEGMENT REPORTING CONT'D**

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

<b>Half year ended 31 December 2017</b>	<b>Internet Lotteries Australia \$'000</b>	<b>Other \$'000</b>	<b>Corporate \$'000</b>	<b>Total continuing operations \$'000</b>
Total segment sales revenue	18,917	407	-	19,324
Intersegment revenue	-	-	-	-
Total sales revenue from external customers	18,917	407	-	19,324
Other revenue/income from external customers	369	-	140	509
<b>Total revenue and other income from external customers (note 3)</b>	<b>19,286</b>	<b>407</b>	<b>140</b>	<b>19,833</b>
<b>Net profit before tax</b>	<b>8,637</b>	<b>220</b>	<b>(1,151)</b>	<b>7,706</b>
Income tax expense				(2,400)
<b>Profit after tax for the half year per PL</b>				<b>5,306</b>
Interest revenue	256	-	140	396
Depreciation and amortisation	(1,631)	(43)	-	(1,674)
Foreign exchange gain/(loss)	106	-	-	106

There was no other significant non-cash item recognised in 2017 relating to the segments.



**NOTE 3: REVENUE AND OTHER INCOME**

	<b>Consolidated Group</b>	
	<b>Half Year</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue		
— Revenue from sale of goods	1,170	1,224
— Revenue from rendering services	29,340	18,100
Revenue	<u>30,510</u>	<u>19,324</u>
Other income/ revenue		
— Interest received		
- Cash	689	396
— Other revenues		
- Foreign exchange gains	194	106
- Other	4	7
	<u>887</u>	<u>509</u>
Total	<u>31,397</u>	<u>19,833</u>

**NOTE 4: PROFIT FOR THE HALF YEAR**

	<b>Consolidated Group</b>	
	<b>Half Year</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit before income tax includes the following specific expenses:		
Cost of sales		
— Sale of goods	449	557
— Rendering of services	581	610
Administration expenses		
Depreciation of non-current assets		
— Plant and equipment	58	53
Amortisation of non-current assets		
— Leasehold improvements	17	20
— Intangibles	1,522	1,601
Other expenses		
— Employee benefits expense	3,600	3,476
— Defined contribution superannuation expense	418	459
Occupancy expenses		
— Operating lease rentals – minimum lease payments	372	452

## NOTE 5: EARNINGS PER SHARE

### Reconciliation of earnings used in calculating earnings per share

	Consolidated Group	
	Half Year	
	2018	2017
	\$'000	\$'000
<b>Basic and diluted earnings per share</b>		
Profit/(loss) from continuing operations	12,651	5,306
Profit after tax attributable to owners of Jumbo Interactive Limited used to calculate basic earnings per share	12,651	5,306
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	59,058,681	50,956,683
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	59,058,681	50,956,683
Adjustments for calculation of diluted earnings per share: — options	2,022,819	1,302,025
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	61,081,500	52,258,708

## NOTE 6: CASH AND CASH EQUIVALENTS

	Note	Consolidated Group	
		31 December 2018	30 June 2018
		\$'000	\$'000
Total cash and cash equivalents		77,305	47,919
<i>Included in the above balance:</i>			
General account balances		67,544	40,085
Online lottery customer account balances	9	9,761	7,834
		77,305	47,919

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

## NOTE 7: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

<b>Interest in Associate – Lotto Points Plus Inc., USA</b>	<b>Place of business/ Country of incorporation</b>	<b>31 Dec 2018 %</b>	<b>30 Jun 2018 %</b>	<b>31 December 2018 \$'000</b>	<b>30 June 2018 \$'000</b>
<i>Unlisted shares</i>					
Lotto Points Plus Inc	New York, USA	30.9	30.9	-	-
Net investment in associate company				-	-

## NOTE 8: 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 (2017: \$nil).
- b) Lottery Rewards Inc., USA. The Company owns 5.6% of the issued share capital of Lottery Rewards Inc directly (0.2%) and indirectly (5.4%). Shares in Lottery Rewards Inc are carried at fair value of \$nil (2017: \$nil).  
On 30 November 2018, Lottery Rewards Inc made a General Assignment of all its assets for the Benefit of Creditors. The Company does not expect to recover any of its investment.

## NOTE 9: TRADE AND OTHER PAYABLES

	<b>Consolidated Group</b>		
	<b>Note</b>	<b>31 December 2018 \$'000</b>	<b>30 June 2018 \$'000</b>
Total trade and other payables		21,446	14,346
<i>Included in the above balance:</i>			
Trade creditors and other payables		11,685	6,512
Customer funds payable	6	9,761	7,834
		21,446	14,346

## NOTE 10: ISSUED CAPITAL

	<b>Half Year 2018</b>		<b>Half Year 2017</b>	
	<b>Shares</b>	<b>\$'000</b>	<b>Shares</b>	<b>\$'000</b>
At the beginning of the reporting period	54,374,265	55,917	50,674,265	45,492
Shares issued during the year				
- Exercise of options	5,724,492	16,297	650,000	1,138
	60,098,757	72,214	51,324,265	46,630

## NOTE 11: DIVIDENDS

	<b>Consolidated Group Half Year</b>	
	<b>2018 \$'000</b>	<b>2017 \$'000</b>
<b>Ordinary shares</b>		
Dividends paid in cash during the financial year	6,438	10,255
	6,438	10,255

## NOTE 12: NET TANGIBLE ASSETS PER SECURITY

	<b>Consolidated Group</b>	
	<b>Half Year</b>	
	<b>2018</b>	<b>2017</b>
	<b>Cent</b>	<b>Cent</b>
Net Tangible Assets per ordinary share	92.1	51.0

## NOTE 13: 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

		<b>Consolidated Group</b>	
		<b>31 December</b>	<b>30 June</b>
	<b>Note</b>	<b>2018</b>	<b>2018</b>
		<b>\$'000</b>	<b>\$'000</b>
Available-for-sale financial assets	8	-	-

The fair value of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their carrying values due to their short-term nature or are receivable/payable on demand.

## NOTE 14: SEASONALITY AND IRREGULAR TRENDS

TTV 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 2018 half year occurred inside the reportable period (on 29 December 2018), as for the December 2017 half year. There were 23 OZ Lotto/ Powerball jackpots of \$15 million or more (**large jackpots**) during the December 2018 half year period, with a peak \$70 million OZ Lotto jackpot in August 2018 and a peak \$100 million Powerball jackpot in August 2018, compared to the December 2017 half year period of 18 OZ Lotto/ Powerball large jackpots with a peak \$50 million OZ Lotto jackpot in July 2017 and a peak \$50 million Powerball jackpot in September 2017.

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

	<b>HY Dec 2018</b>	<b>HY Jun 2018</b>	<b>HY Dec 2017</b>
TTV – Internet Lotteries Australia	\$147.4 million	\$93.6 million	\$88.7 million
Reported Revenue – Internet Lotteries Australia	\$30.1 million	\$19.9 million	\$18.9 million
OZ Lotto/ Powerball			
Number of jackpots of \$15 million or more	23	14	18
Average Division 1 jackpot of \$15 million or more	\$37.4 million	\$30.7 million	\$26.7 million
Peak Division 1 jackpot during the half year period	\$100 million	\$55 million	\$50 million

**NOTE 15: 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 2018.

## **DIRECTORS' DECLARATION**

The Directors of the Company declare that:

1. The financial statements, comprising the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated 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 2018 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

15 February 2019



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## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Jumbo Interactive Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of Jumbo Interactive Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, 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 then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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 the Group is not in accordance with the *Corporations Act 2001* including:

- (a) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and
- (b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### 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 Group's financial position as at 31 December 2018 and its financial 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 the Group, 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 the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

**BDO Audit Pty Ltd**

The image shows a handwritten signature in black ink. The signature consists of the letters 'BDO' in a bold, blocky font, followed by a cursive signature that appears to read 'K L Colyer'.

**K L Colyer**  
**Director**

Brisbane, 15 February 2019