JUMBO INTERACTIVE LIMITED AND ITS CONTROLLED SUBSIDIARIES

(ABN 66 009 189 128)

APPENDIX 4D
HALF-YEAR REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2022

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 2022 to 31 December 2022
Prior corresponding period (**pcp**)	1 July 2021 to 31 December 2021

RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the period ended 31 December:

	Consolidated Group Half Year			
	2022 $'000	**2021 $'000**	**Change $'000**	**Change %**
Revenue from operations	**62,389**	52,841	Up 9,548	Up 18.1
Earnings before interest, tax, and depreciation and amortisation	**30,165**	28,222	Up 1,943	Up 6.9
Earnings before interest and tax	**24,904**	23,924	Up 980	Up 4.1
Profit after tax from operations attributable to members	**17,186**	16,408	Up 778	Up 4.7
Total comprehensive income for the period attributable to members	**16,284**	16,113	Up 171	Up 1.1
Profit after tax and after amortisation of acquired intangible assets	**17,932**	16,708	Up 1,224	Up 7.3

DIVIDENDS

A fully franked final dividend of 20.5¢ (twenty and a half cents) per ordinary share for the financial year ended 30 June 2022 (2021: final 18.5¢) was paid on ordinary shares during the half year ended 31 December 2022.

A fully franked interim dividend of **23.0¢ (twenty three cents) per share** (2022: interim 22.0¢) will be paid on ordinary shares as follows:

- Record date: 3 March 2023
- Payment date: 17 March 2023

NET TANGIBLE ASSETS[1]

	Consolidated Group Half Year	
	2022 Cent	**2021 Cent**
Net Tangible Assets (**NTA**) per ordinary share	26.8	83.0

The decrease in net tangible assets by 56.2¢ or 67.7% is mainly due to the use of cash (tangible asset) for the payment of the acquisition of Stride Management Corp on 1 June 2022 and StarVale Group on 1 November 2022 (largely intangible assets). The NTA would otherwise be 95.1¢ per ordinary share.

[1] The current half-year and prior half-year net tangible asset backing per ordinary share balances include the value of leased assets as recognised under AASB *Leases*.

CONTROL GAINED OVER ENTITIES

On 1 November 2022, the Group acquired 100% of the Starvale group of companies (**StarVale**), an External Lottery Manager based in the United Kingdom.

StarVale contributed $716,000 profit after tax to the Group's consolidated profit from ordinary activities during the half-year ended 31 December 2022. These figures have been determined on a provisional basis.

LOSS OF CONTROL OVER ENTITIES

Not applicable.

DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Not material.

REVIEW

The Interim Financial Report was subject to a review by the auditors and the review report is attached as part of the Interim Financial Report.

ATTACHMENTS

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' Report and the consolidated Interim Financial Report for the half year ended 31 December 2022. The Interim Financial Report of Jumbo Interactive Limited for the half year ended 31 December 2022 is attached.

SIGNED

Susan Forrester
Chair

Mike Veverka
Chief Executive Officer and Executive Director

Brisbane
24 February 2023

Jumbo Interactive Limited

ABN 66 009 189 128

Interim Financial Report – 31 December 2022

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DIRECTORS' REPORT

The Directors of Jumbo Interactive Limited (the **Company**) present their report on the consolidated entity, consisting of Jumbo Interactive Limited and the entities it controlled at the end of, and during, the half year ended 31 December 2022 (**Group**).

DIRECTORS

The following persons were Directors of the Company during the whole of the half year and up to the date of this Interim Financial Report:

- Susan Forrester AM (Non-executive Director and Chair of the Board)
- Mike Veverka (Chief Executive Officer and Executive Director)
- Sharon Christensen (Non-executive Director)
- Giovanni Rizzo (Non-executive Director)

COMPANY SECRETARY

Graeme Blackett of Company Matters Pty Ltd held the position of Company Secretary at the end of the half year and at the date of this report.

PRINCIPAL ACTIVITIES

During the financial half year, the principal activities of the Group consisted of the following segments:

- Lottery Retailing (Business-to-Consumer) (**B2C**);
- Software-as-a-Service (Business-to-Business) (**B2B**)/(Business-to-Government (**B2G**); and
- Managed Services (**B2B**).

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

Lottery Retailing

Sale of Australian national lottery and charity lottery tickets through the internet and mobile devices to customers (B2C) in Australia and certain overseas jurisdictions.

Software-as-a-Service

Development, supply and maintenance of proprietary software-as-a-service (**SaaS**) for authorised Businesses, Charities and Governments (B2B/B2G) in the lottery market in Australia and internationally.

Managed Services

Provision of lottery related services for authorised Businesses and Charities (B2B) in the lottery market on a domestic and international basis. Services include technology, prize procurement, lottery game design, campaign marketing, and customer relationship and draw management.

REVIEW OF OPERATIONS

A review of the Group's operations for the interim financial period and the results of those operations are set out in the Financial Review as set out on pages 9 to 19 of this Interim Financial Report. The Financial Review forms part of the Directors' Report.

FUTURE DEVELOPMENTS

In the opinion of the Directors, there are no matters or circumstances which have arisen between 31 December 2022 and the date of this Interim Financial Report that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations and the state of affairs of the Group in subsequent financial periods.

ROUNDING OF AMOUNTS

The Group is an entity to which *ASIC Corporations (Rounding in Financial / Directors’ Reports Instrument 2016/191* (as amended by *ASIC Corporations (Amendment) Instrument 2022/519)* (**Instrument**) applies, relating to the ‘rounding off’ of amounts in the Directors’ Report and Interim Financial Report. Amounts in the Directors’ Report and Interim Financial Report have been rounded off to the nearest thousand dollars in accordance with the Instrument.

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 immediately after this Directors’ Report.

The Interim Financial Report is made in accordance with a resolution of Directors.

Susan Forrester
Chair

Mike Veverka
Chief Executive Officer and Executive Director

Brisbane
24 February 2023

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Building a better working world

Auditor's Independence Declaration to the Directors of Jumbo Interactive Limited

As lead auditor for the review of the half-year financial report of Jumbo Interactive Limited for the half-year ended 31 December 2022, I declare 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;

b. No contraventions of any applicable code of professional conduct in relation to the review; and

c. No non-audit services provided that contravene 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 financial period.

Ernst + Young.

Ernst & Young

Susie Kuo
Partner
24 February 2023

FINANCIAL REVIEW

The Group is a dedicated digital lottery software and services business, providing its proprietary lottery software platform and lottery management expertise to the charity and government lottery sectors in Australia and globally.

The Group is dedicated to developing and operating the world's best lottery experiences using a sustainable framework for growth and value creation.

The Group's mission is 'to create positive impact through making lotteries easier' and our vision is to be the number one choice in digital lottery and services which relies on:

- a world-class lottery software platform; and
- exceptional customer service.

The Group's strategy is to grow the business by (1) maximising the potential of our existing business and proposition portfolio, (2) replicating best-practice operations and build for global scale, and (3) diversifying the Group's portfolio to unlock incremental Total Addressable Market (**TAM**) opportunities.

EXPLANATION OF RESULTS

The Group 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 Company Total Transaction Value (**TTV - 'Group'**). In addition, where the Group acts as a licensor of its software platform, the gross amount of third-party lottery ticket sales transacted through its software platform is advised as third-party Total Transaction Value (**TTV - 'Third-party'**).

The Lottery Retailing segment continues to be the largest contributor to Group revenue and profits at present. Revenue increased with an increase in large jackpot activity due mainly to an increase in customer activity. Gross profit however has not increased to the same extent with the 1% increase in the service fee[1] payable to The Lottery Corporation Limited ("**TLC**") impacting the gross profit margin. EBITDA for the Lottery Retailing segment was also impacted by an increase in the employee benefits expense. The SaaS segment revenue and EBITDA increased through organic growth from Australian customers together with St Helena Hospice in the UK going fully live in 2H22. The Managed Services segment includes Gatherwell and StarVale in the UK, Stride in Canada, and Jumbo Fundraising in Australia. The acquisition of Stride on 1 June 2022 and StarVale on 1 November 2022 is the main reason for the segment's revenue and EBITDA growth.

Over the last twelve months, the operating environment has undergone a significant and rapid change with slower economic growth expected including the possibility of a recession. Inflation has emerged as a key global issue with central banks responding by increasing interest rates quickly and considerably. Lotteries have delivered consistent growth over the long term and have proven to be highly resilient to economic recessions. Further, the trend towards purchasing lottery tickets on-line is expected to continue, bringing digital lotteries to a broader and younger audience. We continue to monitor the external operating environment closely, however do not foresee any material changes to the Group's operating model and growth prospects should there be a significant deterioration in the economic environment.

The COVID-19 pandemic was highly disruptive to the labour market. The heightened demand and competition for skilled labour, particularly those with technology and growth orientated skill sets, combined with record high wage inflation and our growth aspirations, led to a significant increase in employee costs. While we have recently observed some signs of an easing in the labour market and reduced pressure on wages, we anticipate the demand for digital expertise to remain high. The Group continues to focus on building our employer brand and enhancing our employee experience and culture, in order to attract and retain top talent.

The financial position of the Group is sound with good liquidity. As at 31 December 2022, the Group had general cash reserves of $59,000,000 underpinned by strong organic cash generation. The Group also has access to an additional $33,500,000 through its senior debt facility.

[1] Pursuant to the Reseller Agreements with TLC signed on 29 August 2020, a 'stepped-up' service fee is payable in the subscription cost of the tickets purchased at 1.5% FY2021, 2.5% FY2022, 3.5% FY2023, and 4.65% FY2024 and thereafter. If the subscriptions exceed $400,000,000 in any applicable financial year, then a service of 4.65% applies to the excess amount.

The Group continues to invest in the three main pillars that support the ongoing growth of the Group as follows:

- $3,364,000 (HY Dec 2021: $2,965,000) invested in the proprietary software platform (intangible assets);
- $4,288,000 (HY Dec 2021: $4,682,000) invested in marketing activities primarily to acquire new and retain existing customers; and
- $11,520,000 (HY Dec 2021: $8,446,000) invested in employees who provide the software development and marketing skills, customer support services, and management.

CONSOLIDATED H1 FY2023 FINANCIAL PERFORMANCE IN REVIEW

Result Highlights (Statutory and underlying operations)

The Group has included TTV; underlying EBIT, EBITDA, NPAT, and NPATA; statutory EBIT and EBITDA. These measures are not defined under IFRS and are, therefore, termed "non-IFRS" measures and are not subject to review procedures.

Statutory EBIT is defined as Group earnings before net interest and tax, while statutory EBITDA is Group earnings before net interest, tax, and depreciation and amortisation.

Underlying EBIT, EBITDA, NPAT and NPATA are defined as statutory EBIT, EBITDA, NPAT, and NPATA adjusted for significant non-recurring items, and are provided as useful indicators of the Group's operating financial performance on a comparable basis. Underlying earnings is the primary reporting measure used by management and the Group's chief operating decision maker (the Chief Executive Officer) for the purposes of managing and assessing the financial performance of the business.

$'000	**HY Dec 2022**	**HY Dec 2021**	**Change %**
TTV[5]	417,045	327,934	27.2
- Group	253,259	234,655	7.9
- Third party	163,786	93,279	75.6
Revenue	62,389	52,841	18.1
Revenue margin (%)	15.0%	16.1%	(1.1pps)
EBITDA – statutory[5]	30,165	28,222	6.9
EBIT – statutory[5]	24,904	23,924	4.1
NPAT – statutory	17,186	16,408	4.7
NPATA[1] – statutory[5]	17,932	16,708	7.3
Earnings per share (cps)	27.3¢	26.3¢	3.8
Earnings per share before amortisation of intangible assets – statutory[5]	28.5¢	26.8¢	6.3
Add/(deduct) significant items[2]			
– Investment disposal costs	32[3]	-	100
– Acquisition costs	154[3]	126[4]	22.2
– Fair value movement on financial liabilities	89[3]	-	100
– Tax benefit	(35)	(38)	(7.9)
EBITDA – underlying[5]	30,440	28,348	7.4
EBIT – underlying[5]	25,179	24,050	4.7
NPAT – underlying[5]	17,426	16,496	5.6
NPATA[1] – underlying[5]	18,172	16,796	8.2

$'000	HY Dec 2022	HY Dec 2021	Change %
Earnings per share – underlying[5]	27.7¢	26.4¢	4.9
Earnings per share before amortisation of intangible assets – underlying[5]	28.9¢	26.9¢	7.4
Interim dividend declared (cps)	23.0¢	22.0¢	4.5
Return on capital employed (%)	17.8%	18.1%	(0.3pps)
EBITDA margin - underlying (%)	48.8%	53.7%	(4.9pps)
EBIT margin – underlying (%)	40.4%	45.5%	(5.1pps)

[1] NPATA is net profit after tax and before tax-effect amortisation expenses in respect of intangible assets acquired through a Business Combination which for the half year is $746,000 (HY Dec 21: $300,000).

[2] Statutory earnings are adjusted by significant non-recurring items to get to underlying earnings.

[3] The investment disposal costs are consulting expenses that relate to the sale of the subsidiary company Intellitron Pty Ltd sold on 30 June 2022 and incurred post-2022 financial year end. The acquisition costs are consulting & legal expenses that relate to the acquisition of StarVale. The fair value movement on financial liabilities relates to increasing the Stride acquisition earnout probability from 90% to 95% of paying the full earnout following 30 June 2023.

[4] The acquisition costs are consulting & legal expenses that relate to the conditional acquisition of Stride and StarVale in the pcp.

[5] These are non-IFRS measures and not reviewed.

- TTV up $89,111,000 or 27.2% to $417,045,000 with:
  - Lottery Retailing up $18,604,000 or 7.9% due to an increase in customer activity on the back of increased large jackpot activity.
  - SaaS up $15,709,000 or 19.3% through organic growth of Australian clients and St Helena Hospice in the UK fully on-boarded in the half year.
  - Managed Services up $54,798,000 or >100.0% with the acquisition of Stride on 1 June 2022 and StarVale on 1 November, which contributed $33,721,000 and $22,057,000 respectively.
- Revenue up $9,548,000 or 18.1% to $62,389,000 with:
  - Lottery Retailing up $3,376,000 or 7.2% with increased TTV at a marginally lower revenue margin due to product mix.
  - SaaS up $1,754,000 or 8.2% with increased TTV from external customers, and a higher intercompany software fee from Lottery Retailing, with an increased proportion from external customers.
  - Managed Services up $5,846,000 or >100.0% with the acquisition of Stride and StarVale, which contributed $3,898,000 and $1,969,000 respectively.
- Cost of sales up $2,601,000 or 35.9% to $9,853,000 mainly due to the 1.0% step-up in the service fee under the Reseller Agreements with TLC to 3.5% of subscriptions (ticket costs) in the current half-year period compared to 2.5% in the pcp.
- Expenses up $4,949,000 or 28.1% primarily comprised of:
  - $2,841,000 increase in employee benefits expense (excluding share-based payments) from a combination of factors including (i) contribution from acquired entities Stride $1,508,000 and StarVale $659,000, (ii) annual remuneration increases for staff, and (iii) net 6 additional employees;
  - $1,477,000 increase in other expenses largely due to the contributions from acquired entities (Stride $174,000 and StarVale $577,000). The remaining $726,000 is attributable to the core business with key contributors being accounting fees for StarVale acquisition ($85,000), increase electronic identity verification costs ($191,000), increased payroll tax ($62,000) and increased travel/accommodation costs ($142,000); and
- EBITDA up $1,943,000 or 6.9% to $30,165,000 with contributions from:
  - Software-as-a-Service $15,747,000;
  - Managed Services $2,664,000;
  - Lottery Retailing $15,321,000;
  - Corporate loss ($3,740,000); and

  - Other revenue $173,000.
- Underlying EBITDA up $2,092,000 or 7.4% to $30,440,000 reflecting the EBITDA contributions from Stride and StarVale with the remainder of the Group's EBITDA broadly flat on the pcp principally impacted by the higher service fee payable to The Lottery Corporation (see above Cost of sales).
- $319,000 or 8.0% increase in depreciation and amortisation mainly due to:
  - increased Right-of-Use assets in Stride; and
  - capitalised website developments costs relating to the proprietary software.
- $644,000 or >100.0% increase in amortisation of acquired intangible assets with the acquisitions of Stride on 1 June 2022 and StarVale on 1 November 2022.
- $60,000 or >100% increase in net interest revenue mainly due to higher average interest rates.

The Group's financial performance Is summarised below.

	Half Year			
	Dec 2022	**Dec 2021**	**Change**	**Change**
	$'000	**$'000**	**$'000**	**%**
TTV	417,045	327,934	89,111	27.2
Revenue	62,389	52,841	9,548	18.1
Cost of sales	(9,853)	(7,252)	(2,601)	35.9
Gross profit	52,536	45,589	6,947	15.2
Other revenue	173	228	(55)	(24.1)
Expenses	(22,544)	(17,595)	(4,949)	28.1
EBITDA[1]	30,165	28,222	1,943	6.9
Depreciation and amortisation	(4,317)	(3,998)	(319)	8.0
EBITA[1]	25,848	24,224	1,624	6.7
Amortisation of acquired intangible assets	(944)	(300)	(644)	>100
EBIT[1]	24,904	23,924	980	4.1
Net interest revenue	23	(37)	60	>100
NPBT	24,927	23,887	1,040	4.4
Income tax expense	(7,741)	(7,479)	(262)	3.5
NPAT	17,186	16,408	778	4.7
Amortisation of acquired intangible assets after tax	746	300	446	>100
NPATA[1]	17,932	16,708	1,224	7.3

[1] *These are non-IFRS measures and not reviewed.*

Major items impacting EBITDA

- A 1.0% increase in the service fee paid to The Lottery Corporation (**TLC**) to 3.5% (HY Dec 2021: 2.5%) which has increased the cost of sales; and
- The acquisition of Stride in Canada on 1 June 2022 and the acquisition of the StarVale in the UK on 1 November 2022 which have benefited the current half-year financial period but not the pcp.

Group and segment results

	Lottery Retailing		SaaS		Managed Services		Total[1]	
	HY Dec 2022	HY Dec 2021	HY Dec 2022	HY Dec 2021	HY Dec 2022	HY Dec 2021	HY Dec 2022	HY Dec 2021
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
TTV	253,259	234,655	97,185	81,476	66,601	11,803	417,045	327,934
Revenue	50,103	46,727	23,250	21,496	7,950	2,104	81,303	70,327
– Intersegment	-	-	18,914	17,486	-	-	18,914	17,486
– Third-party	50,103	46,727	4,336	4,010	7,950	2,104	62,389	52,841
Gross profit	21,976	22,365	23,109	21,348	7,451	1,876	52,536	45,589
Operating expenses	(6,655)	(6,521)	(7,362)	(6,560)	(4,787)	(1,367)	(18,804)	(14,448)
EBITDA	15,321	15,844	15,747	14,788	2,664	509	33,732	31,141
Revenue/TTV	19.8%	19.9%	4.5%	4.9%	11.9%	17.8%	15.0%	16.1%
GP/Revenue	43.9%	47.9%	99.4%	99.3%	93.7%	89.2%	64.6%	64.8%
Opex/Revenue	13.3%	14.0%	31.7%	30.5%	60.2%	65.0%	23.1%	20.5%
EBITDA/Revenue	30.6%	33.9%	67.7%	68.8%	33.5%	24.2%	41.5%	44.3%

[1] *Segment results do not aggregate to Consolidated total due to intersegment eliminations and other reconciling items.*

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 Interim Financial Report.

Review of Operations

(a) Lottery Retailing

The Group's Lottery Retailing segment operates the www.ozlotteries.com website and sells tickets in Australian national draw lottery games to customers in all Australian states and territories (excluding Queensland and Western Australia) and in certain overseas jurisdictions, under 10-year agreements with TLC which run until 26 August 2030. The segment also sells tickets in Australian charity lottery games to customers in Australia and other eligible jurisdictions under agreements with several licenced registered charities in Australia.

	HY Dec 2022	HY Dec 2021	Change	Change
	$'000	$'000	$'000	%
TTV – Group	253,259	234,655	18,604	7.9
Revenue	50,103	46,727	3,376	7.2
Gross profit	21,976	22,365	(389)	(1.7)
Operating expenses	(6,655)	(6,521)	(134)	2.1
EBITDA	15,321	15,844	(523)	(3.3)
Revenue/TTV	19.8%	19.9%	(0.1ppt)	(0.5)
Gross profit/Revenue	43.9%	47.9%	(4.0ppt)	(8.4)
Opex/Revenue	13.3%	14.0%	(0.7ppt)	(5.0)
EBITDA/Revenue	30.6%	33.9%	(3.3ppt)	(9.7)

TTV has increased by $18,604,000 or 7.9% to $253,259,000 (HY Dec 2021: $234,655,000) mainly due to increased activity from new and current customers. Whilst there was higher large jackpot activity compared to pcp, this was mainly driven by two strong months in 2QFY23 (October which had a $160 million Powerball and December which had a $100 million Powerball) whereas the pcp benefited from a strong 1Q.

TTV $'000	HY Dec 2022		HY Dec 2021		Change
Lotteries	249,148	98.4%	229,916	98.0%	Up 19,232 or 8.4%
Charities	4,111	1.6%	4,739	2.0%	Down 628 or (13.3%)
Total TTV	253,259	100.0%	234,655	100.0%	Up 18,604 or 7.9%

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 in the following table[1]:

	HY Dec 2022	HY Jun 2022	HY Dec 2021
TTV – Lottery retailing	$253.3 million	$226.0 million	$234.7 million
Revenue – Lottery retailing	$50.1 million	$44.4 million	$46.7 million
OZ Lotto/ Powerball Division 1 of $15 million or more			
Number of jackpots of $15 million or more	23	20	23
Average Division 1 jackpot of $15 million or more	$41.7 million	$44.0 million	$37.8 million
Peak Division 1 jackpot during the half year period	$160 million	$120 million	$80 million
Aggregate Division 1 jackpots on offer during the half year period	$960 million	$880 million	$870 million

[1]*These are non-IFRS measures.*

There was no change in number of large jackpots at 23 (HY Dec 2021: 23) however there was a 10.3% increase in aggregate value to $960m (HY Dec 2021: $870m) which resulted in a 10.3% increase in average jackpot value to $41.7m (HY Dec 2021: $37.8m). The improved jackpot activity combined with an increase in customer activity (new and active customers) resulted in TTV and Revenue growth, although the revenue margin declined 0.1ppt due to a shift in product mix.

The Group invests extensively in online marketing to grow and activate the customer database that transacts via its website (www.ozlotteries.com) and associated mobile apps (iOS & Android). $3,894,000 (HY Dec 2021: $4,308,000) was invested in marketing activities during the period primarily to acquire new and engage existing customers.

The following key performance indicators (**KPIs**) are used to track the effectiveness of online marketing campaigns:

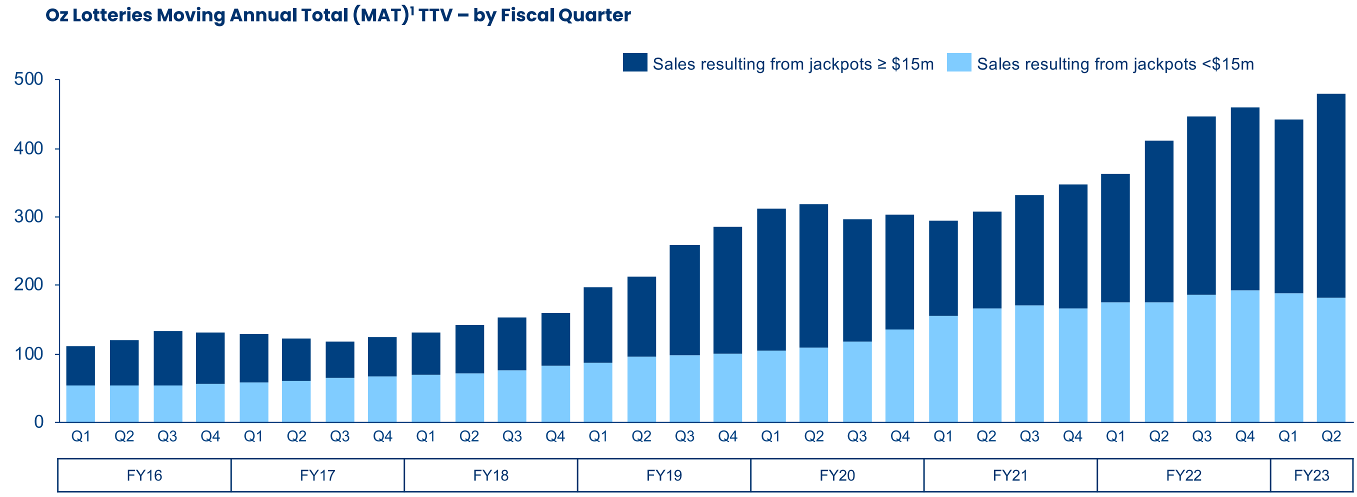
1. **CPL**: Cost per Lead (new online accounts) is defined as the total cost to acquire these new accounts divided by the number of new accounts in a given period. New accounts may potentially become active customers after the account has been established.
2. Number of Active Online Customers is defined 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 KPIs:

www.ozlotteries.com and mobile apps	**HY Dec 2022**	**HY Dec 2021**
Number of new online accounts (6-month period)	198,751	198,912
CPL (6-month period)	$17.85	$20.02
Number of active online customers (12-month period)	983,831	836,582
Average spend per active online customer (12-month period)	$463.20	$464.65

The number of new online accounts remained stable on pcp even though the Group decreased customer acquisition spending as a result of the timing of large jackpot activity in HY December 2022 which, together with increased customer engagement, has also contributed to a 17.6% increase in active customers and 0.3% decrease in average customer spend for the 12-month period to 31 December 2022.

The underlying business remains strong as evidenced by an increase in TTV and Revenue and the Oz Lotteries Moving Annual Total (**MAT**)[1] TTV by fiscal quarter as detailed in the chart below:



[1] *Excludes contribution from Western Australia customers transitioned to SaaS (effective 21 December 2020)*

Revenue increased by $3,376,000 or 7.2% to $50,103,000 (HY Dec 2021: $46,727,000) with the Revenue margin slightly lower at 19.8% (HY Dec 2021: 19.9%), mainly due to a shift in product mix.

The signing of the TLC Agreement on 26 August 2020 provided the Group with greater certainty over a long-term period albeit at reduced margins following the introduction of a service fee effective from 13 July 2020. The service fee is based on the cost of ticket purchases from TLC at 1.5% for FY2021 purchases, 2.5% for FY2022 purchases, 3.5% for FY2023 purchases and 4.65% for FY2024 purchases onward for the remainder of the Agreement. If the cost of ticket purchases exceeds $400,000,000 in any applicable financial year, then a service fee of 4.65% applies to that excess amount.

Cost of Sales increased by $3,765,000 or 15.5% due to increased TTV driving increased merchant fees and intercompany software fee to the SaaS segment and the 1% step-up in the service fee under the Reseller Agreements with TLC to 3.5% (total service fee of $6,913,000 (HY Dec 2021: 2.5% or $4,575,000)). This had the effect of reducing the gross profit margin to 43.9% (HY Dec 2021: 47.9%)

A software licence fee of 7.5% of relevant Lottery Retailing TTV is based on independent international benchmarking and reflects an intersegment payment to the SaaS segment in respect of licencing of the Powered By Jumbo (**PBJ)** software platform and use of the data analytics used by the Lottery Retailing segment.

The single largest expense is Marketing costs of $3,894,000, decreased by $414,000 or 9.6%, which mainly relates to customer acquisition costs of $3,547,000 (HY Dec 2021: $3,983,000) and tends to fluctuate in line with TTV/Revenue growth, followed by employee benefits expenses of $1,694,000 (HY Dec 2021: $1,517,000) in respect of employees in the segment of which the majority are digital marketing and customer support and allocated indirect employee expenses. Other expenses increased by $336,000 or 62.8% to $871,000 mainly due to electronic identity verification expenses which increased by $191,000 or >100%.

(b) Software-as-a-Service (SaaS)

The Group's SaaS segment licenses the PBJ lottery software platform to several customers domestically and internationally, including to ozlotteries.com, and develops, improves, and maintains the PBJ proprietary platform. The first international customer, St Helena Hospice (**SHH**) in the UK, went live in December 2021 with the first program, followed by their remaining program in 2H22.

Software licence fees range between ~3.0% and ~9.5% of ticket sales (**TTV – Third-party**) that are processed through the PBJ platform.

An intersegment fee of 7.5% is charged to the Lottery Retailing segment (ozlotteries.com customer) as (i) PBJ has been developed for this internal customer over many years at a significant investment compared to other customers who receive an adapted version of PBJ at a lower development cost and (ii) the internal customer has a significantly higher usage of other services such as data analytics. The level of this fee falls within the arm's length upper/lower interquartile range based on international benchmarking undertaken by an independent third party in October 2021.

	HY Dec 2022	**HY Dec 2021**[1]	**Change**	**Change**
	$'000	**$'000**	**$'000**	**%**
TTV – Third-party	97,185	81,476	15,709	19.3
Revenue	23,250	21,496	1,754	8.2
– external	4,336	4,010	326	8.1
– internal	18,914	17,486	1,428	8.2
Gross profit	23,109	21,348	1,761	8.2
Operating expenses	(7,362)	(6,560)	(802)	12.2
EBITDA	15,747	14,788	959	6.5
Revenue/TTV-- external	4.5%	4.9%	(0.4pps)	(8.2)
Gross profit/Revenue	99.4%	99.3%	0.1pps	0.1
Opex/Revenue	31.7%	30.5%	1.2pps	3.9
EBITDA/Revenue	67.7%	68.8%	(1.1pps)	(1.6)

[1] Includes Intellitron which was sold 30 June 2022 and contributed $358,000 TTV, $358,000 Revenue, $178,000 EBITDA in 1H22.

TTV has increased by $15,709,000 or 19.3% to $97,185,000 (HY Dec 2021: $81,476,000) mainly due to an organic increase of Australian customers and SHH being fully live in the half-year period compared to the pcp. SHH contributed $4,786,000 TTV (HY Dec 21: $224,000) and $190,000 Revenue (Dec 21 HY: $9,000) in the half-year period.

One of the two lottery programs operated by St Helena Hospice UK went live towards the end of November 2021 and the other program went live in April 2022. In aggregate, the program is expected to contribute TTV of ~$10,000,000 and Revenue of ~$400,000 in FY2023. The launch of this service is expected to act as a catalyst for further UK-based SaaS agreements.

External TTV through the PBJ platform has increased by $15,709,000 to $97,185,000 leading to an increase in external Revenue of $326,000 to $4,336,000 (HY Dec 2021: $4,010,000). Excluding the impact of Intellitron Pty Ltd which was sold 30 June 2022, the revenue margin was stable.

Employee benefits is the single largest expense at $5,246,000 (HY Dec 2021: $4,650,000) for staff in this segment which are mainly software engineers and allocated indirect employee expenses. The $596,000 or 12.8% increase largely reflects an inflationary increase to salaries. Other expenses increased $286,000 or 37.0% mainly due to $121,000 increase in travel and accommodation to attend the World Lottery Summit conference and related business meetings and travel in Canada, $50,000 increase in employee training and $64,000 increase in payroll tax.

The Group continues to seek growth opportunities in the Australian, UK and Canadian markets and closely monitors opportunities in the United States lottery market.

(c) Managed Services

The Group's Managed Services segment provides lottery management services including prize procurement, lottery game design, campaign marketing, and customer relationship and draw management. These services are provided in addition to the proprietary-owned lottery software platforms to licensed charities in Australia, Canada and the UK. The segment operates as Jumbo Fundraising (**JF**) in Australia, Gatherwell Ltd (**Gatherwell**) and StarVale Group of companies (**StarVale**) as External Lottery Managers (**ELM**) in the UK, and Stride Management Corp. (**Stride**) as a lottery Project Manager for charity lotteries in Canada.

	HY Dec 2022 $'000	HY Dec 2021 $'000	Change $'000	Change %
TTV – Third-party	66,601	11,803	54,798	>100.0
Revenue	7,950	2,104	5,846	>100.0
Gross profit	7,451	1,876	5,575	>100.0
Operating expenses	(4,787)	(1,367)	(3,420)	>100.0
EBITDA	2,664	509	2,155	>100.0
Revenue/TTV	11.9%	17.8%	(5.9pps)	(33.1)
Gross profit/Revenue	93.7%	89.2%	4.5pps	5.0
Opex/Revenue	60.2%	65.0%	(4.8pps)	(7.4)
EBITDA/Revenue	33.5%	24.2%	9.3pps	38.4

Gatherwell

The Gatherwell business in the UK operates as an External Lottery Manager (**ELM**) with 17 staff (HY Dec 2021: 15) and provides lottery manager services to ~225 brands (charities) (HY Dec 2021: 108) supporting 11,895 good causes (HY Dec 2021: 10,225). It also provides some support functions (mainly customer support) for the SaaS segment in the UK. A comparison of the half-year periods is as follows:

	HY Dec 2022 $'000	HY Dec 2021 $'000	Change $'000	Change %
TTV – Third-party	10,428	11,367	(939)	(8.3)
Revenue	2,036	2,004	32	1.6
Gross profit	1,817	1,778	39	2.2
Opex	(1,394)	(1,233)	(161)	13.1
EBITDA	423	545	(122)	(22.4)

Over the past 12-month period, the sales team strategically focused on the SaaS UK business resulting in the ELM pipeline reducing and consequently leading to a decline in TTV/Revenue. Renewed focus has been placed on the ELM pipeline but due to the long lead time, a return to growth is expected in FY2024. The increased operating expenses is largely in marketing expenses to support planned future growth.

Stride

Stride was acquired 1 June 2022 and accordingly there are no financial results in the pcp. The Stride business in Canada operates as a Project Manager with 24 full-time staff (with an additional ~50 rostered casual call centre staff as required) and provides services, including lottery operations, ticket fulfilment and marketing, to charity lotteries in Alberta and Saskatchewan. Stride recently expanded into British Columbia with its first customer, lakelifelottery.ca, in August 2022 and has plans to expand into Ontario, the largest province/territory in Canada, subject to receiving the required regulatory approvals.

	HY Dec 2022 $'000	HY Dec 2021 $'000	Change $'000	Change %
TTV – Third-party	33,721	-	-	-
Revenue	3,898	-	-	-
Gross profit	3,623	-	-	-
Opex	(2,056)	-	-	-
EBITDA	1,567	-	-	-

StarVale

StarVale was acquired 1 November 2022 yielding only two months of financial results in the half-year period and none in the pcp. StarVale operates in the UK as an ELM with a staff of 64 and provides lottery manager services and payments services to ~45 medium to large charities. The business plans on growing products and customers.

	HY Dec 2022 $'000	HY Dec 2021 $'000	Change $'000	Change %
TTV – Third-party	22,057	-	-	-
Revenue	1,969	-	-	-
Gross profit	1,969	-	-	-
Opex	(1,253)	-	-	-
EBITDA	716	-	-	-

Jumbo Fundraising

Jumbo Fundraising provides a comprehensive lottery management service that includes technology, prize procurement, lottery game design, campaign marketing, and customer relationship and draw management. These services are provided to licensed charities that are looking to establish a lottery program or enhance an existing program. The services are provided in addition to the PBJ lottery software platform provided by the SaaS segment to form a complete 'lottery-in-a-box' service to charities of all sizes.

Ticket sales are generated from the charities' existing list of supporters via a marketing program managed by JF. Sales are further marketed through the ozlotteries.com website in the Lottery Retailing segment.

JF contributed TTV $395,000 (HY Dec 2021: $436,000), Revenue $47,000 (HY Dec 2021: $100,000) and EBITDA ($42,000) (HY Dec 2021: ($36,000)) in the half year. As part of our FY23 planning process and ongoing cost discipline, management decided to reduce its focus on JF in the short term and prioritise the integration of its overseas acquisitions.

(d) Reconciling items

Other reconciling items are Corporate expenses including costs in respect of the corporate office, corporate advertising, promotion and marketing, corporate investment costs and finance, tax, audit, risk, governance, and strategic project costs.

$'000s	HY Dec 2022	HY Dec 2021	Change
Operating expenses	(3,740)	(3,147)	18.8%

The $593,000 increase in expenses are mainly (i) $138,000 increase in borrowing costs with the bank loan facility obtained to fund strategic growth, (ii) increase in share-based payments of $233,000 largely due to rights for short-term and long-term incentives being expanded to include the SLG, (iii) $127,000 increase in corporate expenses with a higher provision for Group audit fees, and (iv) increase in fair value movement on financial liabilities of $89,000 in respect of the earnout payment for the Stride acquisition after 30 June 2023.

(e) Reconciliation of statutory EBITDA

	HY Dec 2022 $'000	HY Dec 2021 $'000
Lottery Retailing EBITDA	15,321	15,844
SaaS EBITDA	15,747	14,788
Managed Services EBITDA	2,664	509
Reconciling items (refer to item (d) above)	(3,740)	(3,147)
Other revenue – Group	173	228
Group EBITDA	30,165	28,222

CHANGES IN FINANCIAL POSITION

Changes in the financial position of the Group for the financial half year were as follows:

	31 Dec 2022 **$'000**

(a) Decrease in cash of $3,428,000 (before foreign exchange differences of $3,000) resulting from:

	$'000
➢ Cash received from the issue of shares on exercise of options	1,050
➢ Cash paid for buy back of shares	(1,915)
➢ Proceeds of bank borrowings	15,000
➢ Purchase of subsidiary net of cash acquired	(20,041)
➢ Payment for deposit of contingent consideration	(7,930)
➢ Payment of contingent consideration	(1,890)
➢ Dividends paid (see Statement of Cash Flows for details)	(12,930)
➢ Cash provided by operating activities (see Statement of Cash Flows for details)	29,109
➢ Cash used in other investing activities (see Statement of Cash Flows for details)	(3,446)
➢ Payment of lease liabilities in financing activities (see Statement of Cash Flows for details)	(435)
	(3,428)

(b) Increase in non-current assets of $29,343,000 resulting from:

	$'000
➢ Goodwill through acquisition of StarVale	14,496
➢ Customer contracts & relationships through acquisition of StarVale	13,710
➢ Developed software through acquisition of StarVale	652
➢ Investment in website development costs net of amortisation	(525)
➢ Changes in other non-current assets – see Statement of Financial Position	1,010
	29,343

(c) Increase in current liabilities of $15,411,000 resulting from:

	$'000
➢ Trade and other payables – timing of weekly payment for ticket purchases payable in arrears	9,043
➢ Contingent consideration at fair value	6,828
➢ Other liabilities – see Statement of Financial Position	(460)
	15,411

(d) Increase in non-current liabilities of $17,824,000 resulting from:

	$'000
➢ Bank borrowings for purchase of subsidiary	15,000
➢ Deferred tax liabilities	3,627
➢ Changes in other non-current liabilities – see Statement of Financial Position	(803)
	17,824

Jumbo Interactive Limited and its Controlled Subsidiaries

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended 31 December 2022

		Half Year	
		2022	**2021**
	Note	**$'000**	**$'000**
Revenue	3	62,389	52,841
Cost of sales	4	(9,853)	(7,252)
Gross profit		52,536	45,589
Other revenue/income	3	368	259
Expenses			
Distribution expenses		(13)	(10)
Marketing costs		(4,288)	(4,682)
Occupancy expenses		(141)	(55)
Administrative expenses	4	(23,113)	(17,116)
Finance costs		(333)	(98)
Fair value movement on financial liabilities		(89)	-
Profit before income tax expense		24,927	23,887
Income tax expense		(7,741)	(7,479)
Profit after income tax expense for the half year attributable to the owners of Jumbo Interactive Limited		17,186	16,408
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences		(902)	(295)
Other comprehensive income for the half year, net of tax		(902)	(295)
Total comprehensive income for the half year attributable to the owners of Jumbo Interactive Limited		16,284	16,113
Earnings per share (cents per share)		**Cents**	**Cents**
From operations			
Basic earnings per share	5	27.3	26.3
Diluted earnings per share	5	27.2	26.0

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 2022

	Note	31 December 2022 $'000	30 June 2022 $'000
Current Assets			
Cash and cash equivalents	6	65,505	68,930
Trade and other receivables		8,870	6,065
Inventories		36	31
Current tax assets		11	-
Other current assets	13	7,821	-
Total current assets		82,243	75,026
Non-current assets			
Property, plant and equipment		574	695
Intangible assets	7	79,426	50,805
Right-of-use assets		3,589	2,864
Deferred tax assets		1,946	1,828
Total non-current assets		85,535	56,192
Total assets		167,778	131,218
Current liabilities			
Trade and other payables	8	33,573	24,530
Current tax liabilities		-	613
Employee benefit obligations		918	818
Lease liabilities		1,075	1,022
Contingent consideration at fair value	12	8,648	1,820
Total current liabilities		44,214	28,803
Non-current liabilities			
Employee benefit obligations		537	525
Make good provisions		22	22
Lease liabilities		3,004	2,181
Bank loan		15,000	-
Contingent consideration at fair value		-	1,638
Deferred tax liabilities		8,693	5,066
Total non-current liabilities		27,256	9,432
Total liabilities		71,470	38,235
Net assets		96,308	92,983
Equity			
Contributed equity	9	80,525	81,390
Profits appropriation reserve		13,866	9,610
Other reserves		1,917	1,983
Total equity		96,308	92,983

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 2022

CONSOLIDATED GROUP	Contributed equity $'000	Accumulated losses $'000	Profits appropriation reserve $'000	Share-based payments reserve $'000	Foreign currency translation reserve $'000	Financial assets reserve $'000	Total equity $'000
Balance at 1 July 2021	80,177	(17,399)	21,129	4,227	(506)	(2,302)	85,326
Total comprehensive income for the half year							
Profit for the half year	-	-	16,408	-	-	-	16,408
Other comprehensive income	-	-	-	-	(295)	-	(295)
Total comprehensive income for the half year	-	-	16,408	-	(295)	-	16,113
Transactions with owners in their capacity as owners							
Issue of shares	163	-	-	-	-	-	163
Dividends paid	-	-	(11,555)	-	-	-	(11,555)
Share-based payments	-	-	-	641	-	-	641
	163	-	(11,555)	641	-	-	(10,751)
Balance at 31 December 2021	80,340	(17,399)	25,982	4,868	(801)	(2,302)	90,688
Total comprehensive income for the half year							
Profit for the half year	-	-	14,768	-	-	-	14,768
Other comprehensive income	-	-	-	-	(480)	-	(480)
Total comprehensive income for the half year	-	-	14,768	-	(480)	-	14,288
Transactions with owners in their capacity as owners							
Issue of shares	1,050	-	-	-	-	-	1,050
Dividends paid	-	-	(13,741)	-	-	-	(13,741)
Share-based payments	-	-	-	698	-	-	698
	1,050	-	(13,741)	698	-	-	(11,993)
Balance at 30 June 2022	81,390	(17,399)	27,009	5,566	(1,281)	(2,302)	92,983

CONSOLIDATED GROUP	Contributed equity $'000	Accumulated losses $'000	Profits appropriation reserve $'000	Share-based payments reserve $'000	Foreign currency translation reserve $'000	Financial assets reserve $'000	Total equity $'000
Balance at 1 July 2022	81,390	(17,399)	27,009	5,566	(1,281)	(2,302)	92,983
Total comprehensive income for the half year							
Profit for the half year	-	-	17,186	-	-	-	17,186
Other comprehensive income	-	-	-	-	(902)	-	(902)
Total comprehensive income for the half year	-	-	17,186	-	(902)	-	16,284
Transactions with owners in their capacity as owners							
Issue of shares	1,050	-	-	(38)	-	-	1,012
Buy back of shares	(1,915)						(1,915)
Dividends paid	-	-	(12,930)	-	-	-	(12,930)
Share-based payments	-	-	-	874	-	-	874
	(865)	-	(12,930)	836	-	-	(12,959)
Balance at 31 December 2022	80,525	(17,399)	31,265	6,402	(2,183)	(2,302)	96,308

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 2022

		Half Year	
		2022	**2021**
	Note	**$'000**	**$'000**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		69,376	59,699
Payments to suppliers and employees		(32,261)	(26,070)
Interest received		194	31
Interest and other costs of finance paid		(333)	(98)
Income tax paid		(7,867)	(6,016)
Net cash provided by operating activities	6(b)	29,109	27,546
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(82)	(210)
Payments for intangibles	7	(3,364)	(2,965)
Purchase of subsidiary net of cash acquired		(20,041)	-
Payment for deposit for contingent consideration		(7,930)	-
Payment of contingent consideration		(1,890)	-
Net cash used in investing activities		(33,307)	(3,175)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities		(435)	(501)
Payment for share buybacks	9	(1,915)	-
Proceeds from issue of shares	9	1,050	163
Proceeds from bank loan	10	15,000	-
Dividends paid	11	(12,930)	(11,555)
Net cash used in financing activities		770	(11,893)
Net increase/(decrease) in cash and cash equivalents		(3,428)	12,478
Net foreign exchange differences		3	80
Cash and cash equivalents at beginning of half year		68,930	63,139
Cash and cash equivalents at end of half year	6(a)	65,505	75,697

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 CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2022

NOTE 1: BASIS FOR PREPARATION OF HALF YEAR REPORT

These general-purpose financial statements for the half year reporting period ended 31 December 2022 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 2022 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, except for the policies stated below.

The Group has adopted all 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. Where the adoption of these new and revised Standards and Interpretations had a material financial impact on the amounts recognised in the financial statements of the Group for the current or prior periods, this has been disclosed below.

New or amended Accounting Standards and Interpretations adopted

There are no new or amended accounting standards and interpretations mandatory effective 1 July 2022 that have a material impact to the Group.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity.

Website Development Costs

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

Development costs have a finite life and are amortised on a straight-line basis matched to the future economic benefits over the useful life of the project of five years.

Customer Contracts and Relationships Costs

Customer contracts acquired as part of a business combination are recognised separately from goodwill and are carried at their fair value at date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, which currently vary from five years to 10 years.

TLC Extension Fee

An extension fee was payable when the Group signed the 10-year Reseller Agreements with TLC on 26 August 2020. The extension fee is capitalised as the Reseller Agreements will deliver future economic benefits and these benefits can be reliably measured.

The extension fee has a finite life and is amortised on a straight-line basis matched to the economic benefits over the useful life of the Reseller Agreements of 10 years.

NOTE 2: SEGMENT REPORTING

The Group determines and presents operating segments on a product and a geographic basis as this is how the results are reported internally to the Chief Executive Officer (chief operating decision maker) and how the business is managed. The Chief Executive Officer assesses the performance of the Group based on the earnings before interest, tax, and depreciation and amortisation (EBITDA) amongst other key metrics and key performance indicators. Comparatives for December 2021 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:

Lottery Retailing

Sales of Australian national lottery and charity lottery tickets through the internet and mobile devices to customers (B2C) in Australia and eligible overseas jurisdictions.

Software-as-a-Service (SaaS)

Development, supply, and maintenance of proprietary software-as-a-service (SaaS) for authorised Business, Charities and Governments (B2B/B2G) mainly in the lottery market on an international basis.

Managed Services

Provision of SaaS related services for authorised Business, Charities and Governments (B2B/B2G) in the lottery market on an international basis. This includes Gatherwell in the UK, a 'lottery-in-a-box' providing lottery management services using a proprietary lottery software platform to society lotteries in the UK, Stride in Canada, a project manager for lotteries in the Canadian charities' lottery market, and StarVale in the UK, and external lottery manager and digital payments company providing lottery management services using a proprietary lottery software platform and payment services to society lotteries in the UK.

Intersegment eliminations

The SaaS segment licences the lottery software platform to the Lottery Retailing segment at a licence fee of 7.5% of lottery ticket sales.

Expenses

Direct costs are included in expenses of operating segments and indirect costs are allocated to operating segments based on headcount.

Reconciling items

Other reconciling items are Corporate expenses including costs in respect of the corporate office, corporate advertising, promotion and marketing, corporate investment and finance, tax, audit, risk, governance, and strategic projects.

(b) Segment information

The segment information for the operating segments for the half year is as follows:

Half year ended 31 December 2022	**Lottery Retailing**	**SaaS**	**Managed Services**	**Intersegment eliminations**	**Total**
	$'000	**$'000**	**$'000**	**$'000s**	**$'000**
TTV[1]	253,259	97,185	66,601	-	417,045
– Group	253,259	-	-	-	253,259
– Third-party	-	97,185	66,601	-	163,786
Total segment sales revenue from external customers	50,103	4,336	7,950	-	62,389
Intersegment sales revenue	-	18,914	-	(18,914)	-
Total segment sales revenue	50,103	23,250	7,950	(18,914)	62,389
Cost of sales	(28,127)	(141)	(499)	18,914	(9,853)
Gross profit	21,976	23,109	7,451	-	52,536
Finance costs	-	-	-	-	-
Employee benefits expense	(1,694)	(5,246)	(3,054)	-	(9,994)
Consultancy and legal expenses	(18)	(76)	(26)	-	(120)
Marketing expenses	(3,894)	(131)	(194)	-	(4,219)
Corporate expenses	(2)	(1)	(41)	-	(44)
Technology expenses	(105)	(730)	(320)	-	(1,155)
Office expenses	(68)	(120)	(160)	-	(348)
Other expenses	(874)	(1,058)	(992)	-	(2,924)
Operating expenses	(6,655)	(7,362)	(4,787)	-	(18,804)
EBITDA[1]	15,321	15,747	2,664	-	33,732

[1] *These are non-IFRS measures and not reviewed, and the details and reconciliation are included in the Financial Review.*

Total

	$'000
Reconciliation to Statutory Consolidated results	
	$'000
Total segment revenue	**62,289**
Consolidated Revenue (see note 3)	**62,389**
Total segment EBITDA	**33,732**
Other reconciling items (Corporate)	
Finance costs	(161)
Employee benefits expense	(651)
Share-based payments	(874)
Directors remuneration	(242)
Consultancy and legal expenses	(189)
Marketing expenses	(69)
Corporate expenses	(460)
Technology expenses	(29)
Other expenses	(976)
Fair value movement on financial liabilities	(89)
Consolidated operating profit	29,992
Other revenue	173
Consolidated EBITDA[1]	30,165
Depreciation and amortisation	(5,261)
Consolidated EBIT[1]	24,904
Net interest – revenue	23
Consolidated Net profit before tax	24,927
Income tax expense	(7,741)
Consolidated Net profit after tax (see Profit or Loss)	**17,186**

[1] *These are non-IFRS measures and not reviewed, and are reconciled to Net profit before tax in this table.*

Half year ended 31 December 2021	Lottery Retailing $'000	SaaS $'000	Managed Services $'000	Intersegment eliminations $'000s	Total $'000
TTV[1]	234,655	81,476	11,803	-	327,934
– Group	234,655	-	-	-	234,655
– Third-party	-	81,476	11,803	-	93,279
Total segment sales revenue from external customers	46,727	4,010	2,104	-	52,841
Intersegment sales revenue	-	17,486	-	(17,486)	-
Total segment sales revenue	46,727	21,496	2,104	(17,486)	52,841
Cost of sales	(24,362)	(148)	(228)	17,486	(7,252)
Gross profit	22,365	21,348	1,876	-	45,589
Finance costs	-	-	(6)	-	(6)
Employee benefits expense	(1,517)	(4,650)	(899)	-	(7,066)
Consultancy and legal expenses	(18)	(60)	(2)	-	(80)
Marketing expenses	(4,308)	(258)	(108)	-	(4,674)
Corporate expenses	(1)	(1)	(30)	-	(32)
Technology expenses	(76)	(722)	(50)	-	(848)
Office expenses	(62)	(97)	(39)	-	(198)
Other expenses	(539)	(772)	(233)	-	(1,544)
Operating expenses	(6,521)	(6,560)	(1,367)	-	(14,448)
EBITDA[1]	15,844	14,788	509	-	31,141

[1] *These are non-IFRS measures and not reviewed, and the details and reconciliation are included in the Financial Review.*

Total

	$'000
Reconciliation to Statutory Consolidated results	
	$'000
Total segment revenue	**52,841**
Consolidated Revenue (see note 3)	**52,841**
Total segment EBITDA	**31,141**
Other reconciling items (Corporate)	
Finance costs	(23)
Employee benefits expense	(739)
Share-based payments	(641)
Directors remuneration	(267)
Consultancy and legal expenses	(246)
Marketing expenses	(8)
Corporate expenses	(333)
Technology expenses	(11)
Other expenses	(879)
Fair value movement on financial liabilities	-
Consolidated operating profit	27,994
Other revenue	228
Consolidated EBITDA[1]	28,222
Depreciation and amortisation	(4,298)
Consolidated EBIT[1]	23,924
Net interest – revenue	(37)
Consolidated Net profit before tax	23,887
Income tax expense	(7,479)
Consolidated Net profit after tax (see Profit or Loss)	**16,408**

[1] *These are non-IFRS measures and not reviewed, and are reconciled to Net profit before tax in this table.*

NOTE 3: REVENUE AND OTHER INCOME

	Consolidated Group Half Year 2022 $'000	Consolidated Group Half Year 2021 $'000
Revenue		
— Revenue from sale of goods[1]	483	697
— Revenue from rendering services[1]	61,906	52,144
Revenue	62,389	52,841
Other income/revenue		
— Interest received		
- Cash	194	31
— Other revenues		
- Foreign exchange gains	144	222
- Other	30	6
	368	259
Total	62,757	53,100

[1]The Consolidated Group derives revenue from the transfer of goods and services at a point-in-time.

Disaggregation of revenue from contracts with customers

Half year Dec 2022	Lottery Retailing $'000	SaaS $'000	Managed Services $'000	Intersegment elimination $'000	Total $'000
Main geographic markets					
Australia (domicile)	47,718	23,060	47	(18,914)	51,911
United Kingdom	-	190	4,005	-	4,195
Canada	-	-	3,898	-	3,898
Fiji	607	-	-	-	607
Other certain overseas jurisdictions	1,778	-	-	-	1,778
	50,103	23,250	7,950	(18,914)	62,389
Customer type					
B2C	50,103	-	-	-	50,103
B2B	-	21,456	7,950	(18,914)	10,492
B2G	-	1,794	-	-	1,794
	50,103	23,250	7,950	(18,914)	62,389
Main products and services					
Draw lottery games	47,585	-	-	-	47,585
Charity lottery games	1,439	-	-	-	1,439
Instant win games	451	-	-	-	451
Software licencing fees	-	23,250	-	(18,914)	4,336

Half year Dec 2022	**Lottery Retailing $'000**	**SaaS $'000**	**Managed Services $'000**	**Intersegment elimination $'000**	**Total $'000**
Lottery management fees	-	-	7,950	-	7,950
Other	628	-	-	-	628
	50,103	23,250	7,950	(18,914)	62,389
Other revenue/income					368
External revenue and other income as reported in Note 2 above					62,757

Half year Dec 2021	**Lottery Retailing $'000**	**SaaS $'000**	**Managed Services $'000**	**Intersegment elimination $'000**	**Total $'000**
Main geographic markets					
Australia (domicile)	42,582	21,487	100	(17,486)	46,683
United Kingdom	-	9	2,004	-	2,013
Fiji	430	-	-	-	430
Other certain overseas jurisdictions	3,715	-	-	-	3,715
	46,727	21,496	2,104	(17,486)	52,841
Customer type					
B2C	46,727	-	-	-	46,727
B2B	-	19,920	2,104	(17,486)	4,538
B2G	-	1,576	-	-	1,576
	46,727	21,496	2,104	(17,486)	52,841
Main products and services					
Draw lottery games	43,515	-	-	-	43,515
Charity lottery games	1,658	-	-	-	1,658
Instant win games	321	-	-	-	321
Software licencing fees	-	21,496	-	(17,486)	4,010
Lottery management fees	-	-	2,104	-	2,104
Other	1,233	-	-	-	1,233
	46,727	21,496	2,104	(17,486)	52,841
Other revenue/income					259
External revenue and other income as reported in Note 2 above					53,100

NOTE 4: COST OF SALES AND ADMINISTRATIVE EXPENSES

	Consolidated Group 2022	2021
	Half Year	
	$'000	$'000
Profit before income tax includes the following specific expenses:		
Cost of sales		
— Sale of goods	380	225
— Rendering of services	9,473	7,027
	9,853	7,252
Finance costs expensed		
– Interest and finance charges paid/payable on borrowings	172	29
– Interest and finance charges paid/payable on lease liabilities	161	69
Finance costs expensed	333	98
Administrative expenses		
Depreciation of non-current assets		
— Plant and equipment	99	65
Amortisation of non-current assets		
— Leasehold improvements	19	19
— Intangibles	4,557	3,688
— Right-of-use assets	586	526
Total depreciation and amortisation	5,261	4,298
Other administrative expenses		
— Employee benefits expense	9,551	7,010
— Share-based payments	874	641
— Defined contribution superannuation expense	1,095	795
Total employee benefits expenses	11,520	8,446
— Other administrative expenses	6,332	4,372
Total administrative expenses	23,113	17,116
Occupancy expenses		
— Short-term lease rentals minimum lease payments	141	55
Fair value movement on financial liabilities	89	-

NOTE 5: EARNINGS PER SHARE

Reconciliation of earnings used in calculating earnings per share

	Consolidated Group Half Year 2022	2021
Basic and diluted earnings per share	**$'000**	**$'000**
Profit from operations	17,186	16,408
Profit after tax attributable to owners of Jumbo Interactive Limited used to calculate basic earnings per share	17,186	16,408
	Number	**Number**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	62,964,518	62,455,422

	Consolidated Group Half Year 2022	
	2022	2021
Basic and diluted earnings per share	**$'000**	**$'000**
	Number	**Number**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	62,964,518	62,455,422
Adjustments for calculation of diluted earnings per share: — options/rights	218,829	619,746
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	63,183,347	63,075,168

NOTE 6: CASH AND CASH EQUIVALENTS

	Note	Consolidated Group 31 December 2022	30 June 2022
		$'000	**$'000**
(a) Total cash and cash equivalents		65,505	68,930
Included in the above balance:			
General account balances		59,000	60,015
Online lottery customer account balances	8	6,505	8,915
		65,505	68,930

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

At the period ended 31 December 2022, $1,225,000 (30 June 2022: $1,153,000) and $1,494,000 (30 June 2022: n/a) was held in trust for the payment of prizes and charity distributions relating respectively to the Gatherwell business and StarVale business (acquired 1 November 2022), and neither the cash nor the corresponding liability is recognised in the Statement of Financial Position.

	Consolidated Group 31 December 2022	31 December 2021
	$'000	**$'000**
(b) **Reconciliation of Cash Flow from Operations with Profit after Income Tax**		
Profit for the year after income tax	17,186	16,408
Non-cash flows		
Amortisation	5,162	4,233
Depreciation	99	65
Fair value on financial liabilities	89	-
Share-based payments	836	641
Net foreign exchange effects-(gain)/loss	(510)	(449)

	Consolidated Group	
	31 December 2022	**31 December 2021**
	$'000	**$'000**
Changes in operating assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
Decrease/(Increase) in trade receivables	(174)	103
Decrease/(Increase) in other receivables	(576)	316
Decrease/(Increase) in inventories	(6)	(14)
Increase in DTA	(119)	(60)
Decrease in trade payables	(159)	(476)
Increase in other payables	7,095	5,213
Increase in other provisions	192	42
Increase/(decrease) in DTL	617	709
Increase/(decrease) in provision for income tax	(623)	815
Cash flow from operations	29,109	27,546

NOTE 7: INTANGIBLE ASSETS

A reconciliation of the written down values at the beginning and end of the period is set out below:

Consolidated Group	Goodwill	Website Development	Customer Contracts and Relationships	Software	Domain Names	TLC Extension Fee	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 30 June 2022	13,805	14,281	8,464	1,177	853	12,125	100	50,805
Additions internally generated	-	3,364	-	-	-	-	-	3,364
Additions through acquisition of entity	14,809	-	14,760	866	-	-	25	30,460
Amortisation charge	-	(2,839)	(768)	(188)	-	(750)	(36)	(4,581)
Foreign exchange rate movement effects	(313)	-	(282)	(26)	-	-	(1)	(622)
Closing value at 31 December 2022	28,301	14,806	22,174	1,829	853	11,375	88	79,426

Refer to Note 1: Accounting Standards and Interpretations relating to Intangible assets.

Impairments

In accordance with the Group's accounting policies, each cash generating unit (**CGU**) has been assessed at period end to determine whether there were any indications of impairment. After due consideration of the potential indicators of impairment which could impact the valuations of the CGUs, the Group concluded that there were no indicators of impairment.

NOTE 8: TRADE AND OTHER PAYABLES

		Consolidated Group	
	Note	31 December 2022	30 June 2022
		$'000	$'000
Total trade and other payables		33,573	24,530
Included in the above balance:			
Trade creditors and other payables		27,068	15,615
Customer funds payable	6	6,505	8,915
		33,573	24,530

NOTE 9: ISSUED CAPITAL

	Half Year		Half Year	
	2022	2022	2021	2021
	Shares	$'000	Shares	$'000
At the beginning of the reporting period	62,775,211	81,390	62,448,757	80,177
Shares issued during the year				
- Issue of shares	-	-	9,529	163
- Exercise of options	300,000	1,050	-	-
- Share buyback scheme	(154,618)	(1,915)		
	62,920,593	80,525	62,458,286	80,340

NOTE 10: BORROWINGS

(a) Facilities with Banks

	31 December 2022	30 June 2022
	$'000	$'000
Credit facility		
Bank guarantees	3,250	3,250
Commercial credit cards	300	300
Bank loans		
– Loan 1	28,500	30,000
– Loan 2	20,000	20,000
	52,050	53,550
Facilities utilised		
Bank guarantees	(3,100)	(3,100)
Commercial credit cards	(85)	(112)
Bank loans		
– Loan 1	(15,000)	-
– Loan 2	-	-
	(18,185)	(3,212)
Amount available	33,865	50,338

(b) Loan 1 $30,000,000

This loan matures 30 June 2027 and is repayable in equal instalments of $750,000 per quarter commencing on 30 September 2022. $15,000,000 has been drawn down in the current period and the $750,000 principal reductions are only payable when the reducing facility limit is reached. The interest rate is BBSY + 1.45%.

(c) Loan 2 $20,000,000

This loan is repayable in full on 30 June 2027. The interest rate is BBSY + 1.45%

(d) Assets pledged as security

The bank facilities are secured by a fixed and floating charge over all the Australian assets of the Group.

(e) Defaults and breaches

There have been no defaults or breaches during the half-year ended 31 December 2022.

NOTE 11: DIVIDENDS

	Consolidated Group	
	Half Year	
	2022	2021
Ordinary shares	$'000	$'000
Dividends paid in cash during the financial year	12,930	11,555
	12,930	11,555

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

		Consolidated Group	
		31 December	30 June
	Note	2022	2022
		$'000	$'000
Financial assets at FVOCI		-	-
Financial liabilities at FVTPL		8,648	3,458

	Consolidated Group	
	31 December 2022	**30 June 2022**
Financial liabilities at fair value	**$'000**	**$'000**
Opening balance	3,458	1,807
Change in contingent consideration at fair value/earnout paid	(1,801)	(1,782)
FX translation (gain)/loss through profit or loss	39	(8)
Additions-contingent consideration from business consideration in period (refer to Note 12: Business Combinations for details)	6,952	3,441
Closing balance	8,648	3,458

The Milestone 2 (final) earnout at 30 June 2021 relating to the Gatherwell acquisition was achieved and GBP1,000,000 (AUD1,807,000) paid in the 30 June 2022 period from the funds held in escrow by a third-party resulting in a change in contingent consideration at fair value.

The Milestone 1 (first) earnout at 30 June 2022 relating to the Stride acquisition was achieved during the current half-year period and CAD1,650,000 (AUD1,890,000) paid in the current half-year period from the available funds held by the Group resulting in a change in contingent consideration at fair value.

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 13: BUSINESS COMBINATIONS

Acquisitions in 2023

Acquisition of StarVale Group

On 1 November 2022, the Group acquired 100% of the issued share capital and voting rights of the StarVale Group, comprised of Starvale Technical Systems Limited, Starvale Management and Technologies Limited and DDPay Ltd (collectively, **StarVale**), through a newly incorporated wholly owned entity, Jumbo Interactive UK Ltd (as the purchaser), in exchange for cash. StarVale is a leading External Lottery Manager and digital payments group of non-listed companies in the UK, and the acquisition aligns with the Group's strategy to build scale in its Managed Services and Software-as-a-Service operating segments.

All acquired amounts were recorded on a provisional basis as at 31 December 2022.

Details of the business combination as at the date of acquisition are as follows:

Fair value of purchase consideration	Note	Fair value recognised on acquisition $000s
Cash paid on completion		32,610
Contingent consideration	13.2(b)	7,048
Working capital and cash settlement adjustment paid	13.2(a)	559
Total consideration		40,217

Fair value of identifiable assets and liabilities at acquisition date:

	Note	$000s
Cash		12,569
Trade and other receivables		2,307
Property, plant and equipment		2
Software		877
Customer contracts and relationships		15,125
Trade and other payables		(1,468)
Deferred tax liability		(3,040)
Net assets		26,372
Goodwill on consolidation	13.2(d)	13,845
StarVale acquisition at fair value		40,217

	Note	$000s
Cash consideration paid		40,217
Cash acquired on acquisition		(12,569)
Cash outflow		27,648

	Note	$000s
Acquisition costs charged to expenses	13.2(a)	844

Significant judgements and estimates

A key judgement by management is an 88.9% probability of the contingent consideration being paid following the 30 June 2023 financial year end.

(a) Consideration transferred

Acquisition-related costs of $844,000 are not included as part of the consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income, as part of administrative expenses with $706,000 in FY2022 and $138,000 in FY2023.

The actual net working capital and net cash were more than the target working capital and net cash resulting in a working capital and net cash settlement adjustment of $559,000 being paid to the vendors of StarVale.

(b) Contingent consideration

The contingent consideration arrangement requires the Group to pay up to an additional undiscounted amount of GBP4,500,000 (~$7,930,000) in cash to the StarVale vendors if certain profit targets are met, to be paid in a single instalment following the 30 June 2023 financial year end.

At 31 December 2022 these funds are held in escrow which is jointly controlled by the Group and the vendor, (including movements on foreign exchange translation of $109,000), which are recognised in the Statement of Financial Position as:

	$000s
Other current assets	
As at 1 November 2022	7,930
Unrealised fair value changes recognised in other comprehensive income	(109)
As at 31 December 2022	**7,821**

The fair value of the contingent consideration arrangement of $7,048,000 approximates the carrying value due to the short-term nature and is disclosed in Note 12.

The probability-adjusted profit in StarVale is recalculated at each reporting date with any gains/losses on the fair value of the contingent consideration recognised in profit or loss.

At 31 December 2022, the fair value of the contingent consideration liability (including movements on foreign exchange translation of $96,000) is recognised in the Statement of Financial Position as:

	$000s
As at 1 November 2022	
Liability arising on business combination	7,048
Unrealised fair value changes recognised in other comprehensive income	(96)
As at 31 December 2022	**6,952**

(c) Identifiable net assets

Developed software and customer contracts and relationships have been identified as separately identifiable assets. These assets have been valued by an independent valuer according to the cost approach/cost to create methodology for developed software and income approach/excess earnings methodology for customer contracts and relationships.

(d) Goodwill

The goodwill that arose on the combination can be attributed to StarVale's strong position and competitive advantage in the charities' lottery market and StarVale's existing assembled workforce. No amount of goodwill is expected to be deductible for tax purposes.

(e) Revenue and profit contribution

StarVale contributed TTV of $22,057,000, revenue of $1,969,000 and net profit after tax of $716,000 to the Group from the date of acquisition to 31 December 2022. If the acquisition had occurred on 1 July 2022, the Group's pro-forma TTV, revenue and net profit after tax for the half year ended 31 December 2022 would have been $61,751,000, $5,435,000, and $2,100,000 respectively.

Acquisitions in 2022

On 1 June 2022, the Group acquired 100% of the issued share capital and voting rights of Stride Management Corp. (**Stride**), a company based in Canada that conducts Project Management for Lotteries, in exchange for cash. The primary objective of the acquisition was to provide the Group an entry point to license its lottery software platform in the Canadian charities' lottery market.

All acquired amounts were recorded on a provisional basis as at 31 December 2022.

Details of the business combination as at the date of acquisition were as follows:

		Fair value recognised on acquisition
Fair value of purchase consideration	**Note**	**$000s**
Cash paid on completion		8,452
Contingent consideration		3,441
Working capital settlement adjustment paid		793
Uplift in purchase price		137
Total consideration		12,823

Fair value of identifiable assets and liabilities at acquisition date:

	Note	**$000s**
Cash		1,108
Trade and other receivables		939
Property, plant and equipment		101
Leasehold improvements		91
Right of Use assets		1,294
Software		806
Customer contracts and relationships		7,892
Deferred tax assets		334
Trade and other payables		(1,376)
Lease liabilities		(1,452)
Deferred tax liability		(2,663)
Net assets		7,074
Goodwill on consolidation		5,749
Stride acquisition at fair value		12,823

	Note	$000s
Cash consideration paid		9,382
Cash acquired on acquisition		(1,108)
Cash outflow		8,274

	Note	$000s
Acquisition costs charged to expenses		665

Significant judgements and estimates

A key judgement by management is a 95% probability of the contingent consideration being paid following the 30 June 2023 financial year end.

In December 2022, the valuation was completed and the acquisition date fair value of net assets decreased by $576,000 from the provisional values as follows:

	$000s	
Assets		
Cash	$1,108	an increase of $68,000
Trade and other receivables	$939	an increase of $377,000
Property, plant and equipment	$101	a decrease of $85,000
Leasehold improvements	$91	an increase of $3,000
Right of Use assets	$1,294	an increase of $1,294,000
Deferred tax assets	$334	an increase of $334,000
Liabilities		
Trade and other payables	$1,376	an increase of $800,000
Lease liabilities	$1,452	an increase of $1,452,000
Deferred tax liability	$2,663	an increase of $315,000

In addition, the working capital settlement adjustment paid increased by $250,000, and there was an uplift in the purchase consideration of $137,000 because of early retirement and exit of the business by Dean Faithfull, the seller and a Director of Stride, as detailed in the ASX announcement dated 21 December 2022.

As a result of the above, there was a corresponding increase in goodwill of $250,000, $577,000 and $137,000, resulting in $5,749,000 of total goodwill arising on the acquisition.

(a) Goodwill

The goodwill of $5,749,000 that arose on the combination can be attributed to Stride's strong position, competitive advantage, and strong growth prospects in the charities' lottery market, and existing assembled workforce. No amount of goodwill is expected to be deductible for tax purposes.

(b) Revenue and profit contribution

Stride contributed TTV of $9,680,000, revenue of $618,000 and net profit of $80,000 to the Group from the date of acquisition to 30 June 2022. If the acquisition had occurred on 1 July 2021, the Group's pro-forma

TTV, revenue and net profit after tax for the financial year ended 30 June 2022 would have been $118,167,000, $7,681,000, and $2,149,000 respectively.

Recognition and measurement

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued, or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets.

All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

NOTE 14: SEASONALITY AND IRREGULAR TRENDS

TTV in the Lotteries Retailing 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 2022 and December 2021 half years occurred inside the reportable periods. There were 23 OZ Lotto/ Powerball jackpots of $15 million or more (**large jackpots**) during the December 2022 half year period, with a peak $50 million OZ Lotto jackpot in October 2022 and a peak $160 million Powerball jackpot in October 2022, compared to the December 2021 half year period of 23 OZ Lotto/ Powerball large jackpots with a peak $50 million OZ Lotto jackpot in November 2021 and a peak $80 million Powerball jackpot in August and December 2021.

NOTE 15: EVENTS AFTER THE REPORTING PERIOD

Apart from the interim dividend declared of 23.0 cents per ordinary share, 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 after 31 December 2022.

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 2022 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 Group 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.

Susan Forrester

Chair

Brisbane

Mike Veverka

Chief Executive Officer and Executive Director

24 February 2023

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Building a better working world

Independent Auditor's Review Report to the Members of Jumbo Interactive Limited

Conclusion

We have reviewed the accompanying half-year financial report of Jumbo Interactive Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant 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 does not comply with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated 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*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2022 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*.

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.

Ernst & Young

Ernst & Young

Susie Kuo
Partner
Brisbane
24 February 2023