JUMBO INTERACTIVE
THE RIGHT COMBINATION
ASX:JIN

Annual Report

For the year ended 30 June 2012

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CORPORATE DIRECTORY

DIRECTORS

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

CHIEF FINANCIAL OFFICER

David Todd

COMPANY SECRETARY

Bill Lyne

REGISTERED OFFICE

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601 Coronation Drive
Toowong Qld 4066

Telephone:	07 3831 3705
Facsimile:	07 3369 7844

BANKERS

ANZ Banking Group
Commonwealth Bank of Australia
Westpac Banking Corporation

SHARE REGISTRAR

Computershare Investor Services Pty Ltd
117 Victoria Street
West End Qld 4101

Telephone:	07 3237 2100
Facsimile:	07 3229 9860

AUDITORS

BDO Audit Pty Ltd
Level 18
300 Queen Street
Brisbane Qld 4000

Telephone:	07 3237 5999
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INTERNET ADDRESS

www.jumbointeractive.com

AUSTRALIAN BUSINESS NUMBER

66 009 189 128

Cover Art done by Local Artist 'BANX'

BUSINESS OVERVIEW

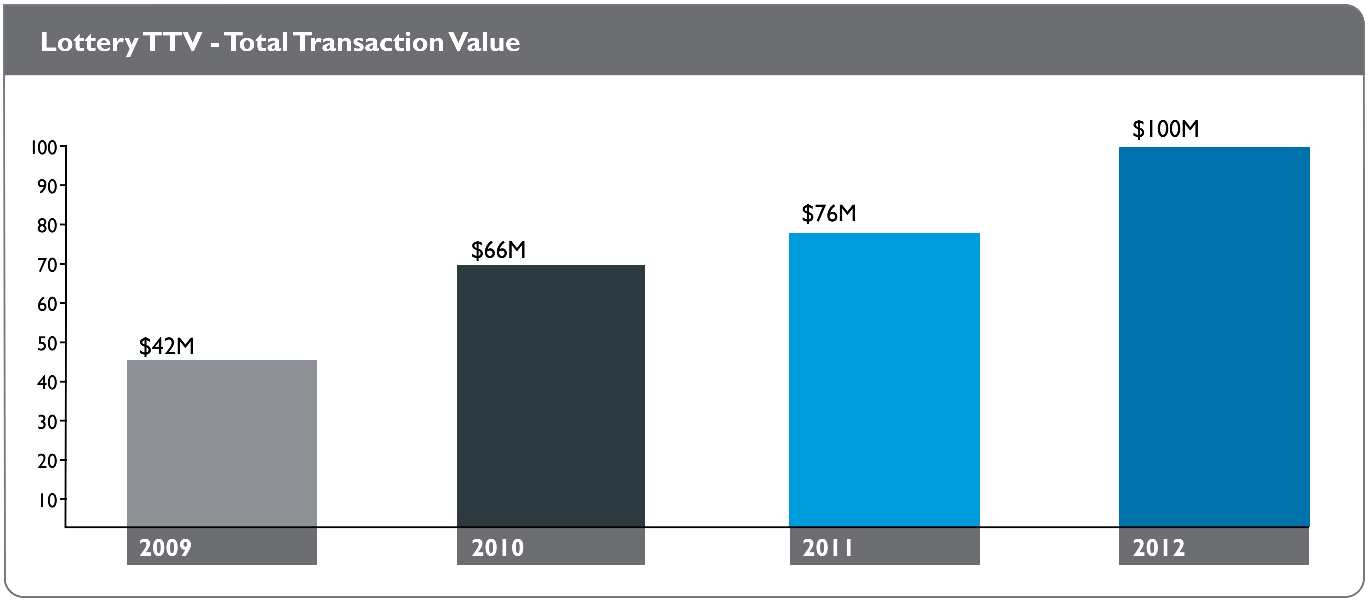
TECHNOLOGY DRIVING POSITIVE CHANGE

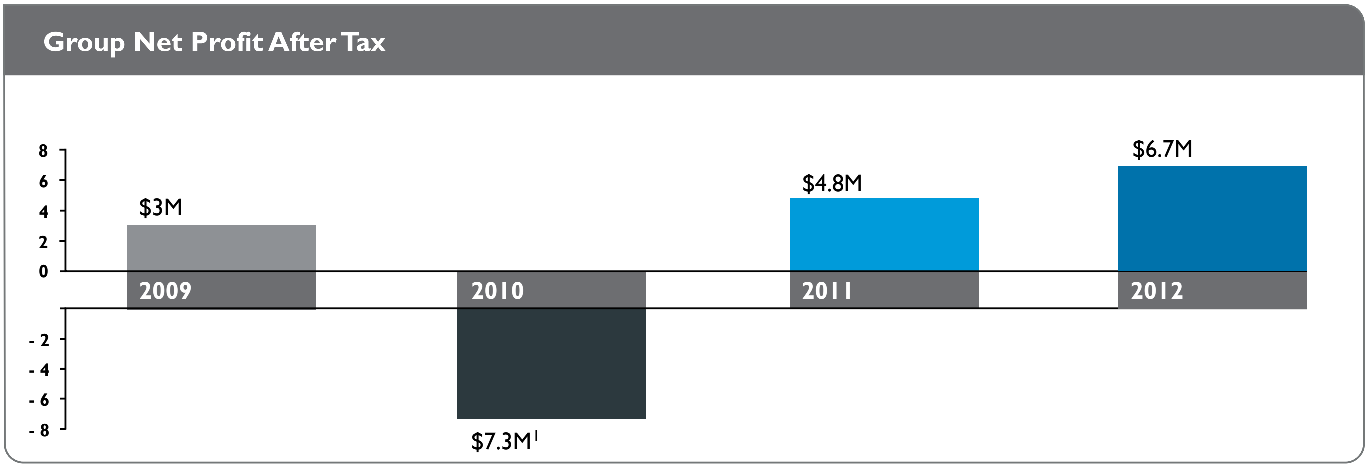
The global lottery industry is in the midst of change driven by customer demand for technological advancements. The pace is showing no signs of slowing down and Jumbo is investing in the development of these new technologies to help lotteries around the world meet this demand.

Over the past 12 years, Jumbo has built a solid system for selling lotteries on the internet. This technology is driving sales of Australian lotteries delivering profits for Jumbo and its partner lotteries as well as government revenue for social needs. The system has also become a competitive edge in the Company's efforts to expand into new countries.

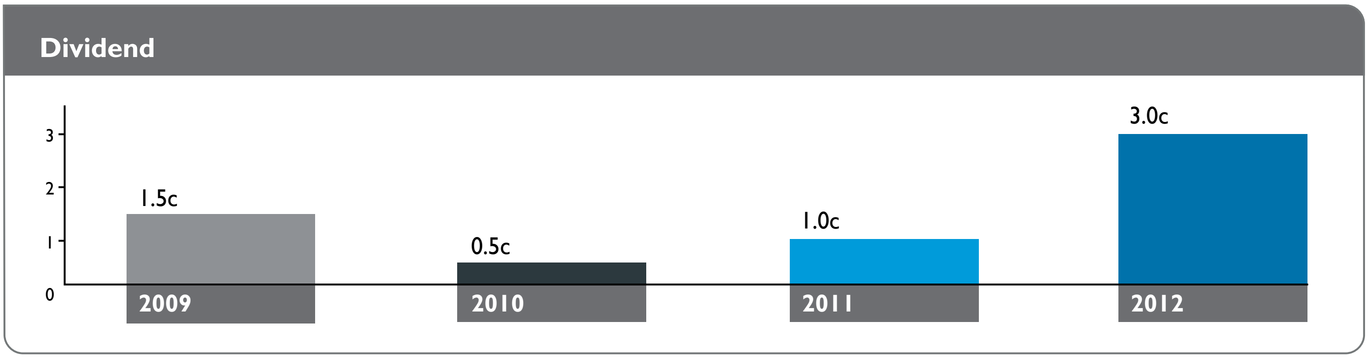
The highlight from the 2012 results is a 39% increase in net profit after tax to $6.7 million. Total Transaction Value (TTV) increased 32% from $76 million to $100 million and revenue increased 33% from $18 million to $24 million.

A 2.0c dividend was declared bringing the total for the year to 3.0c. Cash levels have reached $16.8 million plus $4.9 million for customer account balances. Trade and other payables are $5.5 million resulting in net cash for Jumbo of $11.3 million. This is earmarked for expansion into the US or other jurisdictions.





[1] One off loss in 2010 due to the software division that was closed in 2011



WHAT DOES JUMBO DO

BRING FUN TO LIFE!

Jumbo markets government lotteries using technological advances to drive success. Twelve years ago the web brought a new dimension to lottery play in Australia and Ozlotteries.com was created to provide customers with the convenience and excitement they were looking for. In 2012 the website passed two important milestones; sales reached $100 million for the first time and the customer database reached one million accounts (1.38 million by June 2012).

WHAT'S NEXT? INTERNET LOTTERIES 2.0

At first, Jumbo's flagship website was a simple website selling lottery tickets that over the years evolved with steady innovation into a full digital service that includes smartphones, loyalty, social media and partner e-retailers to become the lottery industry's most complete internet lottery platform. In September 2012, Jumbo unveiled its future vision at the 2012 World Lottery Summit in Montréal with the release of five more products.

1. **Jumbo Smart Signs**
2. **Jumbo e-Retailer**
3. **Jumbo Fun Pickers**
4. **Jumbo Group Play**
5. **Jumbo Digital Instants**

All five products represent the next step forward and build on top of the existing smart phone, customer loyalty and web-based platform that has been developed inhouse since 2000.

A new website was created at www.jumbostudios.com to showcase not only these five new products, but also the entire Jumbo solution for internet lotteries.

INTERNET LOTTERY DIVISION

1. Jumbo SmartSigns

Traditional lottery retailers now have the technology to participate in internet lottery sales without losing commissions or customers. Jumbo SmartSigns allow customers that see a lottery sign to instantly 'snap, tap or check-in' to buy tickets instantly using their smartphone. 'Snap' refers to the familiar QR code (Quick Response Code), 'Tap' refers to NFC (Near Field Communications) or 'Check-in' via GPS to verify location. Customers are given the convenience of purchasing their ticket directly from their smartphone and the retailer that owns the sign location is credited with the sale and commission. Bonuses and incentives can also be offered as a way of driving customers back into the retailer's store.

2. Jumbo e-Retailer

Another new product for traditional retailers is the Jumbo e-Retailer system that allows retailers to incorporate digital sales with their traditional sales. Customers are able to purchase tickets through the retailer's own website and sales are linked back to that retailer. Government required identity and age verification checks are handled centrally to ensure compliance with all required laws. This system brings together traditional and digital lotteries into a single harmonious system.

3. Jumbo FunPickers

Lottery players love to choose their favourite numbers when playing the lottery. Jumbo takes this one step further by giving them the choice to also select their favourite star sign, sport, personality (or whatever) adding an extra dimension to their lottery play. But the fun doesn't stop there. Players can also play classic arcade style casual games to choose their numbers.

Jumbo has released its first game and has begun partnering with game developers to provide a range of arcade style casual games as a fun way to pick numbers for lotteries. Using the e-Retailer system, Jumbo is able to share revenues with the game developers providing new revenue models as well as new avenues for interactive marketing.

4. Jumbo GroupPlay

Playing lotteries is fun, but playing lotteries with friends adds a whole new dimension. Jumbo GroupPlay combines this with the rapid rise of social media into an innovative way to play lotteries with friends via social media. First, a player begins a game by inviting their Facebook friends to join in. Social chatter begins and a group is formed to play the lottery. Jumbo handles the transactions and notification of result and prizes. The results create further social chatter rolling on to a new game each week.

5. Jumbo Digital Instants

Digital instant games are the digital equivalents of scratch tickets on the internet. Currently not permitted in Australia, Jumbo has been active in the debate to include online scratch games in the Australian Interactive Gaming Act. Overseas, digital instants have been accepted and so Jumbo has begun marketing its range of games in those jurisdictions that accept this form of gaming.

Patent applications have been filed for protection of these new technologies.

DIRECTORS' REPORT

The Directors of Jumbo Interactive Limited (the Company), present their report on the consolidated entity (the Group), consisting of Jumbo Interactive Limited and the entities it controlled at the end of, and during, the financial year ended 30 June 2012.

DIRECTORS

The following persons were Directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

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

COMPANY SECRETARY

The following person held the position of Company Secretary at the end of the financial year: Mr Bill Lyne – refer to Information on Directors for details.

PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN NATURE OF ACTIVITIES

The principal activity of the Group during the financial year was the retail of lottery tickets sold both in Australia and eligible overseas jurisdictions.

There were no significant changes in the nature of the Group's principal activities that occurred during the financial year.

DIVIDENDS

Details of dividends paid to members of the Company during the financial year are as follows:

Final dividend of 0.5 cent per share on ordinary shares for the year ended 30 June 2011 paid on 30 September 2011	$197,685
Interim dividend of 1.0 cent per share on ordinary shares for the year ended 30 June 2012 paid on 30 March 2012	$416,157
	$613,842

In addition to the above dividends, since the end of the financial year, the Directors have declared a final ordinary dividend for the financial year ended 30 June 2012 of 2.0 cents per share on ordinary shares to be paid on 28 September 2012 (approximately $848,251).

OPERATING RESULTS AND REVIEW OF OPERATIONS FOR THE YEAR

Information on the operations and financial position of the Group and its business strategies and prospects for future financial years is set out below.

Operating Results

The Company now reports revenue on a net revenue inflow basis where it considers that it acts more as an Agent than as a Principal such as the sale of lottery tickets. The gross inflow is advised as Total Transaction Value for information purposes. Refer to Notes 1(d) and 1(aa)(i) for further details.

The consolidated profit of the Group amounted to $6,743,525 (2011: $4,834,455), after providing for income tax $2,310,544 (2011: benefit $306,411), which is a large increase on the results reported for the year ended 30 June 2011. Net reportable operating revenues increased 33% to $24,087,742 (2011: $18,118,334) and Total Transactional Value increased by 32% to $100,256,769 (2011: $75,946,130). The significant improvement was largely from continued growth in the online lottery business.

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

Other revenue, being mainly interest on cash, increased by 89% to $897,294 (2011: $474,179) due to higher cash and cash equivalent balances and improved liquidity management.

Further discussion on the Group's operations now follows:

Review of Operations

(a) Online Lottery Segment

The Company continues to make significant investment in its internet intellectual properties, notably www.ozlotteries.com, and customer management, with 30% growth in net reportable operating revenues to $23,584,433 (2011: $18,081,812). Gross transactional value increased 31% to $99,719,424 (2011: $75,866,793), being achieved mainly through an increasing customer database.

These investments, as well as investments in staff and improvements to underlying technology, have increased the operating costs. This has supported the strong growth in revenues which in turn, has increased operating profit contribution to $10,002,512 (2011: $5,495,205).

(b) All Other Segments

This segment consists of the sale of non-lottery products and services and is primarily an exploration in leveraging off the current lottery customer database. Revenues increased to $548,760 (2011: $79,337) as the product range and customer database expanded, with an operating loss of $33,866 (2011: profit $53,525) due to increased operating expenses to support both increased current and future revenues.

	2012	2011	2010	2009	2008
Gross transactional value	$100.3 million	$75.9 million[1]	$66.0 million[1]	$58.6 million	$37.8 million
EBITDA	$10,515,449	$7,024,810[1]	$2,392,566	$5,059,248	$2,866,437
PROFIT - NPAT	$6,743,525	$4,834,455	($7,311,048)[2]	$2,957,335	$2,730,526

[1] continuing operations

[2] after impairment losses of $8,290,292

Five Year Asset Growth

	2012	2011	2010	2009	2008
Cash at Bank[1]	$21.7 million	$11.8 million	$9.5 million	$9.8 million	$5.6 million
Net Assets	$18.1 million	$10.1 million	$6.4 million	$14.2 million	$11.8 million
NTA	$11.3 million	$3.7 million	$0.4 million	$1.1 million	$3.0 million

[1] includes cash held under term deposit and customer account balances payable (refer to Note 11: Cash and Cash Equivalents and Note 17: Trade and Other Payables for details)

Five Year Share Price Analysis

	2012	2011	2010	2009	2008
PROFIT - NPAT	$6,743,525	$4,834,455[2]	($7,311,048)[1]	$2,957,335	$2,730,526
EPS	16.7¢	12.1¢[2]	(17.0¢)[1]	6.9¢	6.5¢
Share Price	105.0¢	37.0¢	27.0¢	21.5¢	22.5¢
Shares on Issue	42.4 million	39.5 million	43 million	43 million	43 million
Market Cap	$44.5 million	$14.6 million	$11.6 million	$9.2 million	$9.7 million

[1] after impairment losses of $8,290,292

[2] after impairment reversal $1,258,354 and voluntary administration expenses $1,224,339

(c) Summary of Results

The results for the Company are summarised below:

Financial Position

The net assets of the Group have increased by $8,001,735 from 30 June 2011 to $18,083,709. This increase is largely due to improved operating performance of the Group.

The Group's working capital, being current assets less current liabilities, has improved from $4,602,813 in 2011 to $11,686,335 in 2012 due mainly to the increased cash and cash equivalents through operating activities.

The Directors believe the Group is in a sound financial position to expand and grow its current operations.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

a) Increase in contributed equity of $1,762,986 resulting from (see Note 21: Contributed Equity for details):

	$
Issue of 2,910,000 shares as a result of exercise of options previously granted to employees and directors	1,707,000
Issue of 295,779 shares under the Dividend Reinvestment Plan	147,733
Buyback of 330,024 shares under a sale of Unmarketable Parcels offer	(91,747)
	1,762,986

b) Repayment of borrowings

Surplus cash was used to repay borrowings early in excess of arranged payments as follows:

	$
$750,000 loan from the ANZ (see Note 18: Borrowings for details)	(750,000)
	(750,000)

LIKELY DEVELOPMENTS, KEY BUSINESS STRATEGIES AND FUTURE PROSPECTS

The Company continues its efforts to grow the domestic lottery market while respecting responsible gaming commitments and the needs of all industry stakeholders, including other lottery channels.

In December 2011, the Company signed a five year supply and marketing contract with South Australia Lotteries which is expected to have a positive effect on revenue with the website being launched 3 September 2012.

In December 2008, the Company signed a five year co-branded website contract with New South Wales Lotteries (now owned by the Tatts Group) to handle lottery sales for customers from www.nswlotteries.com.au. In May 2012, the Tatts Group began accepting online orders from these NSW customers bringing NSW into line with the other states. As previously advised, this will have the effect of reducing revenue from the co-branded website although growth of NSW customers for www.ozlotteries.com is still expected to continue through ongoing marketing initiatives.

The domestic internet lottery market represents 7% of the total domestic lottery market compared to overseas lottery markets which have recorded strong growth such as the more mature markets of UK and Finland where internet market share has reached 15% and 30% respectively.

The Company is actively pursuing opportunities in international markets, most notably the USA market since the green light for internet lottery sales was given by the Department of Justice in December 2011. The North America lottery market is $60 billion compared to $4 billion in Australia.

New products and technologies are being developed to take advantage of the trend towards social media, interactive gaming and e-tailing, which is expected to have the Company well placed in the domestic market and give it a competitive edge in the international markets.

It is not possible at this stage to predict the overall impact on revenues of these upward and downward forces.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There were no material events after the balance sheet date.

ENVIRONMENTAL REGULATION

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

INFORMATION ON DIRECTORS

Name	**David K Barwick**
Experience	Appointed as a Board member on 30 August 2006 and Chairman on 7 November 2007. David Barwick is an accountant by profession with over 38 years experience in the management and administration of publicly listed companies both in Australia and North America. During this period David has held the position of Chairman, Managing Director or President of over 30 public companies covering a broad range of activities.
Directorships currently held in other listed entities	Current Director and Chairman of Metallica Minerals Limited (since 11 March 2004); current Director of Orion Metals Limited (since 28 November 2008); and current Director and Chairman of Planet Metals Limited (since 9 June 2009).
Interest in shares and options[1]	None
Special responsibilities	Chairman (Non-Executive); Chair of the Nomination and Remuneration Committee; and member of the Audit Committee.
Directorships formerly held in other listed entities during the three years prior to the current year	Previous Director and Chairman of MetroCoal Limited (from 6 July 2007 to 30 June 2012).

Name	**Mike Veverka**
Qualifications	Bachelor of Engineering
Experience	Mike Veverka has been Chief Executive Officer and Director of Jumbo Interactive Limited since the restructuring of the Company in September 1999. Mike was instrumental in the development of the e-commerce software that is the foundation to the various Jumbo operations. Mike was the original founder of subsidiary Benon Technologies Pty Ltd in 1995 when development of the software began. Mike also established a leading Internet Service Provider in Queensland which operated successfully for three years before being sold. Mike is regarded as a pioneer in the Australian internet industry with many successful internet endeavours to his name. Mike graduated with an Honours degree in engineering in 1987.
Directorships currently held in other listed entities	None
Interest in shares and options[1]	9,488,540 ordinary shares in Jumbo Interactive Limited.
Special responsibilities	Chief Executive Officer
Directorships formerly held in other listed entities during the three years prior to the current year	None

Name	**Bill Lyne**
Qualifications	Bachelor of Commerce; Chartered Accountant
Experience	Appointed as a board member on 30 October 2009. Bill Lyne is the principal of Australian Company Secretary Service, providing company secretarial, compliance and governance services to public companies. He is currently company secretary of three other publicly listed companies, is a former secretary and/or director of a number of other listed companies, and has a wealth of experience in corporate governance principles and practices. Bill is a fellow of Chartered Secretaries Australia and has been a presenter at CSA courses in company secretarial practice.

Directorships currently held in other listed entities	None
Interest in shares and options[1]	None
Special responsibilities	Chair of the Audit Committee; member of the Nomination and Remuneration Committee; and Company Secretary.
Directorships formerly held in other listed entities during the three years prior to the current year	None

[1] includes transactions since the end of the reporting date up to and including the date of the Directors' Report.

MEETINGS OF DIRECTORS

The number of meetings of the Board of Directors (including board committees) held during the year ended 30 June 2012 and the number of meetings attended by each Director is set out below:

	Board		Audit Committee		Nomination and Remuneration Committee	
Name	**Eligible to attend**	**Attended**	**Eligible to attend**	**Attended**	**Eligible to attend**	**Attended**
David Barwick	14	14	7	7	4	4
Mike Veverka	14	14	-	-	-	-
Bill Lyne	14	12	7	7	4	4

SHARE OPTIONS

Unissued ordinary shares of the Company under option at the date of this report are as follows:

Date options granted	Expiry date	Exercise price of shares	Number under option
15 February 2011	15 February 2014	50 cents	800,000
14 December 2011	14 December 2014	70 cents	1,000,000
			1,800,000

The holders of these options do not have any rights under the options to participate in any share issue of the Company or of any other entity.

During the financial year ended 30 June 2012, the following options were issued to consultants based in the USA as part of payment for services being provided (refer to Note 26 Share-Based Payments for details):

Name	Number of options granted	Number of ordinary shares under option
Brian J Roberts	500,000	500,000
John Carson	500,000	500,000
	1,000,000	1,000,000

During or since the financial year ended 30 June 2012, the following ordinary shares of Jumbo Interactive Limited were issued on the exercise of options granted. No amounts are unpaid on any of the shares.

	Grant date	Issue price of shares	Number of shares issued
Employees	1 May 2009	50 cents	1,450,000
Employees	15 February 2011	50 cents	200,000
Directors	21 October 2009	70 cents	1,350,000
Directors	15 November 2010	70 cents	300,000
			3,300,000

During the financial year ended 30 June 2012, 50,000 options were forfeited due to staff leaving employment.

During or since the end of the financial year, no options were granted by the Company to directors and executives of the Group as part of their remuneration.

For details of options issued to directors and executives as remuneration, refer to the Remuneration Report.

REMUNERATION REPORT (Audited)

This report details the nature and amount of remuneration for each Key Management Person, including each director of Jumbo Interactive Limited.

a) Policy for determining the nature and amount of KMP remuneration

The Remuneration Policy of Jumbo Interactive Limited has been designed to align director and Key Management Personnel (KMP) objectives with shareholder and business objectives by providing a remuneration component and offering specific incentives based on key performance areas affecting the Group's financial results. The Board of Jumbo Interactive Limited believes the Remuneration Policy to be appropriate and effective in its ability to attract and retain the best directors and KMP to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for Board members and KMP of the Group is as follows:

- The Remuneration Policy, setting the terms and conditions for the directors and KMP, was developed by the Nomination and Remuneration Committee and approved by the Board.
- All KMP receive a base salary (which is based on factors such as individual performance skills, level of responsibilities, experience and length of service, superannuation, options (by invitation) and performance incentives.
- Performance incentives are generally only paid once predetermined key performance measures have been met.
- The Board reviews KMP packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The performance of KMP is measured against criteria agreed annually with each KMP and is based predominantly on the Group's profits and shareholder value. All bonuses and incentives must be linked to predetermined performance criteria. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of KMP and reward them for performance that results in long term growth in shareholder wealth. Refer below for further details of performance based remuneration.

KMP are also entitled to participate in the employee share option arrangements.

The directors and KMP receive a superannuation guarantee contribution required by the government, which is currently 9% and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and KMP is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes, Binomial and Monte Carlo Simulation methodologies.

Following a "first strike" to the 2011 Remuneration Report, the board sought and obtained feedback from those shareholders who had either voted against or abstained from voting with regards to the Remuneration Report. Following this, the Board has increased the level of disclosure in the Remuneration Report and revised the remuneration and bonus structures of KMP.

Fixed compensation

Fixed compensation consists of a base salary as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the Board through a process that considers individual and overall performance of the Group, and with reference to other KMP of comparable companies. If considered necessary, external consultants provide analysis and advice to ensure the directors' and KMP compensation is competitive in the market place.

Performance linked compensation

Performance linked compensation includes short term incentives only and is designed to reward KMP for superior performance. The short term incentive (STI) is an "at risk" bonus provided in the form of cash. The Group does not have long term incentives (LTI) such as the issue of ordinary shares or the grant of options over ordinary shares as a part of performance linked compensation due to the relatively small market capitalisation of the Company, the concentrated shareholding of the Company which could become further concentrated under such a scheme, and the desire of the Board to limit shareholding dilution to as low a level as possible. The Board did not exercise any discretion on the payment of bonuses.

Non-Executive Directors

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. The total compensation for all non-executive directors, last voted upon by shareholders at the 2009 AGM, is not to exceed $250,000 per annum and is set with reference to other non-executive directors of comparable companies. Fees for non-executive directors are not linked to the performance of the Group.

Fees are paid as follows and comprise cash and statutory superannuation:

Chairman of Board	$76,300
Non-Executive Directors	$54,500
Membership of Audit Committee and Nomination and Remuneration Committee	No additional fees
Chairman of Audit Committee	No additional fees
Chairman of Nomination and Remuneration Committee	No additional fees

Performance Based Remuneration

As part of the KMP remuneration package there is a performance based component, consisting of key performance indicators (KPI). The intention of this program is to facilitate goal congruence between executives with that of the business and shareholders. These KPI are set annually, with a certain level of consultation with KMP to ensure buy-in. The KPI target areas the Board believes hold greater potential for group expansion and profit, covering both financial and non-financial as well as short and long-term goals. The level set for each KPI is based on combination of an improvement on the previous year results, budgeted figures and market sector standards (Consumer Discretionary Sector – ASX:XDJ). Performance in relation to the KPI is assessed annually by the Board, with bonuses being awarded depending on the number and deemed difficulty of the KPI achieved. Following the assessment, the KPI are reviewed by the Board in light of the desired and actual outcomes, and their efficacy is assessed in relation to the Group's goals and shareholder wealth before the KPI are set for the following year.

In determining whether or not a KPI has been achieved, the Company bases the assessment on audited figures.

Performance conditions linked to remuneration

The Group seeks to emphasise reward incentives for results and continued commitment to the Group through the provision of various "at risk" cash bonus reward schemes.

Short term incentive bonus

Incentive payments are based on the achievement of financial targets of profit, return of equity and total shareholder return and non-financial targets of strategic benefit such as signing of an additional lottery supplier and obtaining an agency agreement in the USA. Payments of incentives for the 2012 financial year result were based on the Group's overall financial performance (with returns net profit after tax greater than 10% from the prior year, return on equity and total shareholder returns maintained at greater than 20%), and non-financial target agreements being signed.

Long term incentive bonus

Options are issued to KMP as part of their remuneration at the discretion of the Board. These options are not issued based upon performance criteria, but are issued to increase goal congruence between KMP, directors and shareholders.

Company Performance, Shareholder Wealth, and Directors' and KMP Remuneration

The Remuneration Policy has been tailored to increase goal congruence between shareholders, directors and KMP.

The following table shows the total transaction value and profits/(loss) for the last five years for the listed entity, as well as the share price at the end of the respective financial years. Analysis of the figures shows an increase in profits each year, except 2010 when an impairment of the software division was recognised. This division was subsequently closed in the 2011 financial year. The improvement in the Company's performance over the past five years has been reflected in the Company's share price with an increase each year, with the exception of 2009 when the share price fell slightly. The

Board is of the opinion that these results can be attributed, in part, to the previously described Remuneration Policy and is satisfied with the upwards trend in shareholder wealth over the past five years.

	2012	**2011**	**2010**	**2009**	**2008**
Total Transaction Value	$100.3 mil	$75.9 mil[1]	$66.0 mil[1]	$58.6 mil	$37.8 mil
Net profit/(loss) – overall operations	$6,743,525	$4,834,455	($7,311,048)	$2,957,335	$2,730,526
Net profit/(loss) – continuing operations	$6,476,516	$4,932,851	$3,260,797[2]	$2,957,335	$2,730,526
Net profit/(loss) – discontinued operations	$267,009[5]	($98,396)[4]	($10,571,845)[3]	n/a	n/a
Share price at year end	105.0¢	37.0¢	27.0¢	21.5¢	22.5¢
Dividends paid per share	1.5¢	0.5¢	0.5¢	1.5¢	1.0¢
Total shareholder return	187.8%	38.9%	27.9%	2.2%	(28.8%)
Earnings per share	16.7¢	12.1¢	(17.0¢)	6.9¢	6.5¢
Return on capital employed – overall operations	37.3%	47.9%	(114.6%)	20.8%	23.0%
Return on capital employed – continuing operations	35.8%	48.9%	51.1%	20.8%	23.0%
Return on capital employed – discontinued operations	1.5%	(1.0%)	(165.7%)	n/a	n/a

[1] continuing operations.

[2] this is after a one-off impairment expense of $348,585.

[3] this is after a one-off impairment expense of $7,941,707.

[4] this is after reversal of impairment expense $1,258,354, loss on loss of control of subsidiary placed into voluntary administration $639,644 and expenses relating to the voluntary administration expenses $584,695.

[5] this is only the tax effect of the subsidiary placed into voluntary administration.

b) Key Management Personnel

The following persons were key management personnel of Jumbo Interactive Limited Group during the financial year:

Name	***Position held***
David K Barwick	Chairman (Non-Executive)
Mike Veverka	Director and Chief Executive Officer
Bill Lyne	Non-Executive Director and Company Secretary
David Todd	Chief Financial Officer
Xavier Bergade	Chief Technical Officer
Kate Waters	Operations and Human Resources Manager

Kate Waters has become a member of key management personnel for the financial year ended 30 June 2012 as a result of a change in the role and responsibilities relating to the position during the financial year.

c) Details of Remuneration

Details of compensation of key management personnel of Jumbo Interactive Limited Group are set out below:

2012	Short term employee benefits			Post employment benefits	Long term benefits		Share based payments			
	Cash salary, fees and leave	Cash bonus	Non-monetary benefits	Superannuation	Long service leave	Termination benefits	Options[1]	Total	Proportion of remuneration that is performance based	% of value of remuneration that consists of options
	$	$	$	$	$	$	$	$	%	%
Directors										
David Barwick	70,000	-	-	6,300	-	-	16,805	93,105	-	18
Mike Veverka	360,000	160,000	-	46,800	9,971	-	13,820	590,591	27	2
Bill Lyne	50,000	-	-	4,500	-	-	15,491	69,991	-	22
Bill Lyne – as Company Secretary	33,601	-	-	-	-	-	-	33,601	-	-
Other key management personnel										
David Todd	200,000	80,000	-	25,200	3,835	-	14,495	323,530	25	4
Xavier Bergade	200,000	80,000	-	25,200	3,835	-	9,199	318,234	25	3
Kate Waters	110,000	15,000	-	11,250	2,397	-	3,249	141,896	11	2
Total key management personnel remuneration	1,023,601	335,000	-	119,250	20,038	-	73,059	1,570,948		

[1] Includes share based payments over the remaining term on those options exercised during the financial year.

2011	Short term employee benefits			Post employment benefits	Long term benefits		Share based payments			
	Cash salary, fees and leave	Cash bonus	Non-monetary benefits	Superannuation	Long service leave	Termination benefits	Options[1]	Total	Proportion of remuneration that is performance based	% of value of remuneration that consists of options
	$	$	$	$	$	$	$	$	%	%
Directors										
David Barwick	56,206	-	-	18,235	-	-	12.595	87,036	-	14
Mike Veverka	240,000	161,750	-	36,157	7,703	-	12,595	458,205	35	3
Bill Lyne	43,960	-	-	3,956	-	-	7,778	55,694	-	14
Bill Lyne – as Company Secretary	53,304	-	-	-	-	-	-	53,304	-	-
Bonita Boezeman AO[2]	42,078	-	-	3,787	-	-	3,267	49,132	-	7
Other key management personnel										
David Todd	189,605	10,000	-	17,964	3,827	-	8,323	229,719	4	4
Xavier Bergade	110,000	99,608	-	18,865	4,019	-	8,323	240,815	41	4
Total key management personnel remuneration	735,153	271,358	-	98,964	15,549	-	52,881	1,173,905		

[1] Includes share based payments over the remaining term on those options exercised during the financial year.

[2] Bonita Boezeman AO became a director on 28 July 2010 and ceased to be a director on 31 May 2011

d) Cash bonuses

Cash bonuses granted by the Board during the financial year ended 30 June 2012 with no vesting conditions were paid on 19 January 2012 and 6 September 2012.

Incentive outcomes for 2012:

KMP	Included in remuneration	Forfeited in year
	$	$
David Barwick	n/a	n/a
Bill Lyne	n/a	n/a
Mike Veverka	160,000	120,000
David Todd	80,000	40,000
Xavier Bergade	80,000	40,000
Kate Waters	15,000	-

e) Options and rights granted as remuneration

Options are issued to key management personnel as part of their remuneration at the discretion of the Board. The options are not necessarily issued based upon performance criteria, but are issued to selected executives of the Company and its subsidiaries to increase goal congruence between executives, directors and shareholders.

No options and rights were granted to key management personnel as compensation during the reporting period.

Options will vest in key management personnel when the share price equals the exercise price, and on condition that they are currently employed by the Jumbo Interactive Limited Group at the time of vesting. If the key management person leaves before their options vest, then the options will lapse immediately. In the event of retirement or retrenchment, the options will lapse one month after the event and if deceased, the options will lapse three months after the event.

f) Equity instruments issued on exercise of remuneration options

Details of equity instruments issued during the period to key management personnel as a result of options exercised that had previously been granted as compensation are as follows:

2012	Number of shares issued on exercise of options	Number of options exercised	Amount paid per share	Amount unpaid per share
Name				
Directors				
David Barwick	550,000	550,000	$0.70	-
Bill Lyne	550,000	550,000	$0.70	-
Mike Veverka	160,000	160,000	$0.70	-
	1,260,000	1,260,000		
Other key management personnel				
David Todd	700,000	700,000	$0.50	-
Xavier Bergade	550,000	550,000	$0.50	-
	1,250,000	1,250,000		

g) Value of options to key management personnel

Details of the value of options exercised and lapsed during the year to key management personnel as part of their remuneration are summarised below:

	Grant details			For the financial year ended 30 June 2012					Overall		
	Date	No.	Value per option at grant date[1] $	Exercised[2] No.	Vale at date Exercised[3] $	Lapsed No.	Lapsed $	Vested No.	Vested %	Unvested %	Lapsed %
Directors											
David Barwick	30 Oct 2009	550,000	0.069	550,000	136,125	-	-	550,000	100	-	-
Bill Lyne	30 Oct 2009	250,000	0.069	250,000	74,750	-	-	250,000	100	-	-
Bill Lyne	15 Nov 2010	300,000	0.033	300,000	63,375	-	-	300,000	100	-	-
Mike Veverka	30 Oct 2009	550,000	0.069	160,000	88,000	-	-	550,000	100	-	-
Other key management personnel											
David Todd	1 May 2009	550,000	0.078	550,000	291,500	-	-	550,000	100	-	-
David Todd	15 Feb 2011	150,000	0.065	150,000	148,500	-	-	150,000	100	-	-
Xavier Bergade	1 May 2009	550,000	0.078	550,000	291,500	-	-	550,000	100	-	-
Xavier Bergade	15 Feb 2011	150,000	0.065	-	-	-	-	150,000	100	-	-
Kate Waters	15 Feb 2011	150,000	0.065	-	-	-	-	150,000	100	-	-
		3,200,000		2,510,000	1,093,750	-	-	3,200,000	100	-	-

[1] The value of options granted during the period differs from the expense recognised as part of each key management person's remuneration in (c) above because the value is the grant date fair value calculated in accordance with AASB 2 Share-Based Payment.

[2] All options exercised resulted in the issue of ordinary shares in Jumbo Interactive Limited on a 1:1 basis. All persons exercising options paid the applicable exercise price.

[3] The value of the options that have been exercised during the year as shown in the above table was determined as the intrinsic value of the options at exercise date i.e. the excess of the market value at exercise date over the strike price of the option.

h) Employment contracts of directors and KMP

The employment conditions of non-executive directors are formalised by letters of appointment and KMP are formalised in contracts of employment.

The employment contracts stipulate a range of terms and conditions. The Company may terminate an employment contract without cause by providing generally four weeks written notice or making payment in lieu of notice, based on the individual's annual salary component. The notice period for the Chief Executive Officer is fifty two (52) weeks. A termination payment may or may not be applicable dependent on the particular circumstances. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time. Any options not exercised before or on the date of termination will lapse.

The policy of the Company is that service contracts are generally unlimited in term.

Unless otherwise stated, service agreements do not provide for pre-determined compensation values or the manner of payment. Compensation is determined in accordance with the general remuneration policy outlined above. The manner of payment is determined on a case by case basis.

Mike Veverka	
Contract term:	Ongoing
Base salary:	$360,000 plus incentive bonuses as determined by the Board from year to year, plus superannuation, to be reviewed annually by the Board.
Termination payments:	Payment on early termination by the Group, other than for gross misconduct, equal to 12 months base salary plus bonus.
David Todd	
Contract term:	Ongoing
Base salary:	$200,000 plus incentive bonuses as determined by the Board from year to year, plus superannuation, to be reviewed annually by the Board.
Termination payments:	Payment on early termination by the Group, other than for gross misconduct, equal to six months base salary.
Xavier Bergade	
Contract term:	Ongoing
Base salary:	$200,000 plus incentive bonuses as determined by the Board from year to year, plus superannuation, to be reviewed annually by the Board.
Termination payments:	Payment on early termination by the Group, other than for gross misconduct, equal to six months base salary.
Kate Waters	
Contract term:	Ongoing
Base salary	$110,000 plus incentive bonuses as determined by the Board from year to year, plus superannuation, to be reviewed annually by the Board.
Termination payments:	Payment on early termination by the Group, other than for gross misconduct, equal to three months base salary.

END OF REMUNERATION REPORT

INDEMNIFYING OFFICERS OR AUDITOR

During the financial year, the Company paid a premium in respect of a contract insuring directors, secretaries and executive officers of the Company and its controlled entities against a liability incurred as director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer of the Company or any of its controlled entities against a liability incurred as such an officer.

No indemnity has been provided to, or insurance paid on behalf of, the auditor of the Group.

NON-AUDIT SERVICES

During the financial year, the following fees for non-audit services were paid or payable to the auditor, BDO, or their related practices:

	Consolidated	
	2012	**2011**
	$	**$**
Taxation services		
Amounts paid or payable to a related practice of BDO		
- Tax compliance services - tax returns	39,297	30,560
- Other tax advice	18,689	7,440
Other services		
Amounts paid or payable to a related practice of BDO		
- Accounting advice	-	18,500
Total fees for non-audit services	57,986	56,500

On the advice of the Audit Committee, the Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on behalf of the auditor), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

On the advice of the Audit Committee, the Directors are satisfied that the provision of non-audit services by the auditor, as set out above, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the non-audit services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

AUDITOR'S INDEPENDENCE DECLARATION

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

This report is made in accordance with a resolution of the Directors.

David K Barwick
Chairman
Brisbane
6 September 2012

AUDITOR'S INDEPENDENCE DECLARATION

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Level 18, 300 Queen St
Brisbane QLD 4000,
GPO Box 457, Brisbane QLD 4001
Australia

The Directors
Jumbo Interactive Limited
PO Box 824
TOOWONG QLD 4066

Dear Directors,

DECLARATION OF INDEPENDENCE BY T J KENDALL TO THE DIRECTORS OF JUMBO INTERACTIVE LIMITED

As lead auditor of Jumbo Interactive Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

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

Tim Kendall

T J Kendall
Director
BDO Audit Pty Ltd
Brisbane, 6 September 2012

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

This statement summarises the corporate governance practices that have generally applied in Jumbo Interactive Ltd (the Company) throughout the reporting period except where otherwise stated. It is structured along the same lines as the ASX Corporate Governance Council's Principles and Council Recommendations, with sections dealing in turn with each of the Council's corporate governance Principles and addressing the Council's Recommendations. This statement and the charters, codes and policies referred to herein are posted on the Company's website www.jumbointeractive.com and shareholders and other interested readers are welcome to refer to them. The Board will keep its corporate governance practices under review.

1. Lay solid foundations for management and oversight

The Council's first Principle states that companies should "establish and disclose the respective roles and responsibilities of board and management". The Company has adopted a formal Board Charter that sets out the functions reserved to the Board and those delegated to the Chief Executive Officer. This enables the Board to provide strategic guidance for the Company and effective oversight of management.

The Company provides new Directors with a letter on appointment which details the terms and conditions of their appointment, provides clear guidance on what input is required by them, and includes materials to assist with induction into the Company.

The Company has a similar approach for all senior executives whereby they are provided with a formal letter of appointment setting out their terms of office, duties, rights and responsibilities as well as a detailed job description. The Board has delegated responsibilities and authorities to the CEO and other executives to enable management to conduct the Company's day to day activities. Matters which exceed defined authority limits require Board approval.

The Board is also responsible for the performance of the Company's executives, which is reviewed against appropriate measures and the performance of the Company as a whole, and through an annual appraisal process.

2. Structure the Board to add value

In its second Principle the Council states that companies should "have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties". The Company's Board is so structured, and its Directors adequately discharge their responsibilities and duties for the benefit of shareholders.

The Board presently comprises only two Non-Executive Directors (David Barwick, Chairman and Bill Lyne, also the Company Secretary) and the Chief Executive Officer (Mike Veverka). Fundamental requirements for Jumbo Directors are a deep understanding of business management and financial markets and such experience, complemented where possible with industry knowledge, are desirable attributes for Board membership. All Board members meet the fundamental requirements, and bring a diverse range of skills and backgrounds. Additionally, Mr Veverka has had a very long involvement in key sections of the Company and brings considerable relevant expertise and knowledge to the Board.

The Board formally meets monthly throughout the year, and informally at least every six to eight weeks to address issues that may arise outside of the monthly meetings.

The qualifications, experience and relevant expertise of each Board member and their terms in office are set out in the Directors' Report section of the Company's Annual Report. All Directors, apart from the CEO, are subject to re-election by rotation at least every three years at the Company's annual general meeting.

The Board's view is that an independent Director is a Non-Executive Director who does not have a relationship affecting independence on the basis set out in the Council's guidelines and meets materiality thresholds agreed by the Board as equating to payments to them or related parties of 5% of the Company's annual revenue or representing 20% of the individual's business revenue.

The Board considers that David Barwick and Bill Lyne both meet this criterion. On the other hand, Mike Veverka is considered to not be independent because he is a substantial shareholder in the Company (i.e. holds more than 5% as defined in Section 9 of the Corporations Act) and is an Executive Officer of the Company. Consequently, the current structure meets the Council's Recommendation that the majority of the Board should be independent, and the Board also considers the current composition is appropriate given the Company's and the Directors' backgrounds and the current and foreseeable structure and size of the Company.

The Board has established a Nomination and Remuneration Committee which operates under a Board approved Nomination and Remuneration Committee Charter. In accordance with the Council's Recommendations the Nomination and Remuneration Committee Charter requires it to have three Non-Executive Directors, with a majority being independent.. However, at the present time it has only two members, being the Non-Executive Directors, David Barwick (as the Chair) and Bill Lyne, both of whom have relevant experience and appropriate technical expertise. The qualifications of the Committee and meeting attendances are set out in the Directors' Report section of the Company's annual report.

The performance of the Board, its Committees and the Directors is reviewed periodically by the Committee. The Committee's principal evaluation benchmark is the Company's financial performance compared to similar organisations and the industry in which it operates; but other than that no formalised annual evaluation process has yet been established for individual Directors given the small size of the Board.

Details of Committee meeting attendances are set out in the Directors' Report section of the Company's Annual Report. Minutes of all meetings are provided to the Board and its Chair reports to the Board after each Committee meeting.

The Company also complies with the Recommendations for Directors in relation to independent professional advice, information access and contact with the Company Secretary.

The Directors may seek external professional advice at the expense of the Company on matters relating to their role as Directors of the Company, however, they must first request approval from the Chairman, which must not be unreasonably withheld. If withheld then it becomes a matter for the whole Board.

The Company Secretary attends all Board and committee meetings, is responsible for monitoring adherence to Board policy and procedures, and is accountable on governance matters.

3. Promote ethical and responsible decision making

In Principle 3 the Council states that companies should "actively promote ethical and responsible decision-making". To this end, the Company has formally adopted a Code of Conduct covering Directors and officers. The Code is based on respect for the law and acting accordingly, dealing with conflicts of interest appropriately, and ethical matters such as acting with integrity, exercising due care and diligence in fulfilling duties, acting in the best interests of the Company and respecting the confidentiality of all sensitive corporate information. If a Director or officer becomes aware of unlawful or unethical behaviour by anyone in the Company then he is obliged under the Code to report such activities to the Chairman.

The Board has also recently approved a Whistleblower Policy pursuant to which employees who have genuine suspicions about improper conduct feel safe to report it without fear of reprisal.

In addition, Directors recognise the legal obligations relevant to their role and the reasonable expectations of shareholders, other stakeholders and the wider financial community.

The Company realises the benefits that can arise to the organisation from diversity in the workplace covering gender, age, ethnicity and cultural background and in various other areas. So, the Board has recently established a Diversity Policy which details the Company's approach to promoting a corporate culture that embraces diversity when selecting and appointing its employees and Directors.

This Diversity Policy outlines requirements for the Board to develop measurable objectives for achieving diversity, and annually assess both the objectives and the progress in achieving these objectives. Accordingly, the Board has developed the following objectives regarding gender diversity and aims to achieve these objectives over the next five years as director and senior positions become vacant and appropriately qualified candidates become available:

	2012		2017
	No.	%	
Women on the Board	-	-	To have at least 1 woman on the Board
Women in senior management roles	1	25	Maintain the current number of women
Women employees in the Company	32	46	Maintain the percentage of women in excess of 40%
Total employees in the Company	70	100	

The Company also has a documented Share Trading Policy for Directors, key management personnel and other staff and consultants which was revised in December 2010 and released on the ASX. The policy prohibits Directors and other persons from dealing in the Company's securities during stated 'closed' and 'prohibited' periods and whilst in possession of price sensitive information. Otherwise, those persons may generally deal in securities during stated 'trading windows' and at other times provided they obtain the prior consent of the Board Chairman (or, in the case of the Chairman himself, from the Chair of the Audit Committee).

The Board will ensure that restrictions on dealings in securities are strictly enforced.

4. Safeguard integrity in financial reporting

The Council states that companies should "have a structure to independently verify and safeguard the integrity of their financial reporting". The Company has an established Audit Committee which operates under an Audit Committee Charter. The role of this Committee is to ensure the truthful and factual presentation of the Company's financial position and to monitor and review on behalf of the Board the effectiveness of the Company's control environment, reporting practices and responsibilities in the areas of accounting, risk management and compliance. To assist this process, as required by Section 295A of the Corporations Act, the CEO and the Chief Financial Officer must certify to the Board in writing that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and are in accordance with relevant accounting standards.

The Committee's Charter includes information on procedures for the selection and appointment of the external auditor and rotation of the engagement audit partner. The external auditor is required to attend the Company's annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

In accordance with the Council's Recommendations the Audit Committee's Charter requires it to have three Non-Executive Directors, with a majority being independent. However, currently it has only two members, being the Non-Executive Directors, Bill Lyne (as Chair) and David Barwick, both of whom have strong finance and accounting backgrounds, experience and appropriate technical expertise. The qualifications of the Committee and meeting attendances are set out in the Directors' Report section of the Company's annual report.

Minutes of all Committee meetings are provided to the Board and its Chair also reports to the Board after each Committee meeting.

5. Make timely and balanced disclosure

In this Principle the Council states that companies should "promote timely and balanced disclosure of all material matters concerning the Company". The Company is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an informed market. Also to assist compliance with continuous disclosure requirements under the ASX Listing Rules, the Company has a Continuous Disclosure Policy in place to ensure that material price sensitive information is identified, reviewed by management and disclosed to the ASX and published on the Company's website in a timely manner. The CEO is accountable for compliance with this policy.

In addition, all changes in Directors' interests in the Company's securities are promptly reported to the ASX in compliance with Section 205G of the Corporations Act and the ASX Listing Rules.

The Company's Annual Report is also used to keep investors informed, particularly in its review of operations and activities.

6. Respect the rights of shareholders

In Principle 6 the Council states that companies should "respect the rights of shareholders and facilitate the effective exercise of those rights". Jumbo supports its desire to provide shareholders with adequate information about the Company and its activities through a published Communications Policy. It is also committed to electronic communications through its website, www.jumbointeractive.com, which provides access to all recent ASX announcements, shareholder updates, boardroom broadcasts, notices of meetings, explanatory memoranda, annual reports and key contact details, as well as comprehensive information about the Company and its products and operations. Shareholders and other interested parties may sign up to receive email notification of all ASX releases and other important announcements.

Company general meetings also represent a good opportunity for shareholders to meet with, and ask questions of, the Board of the Company and all shareholders are notified of such meetings and encouraged to attend.

As part of the Company's management of investor relations the CEO does, at times, also undertake briefings with investors and analysts to assist their understanding of the Company and its operations, and provide explanatory background and technical information.

7. Recognise and manage risk

In this Principle the Council states that companies should "establish a sound system of risk oversight and management and internal control". The Company maintains documented policies for identifying, assessing and monitoring risk, summarised in a Risk Management Policy. Through the Audit Committee the Company monitors key business and financial risks, taking into consideration their likelihood and impact, and reviews and appraises risk control measures.

The CEO and senior executives have operational responsibility for risk management through Board approved guidelines. Some of these measures include formal authority limits for management to operate within, policies on treasury-related risk management, an information technology plan and a business continuity plan. The CEO reports to the Board on any departures from policy or matters of concern that might be seen as or become material business risks.

In addition, the CEO and CFO are required to state in writing annually to the Board that to the best of their knowledge the integrity of the Company's risk management, internal control and compliance systems are sound and such systems are operating efficiently and effectively in all material respects in relation to financial reporting risks.

8. Remunerate fairly and responsibly

The Council's final Principle states that companies should "ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear". To this end the Board has established during the year a Nomination and Remuneration Committee, as noted above under Principle 2.

The Board considers that the Committee members are sufficiently qualified to consider and decide on remuneration matters. However, external professional advice may be sought from experienced consultants where appropriate to assist in their deliberations.

Non-Executive Directors' remuneration is reviewed periodically with reference to comparable businesses and the trend in Directors' fees generally, with the object of ensuring maximum stakeholder benefit from the retention of an effective Board. Shareholders, at the Company's AGM, determine any increase in the aggregate fees payable to Non-Executive Directors, but it is those Directors who decide amongst themselves the split of such remuneration. The current maximum annual aggregate remuneration which can be paid to all Non-Executive Directors is $250,000, last approved by shareholders in October 2009. In addition, shareholders have approved share option incentives for the Non-Executive Directors.

The CEO's remuneration is based on a fixed amount and may include short term incentives (calculated on audited figures) linked to the Company's financial performance and share options provided as long term incentives. The base amount is designed to attract and retain an appropriately qualified and experienced CEO, and any incentive element is to reward him for his contribution towards the Company's success.

Other senior executives are offered remuneration packages necessary to attract and retain appropriately qualified key personnel as well as being commensurate with the skill and attention required to manage an organisation of the size and scope of the Jumbo Group as it is today and taking into account its plans and forecasts into the future. In addition, the Company has an Employee Option Plan in place and from time to time has granted options to deserving staff as a reward for performance. However, the Board prohibits transactions by executives which might limit the economic risk of participating in unvested entitlements under any equity-based remuneration scheme.

Further information about the Company's Remuneration Policy, along with details of all emoluments of Directors and key management personnel can be found in the Remuneration Report section of the Directors' Report in the Company's Annual Report. There are no separate retirement benefits for Non-Executive Directors, other than statutory superannuation.

Jumbo Interactive Limited and its Controlled Subsidiaries
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2012

	Note	Consolidated Group	
		2012	2011
		$	$
Revenue from continuing operations	3	24,087,742	18,118,334
Cost of sales	4	(4,215,602)	(3,538,959)
Gross profit		19,872,140	14,579,375
Other revenue/income	3	897,294	474,179
Distribution expenses		(29,367)	(44,347)
Marketing costs		(1,344,409)	(742,913)
Occupancy expenses		(715,173)	(707,563)
Administrative expenses		(9,518,739)	(7,554,346)
Finance costs	4	(107,677)	(150,249)
Profit/(loss) before income tax expense		9,054,069	5,854,136
Income tax expense	5	(2,577,553)	(921,285)
Profit/(loss) after income tax expense from continuing operations		6,476,516	4,932,851
Profit/(loss) from discontinued operations	6	267,009	(98,396)
Profit/(loss) for the year attributable to the owners of Jumbo Interactive Limited		6,743,525	4,834,455
Other comprehensive income			
Foreign currency translation differences		19,319	27,087
Total comprehensive income for the year attributable to the owners of Jumbo Interactive Limited		6,762,844	4,861,542
Earnings Per Share (cents per share)			
From continuing and discontinued operations			
Basic earnings per share (cents per share)	10	16.7	12.1
Diluted earnings per share (cents per share)	10	16.6	12.1
From continuing operations			
Basic earnings per share (cents per share)	10	16.0	12.3
Diluted earnings per share (cents per share)	10	15.9	12.3
From discontinued operations			
Basic earnings/(loss) per share (cents per share)	10	0.7	(0.2)
Diluted earnings/(loss) per share (cents per share)	10	0.7	(0.2)

The above Statement of 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 30 June 2012

	Note	Consolidated Group 2012 $	Consolidated Group 2011 $
CURRENT ASSETS			
Cash and cash equivalents	11	21,686,797	11,770,674
Trade and other receivables	12	401,718	276,647
Current tax assets	19	383,245	576,016
Inventories	13	98,625	39,894
TOTAL CURRENT ASSETS		22,570,385	12,663,231
NON-CURRENT ASSETS			
Property, plant and equipment	15	360,372	460,368
Intangible assets	16	6,398,707	5,708,356
Deferred tax assets	19	394,334	696,586
TOTAL NON-CURRENT ASSETS		7,153,413	6,865,310
TOTAL ASSETS		29,723,798	19,528,541
CURRENT LIABILITIES			
Trade and other payables	17	10,354,686	6,949,523
Borrowings	18	194,680	811,476
Provisions	20	334,684	299,419
TOTAL CURRENT LIABILITIES		10,884,050	8,060,418
NON-CURRENT LIABILITIES			
Borrowings	18	250,000	1,069,680
Provisions	20	103,708	68,114
Deferred tax liabilities	19	402,331	248,355
TOTAL NON-CURRENT LIABILITIES		756,039	1,386,149
TOTAL LIABILITIES		11,640,089	9,446,567
NET ASSETS		18,083,709	10,081,974
EQUITY			
Contributed equity	21	28,876,572	27,113,586
Accumulated losses		(11,269,145)	(17,398,827)
Reserves		476,282	367,215
TOTAL EQUITY		18,083,709	10,081,974

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 year ended 30 June 2012

	Contributed equity	Accumulated losses	Share-based payments reserve	Foreign currency translation reserve	Total equity
CONSOLIDATED GROUP	$	$	$	$	$
Balance at 1 July 2010	28,156,064	(22,036,016)	330,111	(69,834)	6,380,325
Total comprehensive income for the year					
Profit/(loss) for the year	-	4,834,455	-	-	4,834,455
Other comprehensive income					
Foreign currency translation differences	-	-	-	27,087	27,087
Total comprehensive income for the year	-	4,834,455	-	27,087	4,861,542
Transactions with owners in their capacity as owners					
Issue of shares	30,944	-	-	-	30,944
Buy back of shares	(1,073,422)	-	-	-	(1,073,422)
Dividends paid	-	(197,266)	-	-	(197,266)
Share-based payments	-	-	79,851	-	79,851
Total transactions with owners in their capacity as owners	(1,042,478)	(197,266)	79,851	-	(1,159,893)
Balance at 30 June 2011	27,113,586	(17,398,827)	409,962	(42,747)	10,081,974
Total comprehensive income for the year					
Profit/(loss) for the year	-	6,743,525	-	-	6,743,525
Other comprehensive income					
Foreign currency translation differences	-	-	-	19,319	19,319
Total comprehensive income for the year	-	6,743,525	-	19,319	6,762,844
Transactions with owners in their capacity as owners					
Issue of shares	1,854,733	-	-	-	1,854,733
Buy back of shares	(91,747)	-	-	-	(91,747)
Dividends paid	-	(613,843)	-	-	(613,843)
Share-based payments	-	-	89,748	-	89,748
Total transactions with owners in their capacity as owners	1,762,986	(613,843)	89,748	-	1,238,891
Balance at 30 June 2012	28,876,572	(11,269,145)	499,710	(23,428)	18,083,709

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 year ended 30 June 2012

	Note	Consolidated Group	
		2012	2011
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		24,914,449	19,990,087
Payments to suppliers and employees		(10,978,560)	(13,506,299)
Interest received		776,414	415,247
Interest and other costs of finance paid		(107,677)	(183,154)
Income tax received		1,055,794	405,398
Income tax paid		(2,717,340)	(593,826)
Net cash inflows/(outflows) from operating activities	25 (a)	12,943,080	6,527,453
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(67,811)	(250,729)
Payments for intangibles		(2,696,152)	(2,067,960)
Payment for loss of control of subsidiary		-	(374,656)
Proceeds from sale of property, plant and equipment		1,125	2,043
Net cash inflows/(outflows) from investing activities		(2,762,838)	(2,691,302)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	21	1,707,005	-
Payment for buyback of shares	21	(91,747)	(1,073,422)
Proceeds of borrowings		-	181,561
Repayment of borrowings		(1,436,476)	(486,112)
Dividends paid		(466,115)	(166,322)
Net cash inflows/(outflows) from financing activities		(287,333)	(1,544,295)
Net increase/(decrease) in cash and cash equivalents		9,892,909	2,291,856
Net foreign exchange differences		23,214	17,160
Cash and cash equivalents at beginning of year		11,770,674	9,461,658
Cash and cash equivalents at end of year	11	21,686,797	11,770,674

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 FINANCIAL STATEMENTS
For the year ended 30 June 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Jumbo Interactive Ltd (the Company) for the year ended 30 June 2012 were authorised in accordance with a resolution of the Directors on 6 September 2012 and cover the consolidated entity consisting of Jumbo Interactive Ltd its subsidiaries (the Group) as required by the *Corporations Act 2001*. Separate financial statements for Jumbo Interactive Limited as an individual entity are no longer presented as a consequence of a change to the *Corporations Act 2001*. However, limited financial information for the Company as an individual entity is included in Note 2: Parent Entity Information.

The financial statements are presented in the Australian currency.

Jumbo Interactive Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX: JIN). The Company is a for-profit entity for the purposes of preparing these financial statements.

BASIS OF PREPARATION

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs except for where applicable, available-for-sale financial assets and held-for-trading investments that have been measured at fair value.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

(a) Basis of Consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of Jumbo Interactive Limited and its subsidiaries at 30 June each year. Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Potential voting rights that are currently exercisable or convertible are considered when assessing control. Consolidated financial statements include all subsidiaries from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intragroup transactions have been eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

(b) Business Combinations

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred.

Where equity instruments are issued, the value of the equity instruments is their published market price as at the date of exchange unless, in rare circumstances it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are, with limited exceptions, measured initially at their fair values at acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill [refer Note 1(n)]. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of the cash consideration is deferred, the amounts payable in future are discounted to present value at the date of exchange using the entity's incremental borrowing rate as the discount rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(c) Foreign Currency Translation

The functional and presentation currency of Jumbo Interactive Limited and its Australian subsidiaries is Australian dollars (AU$).

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period. Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in profit or loss, except when they are deferred in other comprehensive income where they relate to differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

The functional currency of the overseas subsidiaries is measured using the currency of the primary economic environment in which that entity operates. At the end of the reporting period, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of the Company at the closing rate at the end of the reporting period and income and expenses are translated at the average exchange rates for the year. All resulting exchange differences are recognised in other comprehensive income as a separate component of equity (foreign currency translation reserve). On disposal of a foreign entity, the cumulative exchange differences recognised in foreign currency translation reserves relating to that particular foreign operation is recognised in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Revenue Recognition

Revenue is recognised at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

Following a change in the illustrative examples to AASB 118 Revenue in relation to guidance in determining whether an entity is acting as an Agent or as a Principal which applies to accounting periods beginning on or after 1 January 2011, the Company now reports revenue on a basis where it considers that it acts more as an Agent than as a Principal for the sale of lottery tickets. The 2011 comparatives have been restated accordingly.

The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods
Revenue from sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer and can be reliably measured. Risks and rewards are considered passed to buyer when goods have been delivered to the customer.

Rendering of Services
Revenue from rendering services is recognised in accordance with the percentage of completion method. The stage of completion is measured by reference to labour hours incurred to date as a percentage of estimated total labour hours for each contract.

Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest

Revenue is recognised as interest accrues using the effective interest method.

Dividends

Dividends are recognised as revenue when the Group's right to receive payment is established.

(e) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interests in joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances relating to amounts recognised directly in other comprehensive income are also recognised directly in other comprehensive income.

Jumbo Interactive Limited and its wholly owned subsidiaries have implemented the tax consolidation legislation for the whole of the financial year. The Group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 July 2006. Jumbo Interactive Limited is the head entity in the tax consolidated group. The separate taxpayer within a group approach has been used to allocate current income tax expense and deferred tax expense to wholly-owned subsidiaries that form part of the tax consolidated group. Jumbo Interactive Limited has assumed all the current tax liabilities and the deferred tax assets arising from unused tax losses for the tax consolidated group via intercompany receivables and payables because a tax funding arrangement has been in place for the whole financial year. The amounts receivable/payable under tax funding arrangements are due upon notification by the head entity, which is issued soon after the end of each financial year. Interim funding notices may also be issued by the head entity to its wholly owned subsidiaries in order for the head entity to be able to pay tax instalments.

(f) Impairment of Assets

At the end of each reporting period the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

(g) Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

(h) Trade Receivables

Trade receivables are recognised at original invoice amounts less an allowance for uncollectible amounts, and have repayment terms between seven and 30 days. Collectibility of trade receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance is made for doubtful debts where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. Objective evidence of impairment includes financial difficulties of the debtor, default payments or debts more than 90 days overdue. On confirmation that the trade receivable will not be collectible the gross carrying value of the asset is written off against the associated provision.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and are not, in the view of the Directors, sufficient to require the derecognition of the original instrument.

(i) Inventories

Raw Materials, Work in Progress and Finished Goods

Inventories are stated at the lower of cost and net realisable value. Cost comprises all direct materials, direct labour and an appropriate portion of variable and fixed overheads. Fixed overheads are allocated on the basis of normal operating capacity. Costs are assigned to inventories using the first-in-first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

(j) Investments and Other Financial Assets

All investments and other financial assets (except for those at fair value through the profit and loss) are initially stated at the fair value of consideration given plus transaction costs. Purchases and sales of investments are recognised on trade date which is the date on which the Group commits to purchase or sell the asset. Accounting policies for each category of investments and other financial assets subsequent to initial recognition are set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

Impairments

Impairment losses are measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss.

(k) Fair Values

Fair values may be used for financial asset and liability measurement as well as for sundry disclosures.

Fair values for financial instruments traded in active markets are based on quoted market prices at the end of the reporting period. The quoted market price for financial assets is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(l) Property, Plant and Equipment

Property, plant and equipment is stated at historical cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation and any impairments.

Depreciation is calculated on a straight-line basis over the estimated useful life, or in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term, as follows:

— Plant and equipment - two to five years

— Leasehold improvements - up to five years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Gains and losses on disposals are calculated as the difference between the net disposal proceeds and the asset's carrying amount and are included in profit or loss in the year that the item is derecognised.

(m) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases and capitalised at inception of the lease at the fair value of the leased property, or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss over the lease period.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

When assets are leased out under finance leases, the present value of the lease payments is recognised as a lease receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the lease term using the net investment method which reflects a constant periodic rate of return.

Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying value of the leased asset and recognised as an expense over the lease term on the same bases as the lease income.

(n) Intangible Assets

Goodwill

Goodwill represents the excess of the cost of the business combination over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is not amortised but is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Impairment losses on goodwill cannot be reversed.

Intellectual Property

Acquired intellectual property is stated at cost, and is measured at cost less any accumulated impairment losses. Intellectual property is considered to have an indefinite useful life and is not amortised [refer Note 16(b) for reasons for the indefinite useful life]. The carrying value of intellectual property is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment losses are recognised in profit or loss. Any reversal of impairment losses of intellectual property is recognised in profit or loss.

Website Developments Costs

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that 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 three years.

Domain Names

Acquired domain names are stated at cost and are considered to have indefinite useful lives and are not amortised [refer Note 16(b) for reasons for the indefinite useful life]. The useful life is assessed annually to determine whether events or circumstances continue to support an indefinite useful life assessment. The carrying value of domain names is tested semi-annually at each reporting date for impairment.

Customer Acquisition Costs

Expenditure on customer acquisition is recognised at cost of acquisition. Customer acquisition costs have a finite life and are amortised on a straight-line basis matched to the future economic benefits over their useful life of one and a half years. Customer acquisition costs are tested semi-annually at each reporting date for impairment and carried at cost less accumulated amortisation and any impairment losses.

Software
Items of computer software which are not integral to the computer hardware owned by the Group are classified as intangible assets with a finite life. Computer software is amortised on a straight line basis over the expected useful life of the software. These lives range from one and a half to two and a half years.

(o) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and have seven to 30 day payment terms.

(p) Interest-bearing Liabilities

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loans and borrowings using the effective interest method.

(q) Borrowing Costs

Borrowing costs incurred for the construction of a qualifying asset are capitalised during the period of time that it is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed when incurred.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate on the Group's borrowings outstanding during the year, being 5.83% (2011: 7.24%).

(r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(s) Employee Benefits

Wages and Salaries, Annual Leave and Sick Leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the end of the reporting period are recognised in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the actual rates paid or payable.

Long Service Leave
Liabilities for long service leave are recognised as part of the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees to the end of the reporting period. Consideration is given to expected future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using national government bond rates at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Profit-sharing and Bonus Plans
The Group recognises an expense and a liability for bonuses and profit-sharing based on when the entity is contractually obliged to make such payments or where there is past practice that has created a constructive obligation.

Retirement Benefit Obligations
Employees have defined contribution superannuation funds. Contributions are recognised as expenses as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(t) Contributed Equity

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit.

(u) Dividends

Provision is made for dividends declared, and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

(v) Share-Based Payments

The Group may provide benefits to employees (including Directors) or consultants of the Group in the form of share-based payment transactions, whereby services may be undertaken in exchange for shares or options over shares ("equity-settled transactions").

The Jumbo Interactive Limited Employee Share Option Plan (ESOP) provides these benefits to Directors and senior executives.

The fair value of options granted to Directors, employees and consultants is recognised as an expense with a corresponding increase in equity (share option reserve). The fair value is measured at grant date and recognised over the period during which the employees or consultants become unconditionally entitled to the options. Fair value is determined by an independent valuer using the Black-Scholes, Bi-nomial, and Monte Carlo Simulation option pricing models as appropriate. In determining fair value, no account is taken of any performance conditions other than those related to the share price of Jumbo Interactive Limited ("market conditions"). The cumulative expense recognised between grant date and vesting date is adjusted to reflect the Directors' best estimate of the number of options that will ultimately vest because of internal conditions of the options, such as the employees having to remain with the Group until vesting date, or such that employees are required to meet internal sales targets. No expense is recognised for options that do not ultimately vest because internal conditions were not met. An expense is still recognised for options that do not ultimately vest because a market condition was not met.

Where the terms of options are modified, the expense continues to be recognised from grant date to vesting date as if the terms had never been changed. In addition, at the date of the modification, a further expense is recognised for any increase in fair value of the transaction as a result of the change.

Where options are cancelled, they are treated as if vesting occurred on cancellation and any unrecognised expenses are taken immediately to profit or loss. However, if new options are substituted for the cancelled options and designated as a replacement on grant date, the combined impact of the cancellation and replacement options are treated as if they were a modification.

(w) Earnings Per Share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to members of the Company, adjusted for the after-tax effect of preference dividends on preference shares classified as equity, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Earnings used to calculate diluted earnings per share are calculated by adjusting the basic earnings by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

(x) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(y) Financial Guarantees

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and at the end of each subsequent reporting period at the higher of the amount determined under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

(z) Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

i. Impairment of Assets

Under AASB 136: Impairment of Assets, the recoverable amount of an asset is determined as the higher of fair value less costs to sell, and value in use. In determining value in use, projected future cash flows are discounted using a risk adjusted pre-tax discount rate and impairment is assessed for the individual asset or at the 'cash generating unit' level. A 'cash generating unit' is determined as the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Refer to Note 16(c) for details.

Goodwill

No impairment has been recognised in respect of goodwill at the end of the reporting period.

Domain names

No impairment has been recognised in respect of domain names at the end of the reporting period.

Intellectual property

No impairment has been recognised in respect of intellectual property at the end of the reporting period.

ii. Recognition of the DTA on tax losses

Tax losses have been recognised as a DTA as management expect future profits to be earned based on profit and cash flow forecasts.

(aa) Changes in accounting policies

(i) AASB 118: Revenue recognition

The Group changed its accounting policy relating to the recognition of revenues for the financial year ending 30 June 2012. Revenues were previously recognised on a gross inflow basis and are now recognised on a net inflow basis. This change has been implemented as management is of the opinion that, after judgment and consideration of all the relevant facts and circumstances, it acts more as an agent then as a principal associated with the sale of lottery tickets and rendering of related services. The aggregate effect of the change in accounting policy on the annual financial statements for the year ended 30 June 2012 is as follows:

	Previous policy	**Adjustment**	**Revised policy**
CONSOLIDATED GROUP			
Statement of comprehensive income	$	$	$
2012			
Revenue – sale of goods	100,256,769	(98,305,375)	1,951,394
Revenue – rendering of services	-	22,136,348	22,136,348
Total revenue from continuing operations	100,256,769	(76,169,027)	24,087,742
Cost of sales – sales of goods	(80,384,629)	79,205,183	(1,179,446)
Cost of sales – rendering of services	-	(3,036,156)	(3,036,156)
Total cost of sales	(80,384,629)	76,169,027	(4,215,602)
Gross profit	19,872,140	-	19,872,140

	Previous policy	Adjustment	Revised policy
	$	$	$
2011			
Revenue – sale of goods	75,946,130	(74,362,482)	1,583,648
Revenue – rendering of services	-	16,534,686	16,534,686
Total revenue from continuing operations	75,946,130	(57,827,796)	18,118,334
Cost of sales – sales of goods	(61,366,755)	60,308,656	(1,058,099)
Cost of sales – rendering of services	-	(2,480,860)	(2,480,860)
Total cost of sales	(61,366,755)	57,827,796	(3,538,959)
Gross profit	14,579,375	-	14,579,375

This changed accounting policy has no effect on profit, the Consolidated Statement of Financial Position, or Consolidated Statement of Changes in Equity.

(ii) Adoption of AASBs and Improvements to AASBs 2011 – AASB 1054 and AASB 2011-1

The AASB has issued AASB 1054 Australian Additional Disclosures and 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project, and made several minor amendments to a number of AASBs. These standards eliminate a large portion of the differences between the Australian and New Zealand accounting standards and IFRS and retain only additional disclosures considered necessary. These changes also simplify some current disclosures for Australian entities and remove others.

(bb) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

(i) AASB 9 Financial Instruments (effective from 1 January 2015)

The AASB aims to replace AASB 139 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (AASB 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

The Group currently does not have any financial assets and liabilities measured at fair value through profit and loss. There will therefore be no likely material impact on the financial statements when these amendments to AASB 9 are first adopted.

(ii) Consolidation standards

A package of consolidation standards are effective for annual periods beginning or after 1 January 2013. Information on these new standards is presented below. The Group's management have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

AASB 10 Consolidated Financial Statements (AASB 10)

AASB 10 supersedes the consolidation requirements in AASB 127 Consolidated and Separate Financial Statements (AASB 127) and Interpretation 112 Consolidation – Special Purpose Entities. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interest and changes in control remain the same.

AASB 11 Joint Arrangements (AASB 11)

AASB 11 supersedes AASB 131 Interest in Joint Ventures (AASB 131). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangements. It introduces two accounting categories (joint operations and joint ventures) whose applicability is determined based on the substance of the joint arrangements. In addition, AASB 131's option of using proportionate consolidation for joint ventures has been eliminated. AASB 11 now requires the use of the equity accounting method for joint ventures, which is currently used for investments in associates.

AASB 12 Disclosure of Interest in Other Entities (AASB 12)

AASB 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

Consequential amendments to AASB 127 Separate Financial Statements (AASB 127) and AASB 128 Investments in Associates and Joint Ventures (AASB 128)

AASB 127 Consolidated and Separate Financial Statements was amended to AASB 127 Separate Financial Statements which now deals only with separate financial statements. AASB 128 brings investments in joint ventures into its scope, however AASB 128's equity accounting methodology remains unchanged.

(iii) AASB 13 Fair Value Measure (AASB 13)

AASB 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods on or after 1 January 2013. The Group's management have yet to assess the impact of this new standard.

(iv) AASB 2011-9 Amendments to Australian Accounting Standards Presentation of Items of Other Comprehensive Income (AASB 101 Amendments)

The AASB 101 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual reporting periods beginning on or after 1 July 2012. The Group's management does not expect this will change the presentation of items in other comprehensive income; in any event, it will not affect the measurement or recognition of such items.

(v) AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124 Amendments)

AASB 2011-4 makes amendments to AASB 124 Related Party Disclosures to remove individual key management personnel disclosure requirements, to achieve consistency with the international equivalent (which includes requirements to disclose aggregate (rather than individual) amounts of KMP compensation), and remove duplication with the Corporations Act 2011. The amendments are applicable for annual periods on or after 1 July 2013. The Group's management have yet to assess the impact of these amendments.

NOTE 2: PARENT ENTITY INFORMATION

The *Corporations Act 2001* requirement to prepare parent entity financial statements where consolidated financial statements are prepared has been removed and replaced by regulation 2M.3.01 which requires the following limited disclosure in regards to the parent entity (Jumbo Interactive Limited). The consolidated financial statements incorporate the assets, liabilities and results of the parent entity in accordance with the accounting policy described in Note 1 (a).

Parent entity	**2012**	**2011**
	$	**$**
Current assets	436,148	36,730
Non-current assets	5,324,886	4,077,708
Total assets	5,761,034	4,114,438
Current liabilities	961,252	674,856
Non-current liabilities	1,460,736	339,517
Total liabilities	2,421,988	1,014,373
Net assets	3,339,046	3,100,065
Issued capital	28,876,572	27,113,586
Share based payment reserve	499,710	409,962
Retained earnings/(accumulated losses)	(26,037,236)	(24,423,483)
Total shareholders' equity	3,339,046	3,100,065
Profit/(loss) for the year	(999,905)	200,746
Total comprehensive income for the year	(999,905)	200,746

Guarantees

The parent entity has provided guarantees to third parties in relation to the obligations of controlled entities in respect to banking facilities. The guarantees are for the terms of the facilities per Note 18 : Borrowings, and are ongoing.

During the financial year, the parent entity provided a guarantee in favour of the Lotteries Commission of South Australia in respect of payment obligations of a subsidiary company in terms of the Agent agreement between its subsidiary and the favouree.

Contractual commitments

There were no contractual commitments for the acquisition of property, plant and equipment entered into by the parent entity at 30 June 2012 (2011: $0).

Contingent liabilities

The parent entity has no contingent liabilities other than the guarantees referred to above.

NOTE 3: REVENUE AND OTHER INCOME

	Consolidated Group	
	2012	2011
	$	$
From continuing operations		
Sales revenue		
— Revenue from sale of goods	1,951,394	1,583,648
— Revenue from rendering services	22,136,348	16,534,686
Revenue from continuing operations	24,087,742	18,118,334
Other revenue/income		
— Interest		
- Cash	776,414	413,328
— Other income		
- Foreign exchange gains	37,248	18,036
- Bad and doubtful debt recovered	37,090	-
- Other	46,542	42,815
	897,294	474,179
	24,985,036	18,592,513
From discontinued operations (note 6)		
— Revenue from sale of goods	-	4,020,877
— Interest		
- Cash	-	1,919
— Other Income		
- Reversal of impairment of intangible assets	-	1,258,354
	-	5,281,150

NOTE 4: PROFIT/(LOSS) FOR THE YEAR

	Consolidated Group	
	2012	2011
	$	$
Profit/ (loss) before income tax from continuing operations includes the following specific expenses:		
Cost of sales		
— Sale of goods	1,179,446	1,058,099
— Rendering of services	3,036,156	2,480,860
Finance costs		
— Interest on financial liabilities not at fair value through profit and loss	65,311	103,518
— Fees arising from financial liabilities not at fair value through profit and loss	42,366	46,731
Depreciation of non-current assets[1]		
— Plant and equipment	99,341	21,092
Amortisation of non-current assets[1]		
— Leasehold improvements	67,341	64,628
— Intangibles	2,005,801	1,394,764
Other expenses		
— Operating lease rentals – minimum lease payments	715,173	707,563
— Employee benefits expense[1]	3,550,413	3,009,390
— Defined contribution superannuation expense[1]	308,796	270,018
— Loss on derecognition of intangible assets[1]	-	73,151

[1] included in administration expense

NOTE 5: INCOME TAX EXPENSE

		Note	Consolidated Group 2012 $	2011 $
a.	The components of tax expense comprise:			
—	*Current tax*		1,875,741	(325,742)
—	Deferred tax arising from origination and reversal of temporary differences	19	456,228	443,797
—	Under/over provision deferred tax prior years		(61,251)	-
—	Under/over provision tax prior years		-	(300,942)
—	Under/over provision overseas tax prior years		39,826	(123,524)
Total income tax expense/(benefit) in profit and loss			2,310,544	(306,411)
b.	*Reconciliation:*			
—	Tax at the Australian tax rate of 30% (2011: 30%)		2,716,220	1,358,413
—	Income tax effect of overseas tax rates		-	(18,172)
—	R&D expense		588,765	234,159
—	Share options expensed during year		26,924	23,955
—	Impairment losses/(reversal) on intangible assets		-	(377,506)
—	Other		(276,172)	(406,365)
—	Under/over provision for income tax in prior year		-	(300,942)
—	Under/over provision for overseas income tax in prior year		39,826	(123,524)
—	R&D concession/credit		(785,019)	(696,429)
Total income tax expense/(benefit) in profit and loss			2,310,544	(306,411)
Income tax expense/(benefit) attributable to continuing operations			2,577,553	921,285
Income tax expense/(benefit) attributable to discontinued operations			(267,009)	(1,227,696)
Total income tax expense/(benefit) in profit and loss			2,310,544	(306,411)

NOTE 6: DISCONTINUED OPERATIONS

i. Description

The Star System Solutions Pty Ltd software business was sold on 12 November 2010.

The Manaccom software publishing and distribution business was placed into voluntary administration on 31 January 2011 due to adverse market conditions in the over the counter software security market. As at 31 January 2011 the entity ceased to be controlled by Jumbo Interactive Limited and became subject to the control of the appointed liquidators. As a result, Jumbo has treated the loss of control as a disposal of a subsidiary in accordance with AASB 127.

Both the Star System Solutions business and Manaccom Pty Ltd formed the Software Publishing and Distribution operating segment which consequently ceased operations as a result of the above in the 2011 financial year.

ii. Financial performance and cash flow information

Financial information relating to the discontinued operations for the period to the date of disposal and for the year ended 30 June 2012 is set out below. Further information is set out in Note 24: Segment Reporting.

2012	Star System Solutions Pty Ltd $	Manaccom Pty Ltd $	Total $
Revenue (note 3)	-	-	-
Expenses	-	-	-
Profit/(loss) before income tax	-	-	-
Income tax (expense)/benefit	-	267,009	267,009
Profit/(loss) attributable to members of the parent entity	-	267,009	267,009

NOTE 6: DISCONTINUED OPERATIONS (cont'd)

	Star System Solutions Pty Ltd $	Manaccom Pty Ltd $	Total $
Profit/(loss) attributable to owners of the parent entity relates to:			
Profit/(loss) from continuing operations			6,476,516
Profit/(loss) from discontinued operations			267,009
			6,743,525
Net cash inflow/(outflow) from operating activities	-	-	-
Net cash inflow/(outflow) from investing activities	-	-	-
Net cash inflow/(outflow) from financing activities	-	-	-
Net increase/(decrease) in cash generated by the discontinued operations	-	-	-

2011	Star System Solutions Pty Ltd $	Manaccom Pty Ltd $	Total $
Revenue (note 3)	1,674,388	3,606,762	5,281,150
Expenses	(516,508)	(5,445,083)	(5,961,591)
Profit/(loss) before tax from discontinued operations	1,157,880	(1,838,321)	(680,441)
Income tax benefit	581,766	645,930	1,227,696
Profit/(loss) after income tax from discontinued operations	1,739,646	(1,192,391)	547,255
Loss on sale of business	(6,007)	-	(6,007)
Loss on loss of control of subsidiary in voluntary administration	-	(639,644)	(639,644)
Profit/(loss) on sale before income tax expense	(6,007)	(639,644)	(645,651)
Income tax expense	-	-	-
Profit/(loss) on sale after income tax	(6,007)	(639,644)	(645,651)
Total profit/(loss) after income tax from discontinued operations	1,733,639	(1,832,035)	(98,396)
Profit/(loss) attributable to owners of the parent entity relates to:			
Profit/(loss) from continuing operations			4,932,851
Profit/(loss) from discontinued operations			(98,396)
			4,834,455
Net cash inflow/(outflow) from operating activities	(31,065)	(690,978)	(722,043)
Net cash inflow/(outflow) from investing activities (includes an outflow of $374,656 from the loss of control of the subsidiary in voluntary administration)	9,882	364,634	374,516
Net cash inflow/(outflow) from financing activities	(114,350)	(71,368)	(185,718)
Net increase/(decrease) in cash generated by the discontinued operations	(135,533)	(397,712)	(533,245)

NOTE 6: DISCONTINUED OPERATIONS (cont'd)

iii. Details of the sale of the Star business

	2011
	$
Sale consideration	1,529,790
Consisting of:	
Cash	-
Consideration offset against outstanding deferred consideration payable as at 15 December 2010 under the 14 November 2008 purchase agreement	1,529,790
Total disposal consideration	1,529,790
Cash consideration received and cash inflow	-
Carrying amount of net assets sold	(1,535,797)
Loss on sale before income tax	(6,007)
Income tax benefit	-
Loss on sale after income tax	(6,007)

The carrying amounts of the assets and liabilities as at the date of sale (12 November 2010) were:

	12 November 2010
	$
Property, plant and equipment	16,007
Intellectual property	1,519,790
Total assets	1,535,797
Total liabilities	-
Net Assets	1,535,797

iv. Details of the voluntary administration of Manaccom Pty Ltd

	2011
	$
Cash paid to administrator on loss of control	(374,656)
Total cash lost on loss of control	(374,656)
Carrying amount of net assets over which control was lost	(264,988)
Loss on loss of control of subsidiary before income tax	(639,644)
Income tax benefit	-
Loss in loss of control of subsidiary after income tax	(639,644)

The carrying amounts of the assets and liabilities as at the date of voluntary administration (31 January 2011) were:

	31 January 2011
	$
Property, plant and equipment	377,623
Intangible assets	31,350
Deferred tax asset	273,831
Trade and other receivables	640,217
Inventories	789,903
Total assets	2,112,924
Trade and other creditors	1,501,860
Borrowings	119,298
Provision for employee benefits	201,778

NOTE 6: DISCONTINUED OPERATIONS (cont'd)

	31 January 2011
	$
Other provisions	25,000
Total liabilities	1,847,936
Net assets	264,988

NOTE 7: KEY MANAGEMENT PERSONNEL (KMP)

(a) Key management personnel compensation

	Consolidated Group	
	2012	2011
	$	$
Short term employee benefits	1,358,601	1,006,511
Post employment benefits	119,250	98,964
Other long term benefits	20,038	15,549
Share based payments	73,059	52,881
	1,570,948	1,173,905

Further information regarding the identity of key management personnel and their compensation can be found in the Audited Remuneration Report contained in the Directors' Report.

(b) Equity Instruments

Options Holdings

Details of options held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

30 June 2012	Balance at beginning of year	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance at end of year	Vested at end of year	Vested and exercisable	Vested and unexercisable
David Barwick	550,000	-	(550,000)	-	-	-	-	-
Mike Veverka	550,000	-	(160,000)	-	390,000	390,000	390,000	-
Bill Lyne	550,000	-	(550,000)	-	-	-	-	-
David Todd	700,000	-	(700,000)	-	-	-	-	-
Xavier Bergade	700,000	-	(550,000)	-	150,000	150,000	150,000	-
Kate Waters	150,000	-	-	-	150,000	150,000	150,000	
	3,200,000	-	(2,510,000)	-	690,000	690,000	690,000	-

NOTE 7: KEY MANAGEMENT PERSONNEL (KMP) (cont'd)

30 June 2011	Balance at beginning of year	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance at end of year	Vested at end of year	Vested and exercisable	Vested and unexercisable
David Barwick	550,000	-	-	-	550,000	-	-	-
Mike Veverka	550,000	-	-	-	550,000	-	-	-
Bill Lyne	250,000	300,000	-	-	550,000	-	-	-
Bonita Boezeman AO[1]	-	550,000	-	(550,000)	-	-	-	-
David Todd	550,000	150,000	-	-	700,000	-	-	-
Xavier Bergade	550,000	150,000	-	-	700,000	-	-	-
	2,450,000	1,150,000	-	(550,000)	3,050,000	-	-	-

[1] Bonita Boezeman AO was appointed as a Director on 28 July 2010 and ceased on 31 May 2011.

Shareholdings

Details of ordinary shares held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

30 June 2012	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year[1]	Balance at end of year
David Barwick	101,345	-	550,000	(651,345)	-
Mike Veverka	9,398,278	-	160,000	(360,738)	9,197,540
Bill Lyne	-	-	550,000	(550,000)	-
David Todd	10,135	-	700,000	(690,135)	20,000
Xavier Bergade	300,000	-	550,000	(550,000)	300,000
Kate Waters	-	-	-	-	-
	9,809,758	-	2,510,000	(2,802,218)	9,517,540

[1] includes on-market transactions and acquisitions under the dividend reinvestment plan.

30 June 2011	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year[1]	Balance at end of year
David Barwick	100,000	-	-	1,345	101,345
Mike Veverka	9,286,057	-	-	112,221	9,398,278
Bill Lyne	-	-	-	-	-
Bonita Boezeman AO[2]	5,000	-	-	(3,231)	1,769
David Todd	10,000	-	-	135	10,135
Xavier Bergade	500,000	-	-	(200,000)	300,000
	9,901,057	-	-	(89,530)	9,811,527

[1] includes on-market transactions and acquisitions under the dividend reinvestment plan.

[2] Bonita Boezeman AO was appointed as a Director on 28 July 2010 and ceased on 31 May 2011.

NOTE 7: KEY MANAGEMENT PERSONNEL (KMP) (cont'd)

(c) Other related party transactions	**Consolidated Group**	
	2012	**2011**
	$	**$**
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.		
Elegant Properties Pty Ltd is solely owned by Mr Mike Rosch, the father of Mr Mike Veverka, the CEO and executive director of the Company. Elegant Properties Pty Ltd rented an office from the Group and was engaged as a consultant during the financial year.		
- Office rent received	3,275	1,300
- Consultancy fees paid	59,911	-
Mrs Julie Rosch, the mother of Mr Mike Veverka, the CEO and Executive Director of the Company, is engaged as a full time employee within the Group.	67,496	67,799

NOTE 8: AUDITOR'S REMUNERATION

	Consolidated Group	
	2012	**2011**
	$	**$**
Audit services		
Amounts paid/payable to BDO for audit or review of the financial statements for the entity or any entity in the Group	111,714	92,403
	111,714	92,403
Taxation services		
Amounts paid/payable to a related practice of BDO for taxation services for the entity or any entity in the Group:		
- review of income tax return	39,297	30,560
- other taxation advice	18,689	7,440
	57,986	38,000
Other services		
Amounts paid/payable to a related practice of BDO for other services for the entity or any entity in the Group:		
- accounting advice	-	18,500
	-	18,500
Total	169,700	148,903

NOTE 9: DIVIDENDS

	Consolidated Group	
	2012	**2011**
(a) Ordinary dividends	**$**	**$**
Final fully franked ordinary dividend of 0.5 (2010: nil) cent per share franked at the tax rate of 30% (2010: 30%)	197,685	-
Interim fully franked ordinary dividend of 1.0 (2011: 0.5) cent per share franked at the tax rate of 30% (2011: 30%)	416,157	197,266
Total dividends paid or provided for	613,842	197,266

Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2012 and 30 June 2011 were as follows:

NOTE 9: DIVIDENDS (cont'd)

	Consolidated Group	
	2012	2011
	$	$
Paid in cash	466,115	166,322
Satisfied by issue of shares	147,727	30,944
	613,842	197,266

(b) Dividends not recognised at the end of the reporting period

In addition to the above dividends, since year end the Directors have recommended the payment of a final 2012 fully franked ordinary dividend of 2.0 (2011: 0.5) cent per share franked at the rate of 30% (2011: 30%). The aggregate amount of the proposed dividend expected to be paid on 28 September 2012, but not recognised as a liability at year end, is:	848,251	197,684

(c) Franked dividends

The franked portions of dividends recommended after 30 June 2012 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2013.

Franking credits available for subsequent financial years based on a tax rate of 30% (2011: 30%):	2,352,755	1,492,530

The above amounts represent the balance of the franking account as at the reporting date adjusted for:

(a) Franking credits that will arise from the payment of the amount of the provision for income tax, and

(b) Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date.

The impact on the franking account of the dividend recommended by the directors since the end of the reporting period, but not recognised as a liability at the reporting date, will be a reduction in the franking account of $363,536 (2011: $84,722).

NOTE 10: EARNINGS PER SHARE

Reconciliation of earnings used in calculating earnings per share

	Consolidated Group	
	2012	2011
Basic earnings/(loss) per share	$	$
Profit after tax from continuing operations attributable to owners of Jumbo Interactive Limited used to calculate basic earnings per share	6,476,516	4,932,851
Profit/(loss) from discontinued operations	267,009	(98,396)
Profit/(loss) attributable to owners of Jumbo Interactive Limited used to calculate basic earnings per share	6,743,525	4,834,455
Diluted earnings/(loss) per share		
Profit after tax from continuing operations attributable to owners of Jumbo Interactive Limited used to calculate diluted earnings per share	6,476,516	4,932,851
Profit/(loss) from discontinued operations	267,009	(98,396)
Profit/(loss) attributable to owners of Jumbo Interactive Limited used to calculate diluted earnings per share	6,743,525	4,834,455

NOTE 10: EARNINGS PER SHARE (cont'd)

Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	40,389,629	39,995,382
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	40,389,629	39,995,382
Adjustments for calculation of diluted earnings per share:		
— options	207,985	-
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	40,597,614	39,995,382

For the 30 June 2011 financial year, 4,150,000 options were not included in the number of potential ordinary shares used to calculate diluted earnings per share because they were out-of-the-money.

NOTE 11: CASH AND CASH EQUIVALENTS

		Consolidated Group	
	Note	2012	2011
		$	$
Total cash and cash equivalents		21,686,797	11,770,674
General account balances			
Cash at bank and in hand		2,905,785	2,965,969
Short term bank deposits		13,905,199	4,519,603
		16,810,984	7,485,572
Customer Funds			
Cash at bank and in hand		1,875,813	2,285,102
Short term bank deposits		3,000,000	2,000,000
Online lottery customer account balances included in cash at bank and short term bank deposits	17	4,875,813	4,285,102

Customer account balances being deposits and prize winnings earmarked for payment to customers on demand.

NOTE 12: TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2012	2011
	$	$
CURRENT		
Trade receivables	163,678	282,611
Allowance for doubtful debts	-	(153,123)
	163,678	129,488
Other receivables	82,916	18,470
Prepayments	155,124	128,689
	401,718	276,647

All receivables that are neither past due nor impaired are with long standing clients who have a good credit history with the Group.

(a) Analysis of the allowance account

Current trade receivables are non-interest bearing and generally on terms ranging from seven days to 30 days. Trade receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual trade receivable is impaired. These amounts have been included in the administrative expense items.

NOTE 12: TRADE AND OTHER RECEIVABLES (cont'd)

Movement in the trade receivables allowance for doubtful debts is as follows:

	Consolidated Group	
	2012	2011
	$	$
Opening balance	153,123	124,764
Provision for doubtful receivables	-	77,025
Reversal of amounts provided	(153,123)	(48,666)
Closing balance	-	153,123

There are no balances within trade and other receivables that are past due other than noted in (b) below. It is expected these balances, other than those impaired, will be received when due. Impaired assets are provided for in full.

Receivables are pledged as per Note 18(a).

(b) Age analysis of trade receivables that are past due at the end of the reporting period

The following provides an aging analysis of trade receivables which are past due and impairments which have been raised.

Consolidated Group

	2012			2011		
	Total	Amount Impaired	Amount not impaired	Total	Amount Impaired	Amount not impaired
	$	$	$	$	$	$
Not past due	161,650	-	161,650	128,916	-	128,916
Past due 30 days	-	-	-	-	-	-
Past due 60 days	-	-	-	-	-	-
Past due 90 days	-	-	-	-	-	-
Past due 90 days+	2,028	-	2,028	153,695	153,123	572
Total	163,678	-	163,678	282,611	153,123	129,488

Payment terms on receivables past due but not considered impaired have not been renegotiated. The Group has been in direct contact with the relevant customers and are reasonably satisfied that payment will be received in full.

As at 30 June 2012 the Group had current trade receivables of $0 (2011: $153,123) that were impaired. The amounts relate to customers who have not settled their debts within the terms and conditions between the Group and the customer, and specific circumstances indicate that the debt may not be fully repaid to the Group.

NOTE 13: INVENTORIES

	Consolidated Group	
	2012	2011
	$	$
CURRENT		
Finished goods at cost	98,625	39,894

NOTE 14: CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(a).

NOTE 14: CONTROLLED ENTITIES (cont'd)

	Country of Incorporation	Percentage Ownership	
		2012	2011
		%	%
Direct subsidiaries of the ultimate parent entity Jumbo Interactive Limited:			
Benon Technologies Pty Ltd	Australia	100	100
Editson Pty Ltd (in voluntary liquidation)[1]	Australia	-	100
TMS Global Services Pty Ltd	Australia	100	100
Jumbo Ventures Pty Ltd	Australia	100	100
Intellitron Pty Ltd	Australia	100	100
Manaccom Pty Ltd[2]	Australia	100	100
Jumbo Lotteries Pty Ltd	Australia	100	100
Cook Islands Tattslotto Pty Ltd	Cook Islands	1	1

	Country of Incorporation	Percentage Indirect Ownership	
Subsidiaries of TMS Global Services Pty Ltd:		2012	2011
		%	%
TMS Global Services (NSW) Pty Ltd	Australia	100	100
TMS Global Services (VIC) Pty Ltd	Australia	100	100
TMS Fiji Limited	Fiji	100	100
TMS Fiji On-Line Limited	Fiji	100	100
TMS Global Services (PNG) Limited	Papua New Guinea	100	100
Cook Islands Tattslotto Pty Ltd	Cook Islands	99	99
Jumbo Lotteries USA Limited	United States of America	100	100
Jumbo Lotteries NC, Inc.[3]	United States of America	100	-

[1] Control of the company ceased on 24 November 2010 when it was placed into voluntary administration. From this date the company no longer forms part of the Group. The company was subsequently de-registered 28 July 2011.

[2] Control of the company ceased 31 January 2011 when it was placed into voluntary administration. Control was returned 19 June 2012 following completion of the voluntary administration process. Between these dates the company did not form part of the Group. The company is in the process of being de-registered.

[3] This Company was established by the Group during this year.

NOTE 15: PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group	
	2012	2011
	$	$
Plant and equipment		
At cost	876,006	817,403
Accumulated depreciation	(644,217)	(552,960)
	231,789	264,443
Leasehold improvements - at cost	291,551	291,552
Accumulated amortisation	(162,968)	(95,627)
	128,583	195,925
Total property, plant and equipment	360,372	460,368

NOTE 15: PROPERTY, PLANT AND EQUIPMENT (cont'd)

(a) Movements in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Plant and Equipment $	Leasehold Improvements $	Total $
Consolidated Group			
Year ended 30 June 2011			
Balance at the beginning of year	578,592	234,127	812,719
Additions	224,303	26,426	250,729
Disposals on sale of business	(16,007)	-	(16,007)
Disposals	(2,043)	-	(2,043)
Disposal through loss of control of subsidiary	(377,623)	-	(377,623)
Depreciation expense – continuing operations	(21,092)	(64,628)	(85,720)
Depreciation expense – discontinued operations	(121,687)	-	(121,687)
Carrying amount at the end of year	264,443	195,925	460,368
Year ended 30 June 2012			
Balance at the beginning of year	264,443	195,925	460,368
Additions	67,811	-	67,811
Disposals	(1,124)	(1)	(1,125)
Depreciation/amortisation expense	(99,341)	(67,341)	(166,682)
Carrying amount at the end of year	231,789	128,583	360,372

NOTE 16: INTANGIBLE ASSETS

	Consolidated Group 2012 $	Consolidated Group 2011 $
Goodwill	3,686,355	3,686,355
Accumulated impaired losses	(854,805)	(854,805)
Net carrying value	2,831,550	2,831,550
Intellectual property	53,499	23,499
Accumulated impairment losses	(23,234)	(23,057)
Net carrying value	30,265	442
Website development costs	4,081,602	3,106,028
Accumulated amortisation	(2,754,517)	(1,979,933)
Net carrying value	1,327,085	1,126,095
Customer acquisition costs	4,446,799	2,775,359
Accumulated amortisation (and impairment)	(3,169,278)	(1,960,732)
Net carrying value	1,277,521	814,627
Software costs	127,327	125,035
Accumulated amortisation	(126,549)	(124,142)
Net carrying value	778	893
Domain names - cost	854,337	816,434
Net carrying value	854,337	816,434
Other	192,641	192,641
Accumulated amortisation	(115,470)	(74,326)
Net carrying value	77,171	118,315
Total intangibles	6,398,707	5,708,356

NOTE 16: INTANGIBLE ASSETS (cont'd)

(a) Movements in Carrying Amounts

	Goodwill	Intellectual property	Website development costs	Customer acquisition costs	Software	Domain names	Other	Total
	$	$	$	$	$	$	$	$
Consolidated Group:								
Year ended 30 June 2011								
Balance at the beginning of year	2,831,550	736	888,209	434,629	77,171	864,772	101,016	5,198,083
Additions acquired	-	-	-	1,138,129	1,901	7,366	67,647	1,215,043
Additions internally developed	-	-	852,917	-	-	-	-	852,917
Derecognition of assets	-	-	-	(17,447)	-	(55,704)	-	(73,151)
Disposals on sale of business	-	(1,476,475)	-	-	(43,315)	-	-	(1,519,790)
Loss on loss of control of subsidiary	-	-	-	-	(18,014)	-	(13,336)	(31,350)
Other adjustment	-	218,121	-	-	-	-	-	218,121
Amortisation charge – continuing operations	-	(294)	(615,031)	(740,684)	(7,576)	-	(31,181)	(1,394,764)
Amortisation charge – discontinued operations	-	-	-	-	(9,274)	-	(5,831)	(15,107)
Impairment reversal –discontinued operations	-	1,258,354	-	-	-	-	-	1,258,354
Closing value at 30 June 2011	2,831,550	442	1,126,095	814,627	893	816,434	118,315	5,708,356
Year ended 30 June 2012								
Balance at the beginning of year	2,831,550	442	1,126,095	814,627	893	816,434	118,315	5,708,356
Additions acquired	-	30,000	-	1,653,993	2,273	37,903	-	1,724,169
Additions internally developed	-	-	971,983	-	-	-	-	971,983
Amortisation charge	-	(177)	(770,993)	(1,191,099)	(2,388)	-	(41,144)	(2,005,801)
Closing value at 30 June 2012	2,831,550	30,265	1,327,085	1,277,521	778	854,337	77,171	6,398,707

NOTE 16: INTANGIBLE ASSETS (cont'd)

(b) Other Disclosures

Domain names have an indefinite useful life because:

- There is no time limit on the expected usage of the domain names;
- Licence renewal is automatic on payment of the renewal fee without satisfaction of further renewal conditions;
- The cost is not significant when compared with future economic benefits expected to flow from renewal. As such, the useful life can include the renewal period; and
- Since there is no limit on the number of times the licence can be renewed this leads to the assessment of "indefinite" useful life.

This assessment has been based on:

- Technical, technological, commercial and other types of obsolescence;
- The stability of the industry in which the asset operates and changes in the market demand for the products and/or services output from the asset;
- The level of maintenance expenditure required to obtain the expected future economic benefits from the asset and the entity's ability and intention to reach such a level; and
- The period of control over the asset and legal or similar limits on the use of the asset.

Intellectual property has an indefinite useful life because:

- There is no time limit on the expected usage of the intellectual property; and
- The intellectual property is proprietary in nature and only the company has the source code.

The assessment has been based on:

- Technical, technological, commercial and other types of obsolescence;
- The stability of the industry in which the asset operates and changes in the market demand for the products and/or services output from the asset; and
- The period of control over the asset and legal or similar limits on the use of the asset.

Intangible assets include capitalised website development costs, capitalised customer acquisition costs and domain names with a carrying value of $3,458,943 (2011: $2,757,156). The amortisation period relating to the website developments costs is three years and to the customer acquisition costs is 18 months. Domain names have an indefinite useful life and therefore have no amortisation period.

(c) Impairment Testing of Cash-Generating Units Containing Goodwill or Intangible Assets with Indefinite Useful Lives

Goodwill and domain names have been allocated to the Internet Lottery cash-generating unit which is an operating segment:

	Consolidated Group	
	2012	2011
Carrying amount of goodwill	$	$
Internet Lottery unit	2,831,550	2,831,550
Total	2,831,550	2,831,550
Carrying amount of domain names		
Internet Lottery unit	854,337	816,434
Total	854,337	816,434

The recoverable amount of the cash-generating unit is based on a value-in-use calculation which uses management approved budgets extrapolated over a five year period. The growth rate used in these budgets does not exceed the historical growth rate of the relative cash-generating unit.

Key assumptions used for value-in-use calculation of the CGU is as follows:

- Annual growth rate of 3%

NOTE 16: INTANGIBLE ASSETS (cont'd)

- Terminal growth rate of 3%
- Discount rate of 17% being the calculated weighted average cost of capital based on the capital asset pricing model
- Reseller agreements will be renewed when they expire in 2013 for an additional 5 years

Management determined budgets based on past performance and its expectations for the future. The growth rate used is consistent with those used in industry reports. The discount rate used is pre-tax and is specific to relevant segment in which the unit operates.

Should both of the lottery reseller agreements not be extended for a further period when they expire in 2013, an impairment loss would be recognised up to the maximum carrying value of $3,685,887.

(d) Impairment Reversal

The impairment reversal is recognised in the statement of comprehensive income:

	Consolidated Group	
	2012	**2011**
	$	**$**
From discontinued operations:		
Impairment reversal of intellectual property[1]	-	(1,258,354)

[1] An increase in the estimated service potential of the asset through sale was recognised when the Star business was sold on 12 November 2010 and therefore the previous impairment expense was reversed.

NOTE 17: TRADE AND OTHER PAYABLES

	Note	Consolidated Group	
		2012	**2011**
		$	**$**
Total trade and other payables		10,354,686	6,949,523
Current			
Trade creditors		1,534,138	915,382
GST payable		519,422	336,622
Sundry creditors and accrued expenses		3,179,749	1,233,884
Employee benefits		245,564	178,533
		5,478,873	2,664,421
Customer funds payable			
Current			
Customer funds payable	11	4,875,813	4,285,102

NOTE 18: BORROWINGS

	Consolidated Group	
	2012	2011
	$	$
CURRENT		
Secured liabilities		
Bank overdraft	-	110,061
Bank loans	166,666	666,667
Chattel mortgages	28,014	34,748
Total secured current interest-bearing liabilities	194,680	811,476
Total current interest-bearing liabilities	194,680	811,476
NON-CURRENT		
Secured liabilities		
Bank loans	250,000	1,041,666
Chattel mortgages	-	28,014
Total secured non-current interest-bearing liabilities	250,000	1,069,680
Total current and non-current secured liabilities		
Bank loans/overdraft	416,666	1,818,394
Chattel mortgages	28,014	62,762
	444,680	1,881,156

Bank overdraft

A bank overdraft facility of $500,000 (2011: $500,000) is repayable on demand and currently bears interest at a current floating rate of 10.24% p.a. (2011: 11.19% p.a.).

Bank loans

A bank loan with current outstanding $416,666 (2011: $1,708,333) is repayable in quarterly instalments of $41,667 and the final instalment of $208,333 is due on 14 November 2013. The bank loan bears interest at a current floating of 5.83% p.a. (2011: 7.00% p.a.), up to a cap of 7.00% pa for the term of the loan until maturity on 14 November 2013.

(a) Assets pledged as security

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

Chattel mortgage liabilities are secured over the rights to the mortgaged assets recognised in the statement of financial position which will revert to the mortgagor if the Group defaults.

The covenants within the bank liabilities require interest not to exceed 25% of profit before finance costs and income tax (net profit before interest and tax/total interest expense > 4x), and debt not to exceed 67% of earnings before interest, tax, depreciation and amortisation (consolidated debt/net profit before deduction of interest, tax, depreciation and amortisation, and before significant items < 1.5x).

(b) Bank overdraft facility

The bank overdraft facilities may be drawn down at any time but may be terminated by the bank without notice. The bank loans may be drawn down at any time and have an average maturity of one year and four months.

(c) Defaults and breaches

There have been no defaults or breaches during the financial year ended 30 June 2012.

NOTE 19: TAX

	Consolidated Group 2012 $	Consolidated Group 2011 $
CURRENT		
Income tax refundable	383,245	576,016

NON-CURRENT

	Opening Balance $	Charged to Profit or Loss $	Closing Balance $
Deferred tax liabilities comprise temporary differences recognised in the profit or loss as follows:			
Property plant and equipment			
- depreciation	5,986	(2,284)	3,702
Amortisation	126,849	117,804	244,653
Other	86,871	(86,871)	-
Balance at 30 June 2011	219,706	28,649	248,355
Property plant and equipment			
- depreciation	3,702	1,311	5,013
Amortisation	244,653	138,603	383,256
Other	-	14,062	14,062
Balance at 30 June 2012	248,355	153,976	402,331

NON-CURRENT

	Opening Balance $	Charged to Profit or Loss $	Closing Balance $
Deferred tax assets comprise temporary differences recognised in the profit or loss as follows:			
Attributable to tax losses	144,471	185,363	329,834
Property plant and equipment			
- depreciation	18,245	37,862	56,107
Amortisation	77,902	(22,184)	55,718
Accruals	338,748	(288,155)	50,593
Provisions	221,419	(63,679)	157,740
Other	27,676	18,918	46,594
Balance at 30 June 2011	828,461	(131,875)	696,586
Attributable to tax losses	329,834	(329,834)	-
Property plant and equipment			
- depreciation	56,107	18,922	75,029
Amortisation	55,718	(21,931)	33,787
Accruals	50,593	30,370	80,963
Provisions	157,740	573	158,313
Other	46,594	(352)	46,242
Balance at 30 June 2012	696,586	(302,252)	394,334

NOTE 19: TAX (cont'd)

Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(e) occur:

- Gross capital losses $3,884,942 (2011: $3,884,942)

NOTE 20: PROVISIONS

	Consolidated Group	
	2012	2011
	$	$
CURRENT		
Long service leave	181,247	145,982
Make good provision	153,437	153,437
	334,684	299,419
NON-CURRENT		
Long service leave	103,708	68,114
	103,708	68,114

Make good

The Group is required under the terms of certain leases to restore the leased premises at the end of the lease to its original condition. A provision has been recognised for the present value of the estimated expenditure required to demolish any leasehold improvements at the end of the lease. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.

	Make good provision
	$
Balance at beginning of the year	153,437
Provisions made during the year	-
Balance at end of the year	153,437

NOTE 21: CONTRIBUTED EQUITY

	Consolidated Group		Consolidated Group	
	2012	2012	2011	2011
	Shares	$	Shares	$
Share capital				
Fully paid ordinary shares	42,412,560	28,876,572	39,536,805	27,113,586

Movements in ordinary share capital

Date	Details	Number of shares	Issue price $	$
1 July 2010	Opening balance	43,031,525		28,156,064
23 August 2010	Shares bought back during the year[1]	(3,578,057)	0.3000	(1,073,422)
6 May 2011	Shares issued during the year[2]	83,337	0.3719	30,944
30 June 2011	Balance	39,536,805		27,113,586
Shares issued during the year				
30 September 2011	Dividend reinvestment plan[3]	158,921	0.237	37,639
6 March 2012	Exercise of options	1,500,000	0.500	750,000

NOTE 21: CONTRIBUTED EQUITY (cont'd)

Date	Details	Number of shares	Issue price $	$
6 March 2012	Exercise of options	200,000	0.700	140,000
7 March 2012	Exercise of options	550,000	0.700	385,000
22 March 2012	Exercise of options	350,000	0.700	245,000
30 March 2012	Dividend reinvestment plan[4]	136,858	0.804	110,094
11 April 2012	Exercise of options	150,000	0.500	75,000
26 April 2012	Exercise of options	160,000	0.700	112,000
Shares bought back during the year				
23 December 2011	Unmarketable parcel sale and buyback[5]	(330,024)	0.278	(91,747)
30 June 2012	Closing balance	42,412,560		28,876,572

[1] As announced by the Company on 23 June 2010, the Company proposed buying back shares owned by a previous director, Mr Ian Mackay, subject to shareholder approval. This was approved by shareholders at an Extraordinary General Meeting held on 19 August 2010 and transacted on 23 August 2010.

[2] As announced by the Company on 9 March 2011, the Company declared a fully franked interim dividend of 0.5 cent per ordinary share in which shareholders were invited to participate in the Company's Dividend Reinvestment Plan. Shares were issued under the DRP on the payment date on 6 May 2011.

[3] As announced by the Company on 23 August 2011, the Company declared a fully franked final dividend of 0.5 cent per ordinary share in which shareholders were invited to participate in the Company's Dividend Reinvestment Plan. Shares were issued under the DRP on the payment date on 30 September 2011.

[4] As announced by the Company on 21 February 2012, the Company declared a fully franked interim dividend of 1.0 cent per ordinary share in which shareholders were invited to participate in the Company's Dividend Reinvestment Plan. Shares were issued under the DRP on the payment date on 30 March 2012.

[5] As announced by the Company on 27 October and 16 December 2011, the Company offered to buyback unmarketable parcels of shares. Shares were bought back under the UMP on the payment date on 23 December 2011.

(a) Ordinary shares

Ordinary shares have no par value and the company does not have a limited amount of authorised share capital.

Ordinary shareholders are entitled to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. Every ordinary shareholder present at a meeting in person or by proxy is entitled to one vote on a show of hands and upon a poll each share is entitled to one vote.

(b) Options

i. Details of the employee option plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year are set out in Note 26: Share-Based Payments.

ii. For information relating to share options issued to third parties during the financial year, refer to Note 26: Share-Based Payments.

(c) Capital management

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Board regularly reviews its capital management strategies in order to optimise shareholder value.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There was a change in the strategy adopted by management to control the capital of the Group for the current financial year which strategy is to ensure that the Group's gearing ratio remains below 40% (2011: between 20% and 40%). The gearing ratios for the year ended 30 June 2012 and 30 June 2011 are as follows:

NOTE 21: CONTRIBUTED EQUITY (cont'd)

		Consolidated Group	
		2012	2011
	Note	$	$
Total borrowings	18	444,680	1,881,156
Total equity		18,083,709	10,081,974
Total capital		18,528,389	11,963,130
Gearing ratio		2%	16%

NOTE 22: CAPITAL AND LEASING COMMITMENTS

(a) Operating Lease Commitments	Consolidated Group	
	2012	2011
	$	$
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable		
— Not later than one year	792,652	745,524
— Later than one year but not later than five years	818,766	1,348,450
	1,611,418	2,093,974

The property leases are non-cancellable leases for occupied premises at various locations ranging from month-to-month to five year terms, with rent payable monthly in advance. Options to renew leases at the end of the term range from terms of one to three years. Rent and outgoings are paid on a monthly basis with periodic pricing reviews.

(b) Chattel Mortgage Commitments		
Payable		
— Not later than one year	28,991	38,655
— Later than one year but not later than five years	-	28,991
	28,991	67,646
Less future finance charges	(977)	(4,884)
	28,014	62,762

These commitments relate to motor vehicles and have terms of up to two and a half years with commitments paid monthly based on fixed interest rates.

(c) Other Commitments

Co-Branded Website Agreement

A subsidiary entity has signed a Co-Branded Website Agreement with ninemsn Pty Ltd for two years until 31 July 2012. A monthly fee is paid by the subsidiary entity to ninemsn Pty Ltd subject to a maximum payment in cumulative monthly fees over the 24 month term based on which the estimated commitment is as follows:	33,384	1,030,706

NOTE 23: CONTINGENT LIABILITIES

	Consolidated Group	
	2012	2011
Estimates of the potential financial effect of contingent liabilities that may become payable:	$	$
Contingent Liabilities		
Guarantees provided by the Group's bankers		
The Group's bankers have provided guarantees to third parties in relation to premises leased by Group companies. These guarantees have no expiry term and are payable on demand, and are secured by a fixed and floating charge over the Group's assets.	160,763	160,763
The Group's bankers have provided a performance guarantee to a third party in respect of a Request for Proposal. This guarantee was subsequently cancelled 3 July 2012.	206,653	-
	367,416	160,763

NOTE 24: SEGMENT REPORTING

Segment information is presented using a 'management approach', i.e. segment information is provided on the same basis as information used for internal reporting purposes by the chief operating decision maker (strategic steering committee that makes strategic decisions). Comparatives for 2011 were stated on this basis.

Accounting policies

Segment revenues and expenses are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis.

Segment information

(a) Description of segments

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

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

Internet Lotteries segment consists of retail of lottery tickets sold both in Australia and eligible international jurisdictions, and internet database management/marketing. The committee monitors the performance of the regions on a combined basis. Accordingly there is only one Internet Lotteries segment.

All other segments include operating segments of non-lottery business activities that are not reportable in terms of AASB 8 and revenues from external customers are derived from the sale of software and pet related products. Comparative figures for 2011 are stated on this basis.

(b) Segment information provided to the strategic steering committee

2012

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

	Internet Lotteries
	$
Total segment revenue/income	23,584,433
Inter-segment revenue	-
Revenue from external customers	23,584,433
NPBT	10,002,512
Interest revenue	771,129
Finance costs expense	3,907
Depreciation and amortisation	2,147,568

NOTE 24: SEGMENT REPORTING (cont)

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

2011

The segment information provided to the strategic steering committee for the reportable segments for the year ended 30 June 2011 is as follows:

	Internet Lotteries $
Total segment revenue/income	18,081,812
Inter-segment revenue	-
Revenue from external customers	18,081,812
NPBT	5,495,205
Interest revenue	413,328
Finance costs expense	1,732
Depreciation and amortisation	1,480,484
Loss on derecognition of intangible assets	73,151

(c) Other segment information

i. Segment revenue

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

Revenues from external customers are derived principally from the sale of lottery tickets and provision of related services.

Segment revenue reconciles to total revenue/other income from continuing operations as follows:

	Consolidated Group	
	2012	2011
	$	$
Total Internet Lotteries segment revenue	23,584,433	18,081,812
All other segments	548,760	79,337
Interest revenue	776,414	413,328
Other	75,429	18,036
Total revenue/other income from continuing operations (note 3)	24,985,036	18,592,513

The entity is domiciled in Australia. The amount of its revenue from external customers in Australia is $22,086,403 (2011: $16,139,019), and the total revenue from external customers in other countries is $2,898,633 (2011: $2,453,494). Revenues of $1,664,189 (2011: $1,620,964) are from external customers in Fiji. Segment revenues are allocated based on the country in which the customer is located.

No single external customer derives more than 10% of total revenues.

ii. NPBT

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

NOTE 24: SEGMENT REPORTING (cont)

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

	Consolidated Group	
	2012	2011
	$	$
NPBT	10,002,512	5,495,205
Inter-segment eliminations[1]	-	1,437,338
All other segments	(33,866)	53,525
Other	1,091	-
Interest revenue	776,414	413,328
Corporate expenses		
Finance costs expense	(103,770)	(148,518)
Share based payments expense	(89,748)	(79,851)
Directors' remuneration	(130,800)	(173,264)
Salaries and wages	(917,628)	(689,674)
Other	(450,136)	(453,953)
Profit before income tax from continuing operations (per P&L)	9,054,069	5,854,136
[1] the key items of the intersegment eliminations are:		
Provision for non-recovery of inter-company loans	-	1,437,338

NOTE 25: CASH FLOW INFORMATION

	Consolidated Group	
	2012	2011
	$	$
(a) Reconciliation of Cash Flow from Operations with Profit/(Loss) after Income Tax		
Profit/(loss) for the year after income tax	6,743,525	4,834,455
Non-cash flows		
Amortisation	2,073,142	1,474,497
Depreciation	99,341	142,779
Unrealised foreign currency (gain)/loss	(23,214)	(17,160)
Impairment reversals	-	(1,258,354)
Derecognition of subsidiary in voluntary administration	-	639,644
Gain/(Loss) on sale of business	-	6,007
Derecognition of intangibles assets	-	73,151
Share option expense	89,748	79,851
Other	19,319	27,087
Changes in operating assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
Decrease/(increase) in trade receivables	(34,190)	556,303
Decrease/(increase) in other receivables	(90,881)	74,816
Decrease/(increase) in inventories	(58,732)	(173,296)
Decrease/(increase) in DTA	302,252	(141,955)
Increase/(decrease) in trade payables	618,756	1,094,421
Increase/(decrease) in other payables	2,786,408	(668,323)

NOTE 25: CASH FLOW INFORMATION (cont)

	Consolidated Group	
	2012	2011
	$	$
Increase/(decrease) in other provisions	70,859	136,412
Increase/(decrease) in DTL	153,976	28,649
Increase/(decrease) in provision for income tax	192,771	(381,531)
Cash flow from operations	12,943,080	6,527,453

(b) Facilities with Banks

Credit facility	1,453,666	3,035,763
Facilities utilised		
- Overdraft	-	(110,061)
- Multi Option/Chattel mortgages	(28,014)	(62,762)
- Loans	(416,666)	(1,708,333)
- Bank guarantees	(367,416)	(160,763)
Amount available	641,570	993,844

The facilities are provided by ANZ Group Limited subject to general and specific terms and conditions being set and met periodically. Interest rates are both fixed and variable and subject to adjustment. Refer to Note 18 for terms of these facilities.

(c) Non-Cash Financing and Investing Activities

(i) Share issue

158,921 ordinary shares were issued at $0.237 ($37,639) under the dividend reinvestment plan on 30 September 2011.

136,858 ordinary shares were issued at $0.804 ($110,094) under the dividend reinvestment plan on 30 March 2012.

NOTE 26: SHARE BASED PAYMENTS

	Consolidated Group	
	2012	2011
Share-based payment expense recognised during the financial year	$	$
Options issued under employee option plan	88,357	79,851
Options issued to third parties for services received	1,391	-
	89,748	79,851

Employee option plan

The Jumbo Interactive Limited Employee Option Plan was ratified at the annual general meeting held on 28 October 2008. Employees are invited to participate in the scheme from time to time. Options vest when the volume weighted average share price over five consecutive trading days equals the exercise price and provided the staff member is still employed by the Group. When issued on exercise of options, the shares carry full dividend and voting rights.

Options granted carry no dividend or voting rights.

NOTE 26: SHARE BASED PAYMENTS (cont'd)

Third party options

Options have been issued to USA based consultants as part of the remuneration for their services to incentivise them to procure a commercially acceptable transaction in the USA and/or other suitable overseas jurisdiction. Options vest when the volume weighted average share price over five consecutive trading days equals the exercise price and provided an acceptable transaction has been brought to the company with terms and conditions acceptable to the Company by 1 December 2012 failing which the options will lapse.

When issued on exercise of options, the shares carry full dividend and voting rights.

Fair value of options granted

Employees

There were no options issued to employees during the 2012 year.

The weighted average fair value of options granted during the 2011 year was 5.5 cents.

- Options are granted for no consideration, have a three year life, and are exercisable when the share price equals the exercise price and the staff member is still employed by the Group.

	2011	
- Grant date:	15 Nov 2010	15 Nov 2010
- Share price at grant date:	$0.38	$0.38
- Exercise price:	$0.70	$0.50
- Expected volatility:	85.82%	86.58%
- Expected dividend yield	3.95%	4.69%
- Risk free rate	5.24%	5.15%

Third parties

The weighted average fair value of options granted during the year was 0.8 cents (2011: 0.0 cents). The fair value at grant date was determined by an independent valuer using the Monte Carlo Simulation option pricing model that takes into account the share price at grant date, exercise price, expected volatility, option life, expected dividends, and the risk free rate. The inputs used for the Monte Carlo Simulation option pricing model for options granted during the year ended 30 June 2012 were as follows:

- Options are granted for no consideration, have a three year life, and are exercisable when the consultant provides a commercially acceptable transaction by 1 December 2012, failing which the options will lapse, and the share price equals the exercise price.

	2012	2011
- Grant date:	14 Dec 2011	-
- Share price at grant date:	$0.40	-
- Exercise price:	$0.70	-
- Expected volatility:	61.22%	-
- Expected dividend yield	3.23%	-
- Risk free rate	3.12%	-

Expected volatility was determined based on the historic volatility (based on the remaining life of the option), adjusted for any expected changes to future volatility based on publicly available information.

NOTE 26: SHARE BASED PAYMENTS (cont'd)

2012

Grant date	Exercise price	Expiry date	Balance at beginning of year	Granted during the year	Lapsed/ Forfeited during the year	Exercised during the year	Expired during the year	Balance at end of year	Exercisable at end of year
KMP and staff options									
01 May 2009	$0.50	01 May 2012	1,450,000	-	-	(1,450,000)	-	-	-
21 October 2009	$0.70	30 October 2012	1,350,000	-	-	(960,000)	-	390,000	390,000
15 November 2010	$0.70	15 November 2013	300,000	-	-	(300,000)	-	-	-
15 February 2011	$0.50	15 February 2014	1,050,000	-	(50,000)	(200,000)	-	800,000	800,000
			4,150,000	-	(50,000)	(2,910,000)	-	1,190,000	1,190,000
Third party options									
14 December 2011	$0.70	14 December 2014	-	1,000,000	-	-	-	1,000,000	-
			-	1,000,000	-	-	-	1,000,000	-
Total			4,150,000	1,000,000	(50,000)	(2,910,000)	-	2,190,000	1,190,000
Weighted average exercise price				$0.70	$0.50		-		

NOTE 26: SHARE BASED PAYMENTS (cont'd)

2011

Grant date	Exercise price	Expiry date	Balance at beginning of year	Granted during the year	Lapsed/ Forfeited during the year	Exercised during the year	Expired during the year	Balance at end of year	Exercisable at end of year
31 March 2008	$0.50	31 March 2011	700,000	-	(700,000)	-	-	-	-
01 May 2009	$0.50	01 May 2012	2,200,000	-	(750,000)	-	-	1,450,000	-
21 October 2009	$0.70	30 October 2012	1,350,000	-	-	-	-	1,350,000	-
15 November 2010	$0.70	15 November 2013	-	850,000	(550,000)	-	-	300,000	-
15 November 2010	$0.50	15 February 2014	-	1,050,000	-	-	-	1,050,000	-
			4,250,000	1,900,000	(2,000,000)	-	-	4,150,000	-

The weighted average exercise price for the year ended 30 June 2012 was $0.60 (2011: $0.57).

The weighted average remaining contractual life of share options outstanding at 30 June 2012 was 1 year 9 months (2011: 1 years 7 months).

NOTE 27: EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting date.

NOTE 28: FINANCIAL RISK MANAGEMENT

(a) General objectives, policies and processes

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks and measurement from previous periods unless otherwise stated in this note.

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, bank loans and chattel mortgages.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Group's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material. The Board receives periodic reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The main purpose of non-derivative financial instruments is to raise finance for Group operations.

There are no derivative instruments recognised or unrecognised at the reporting date.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

i. Treasury Risk Management

An Audit Committee consisting of a majority of Non-Executive Directors meet on a regular basis to consider currency and interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The Committee's overall risk management strategy seeks to assist the Group in meeting its financial targets whilst minimising potential adverse effects on financial performance.

The Audit Committee operates under policies approved by the Board of Directors. Risk management policies are approved and reviewed by the Board on a regular basis. These include the use of hedging derivative instruments, credit risk policies, and future cash flow requirements.

ii. Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk.

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the entity's income or the value of its holdings of financial instruments.

The Group is exposed to market risks from interest rates and foreign currency.

Interest rate risk

Interest rate risk arises principally from cash and cash equivalents, and borrowings.

The object of market risk management is to manage and control interest rate risk exposure within acceptable parameters while optimising the return.

Interest rate risk is managed with a mixture of fixed and floating rate debt. At 30 June 2012 100% of Group interest bearing debt is capped. The Group policy is to manage between 50% and 100% of interest bearing debt using capped and fixed interest rates.

Foreign currency risk

The Group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the Group's functional currency. Senior management monitor the Group's exposure regularly and utilise the spot market to buy and sell specified amounts of foreign currency to manage this risk.

NOTE 28: FINANCIAL RISK MANAGEMENT (cont'd)

Liquidity risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash balances and unutilised borrowing facilities are maintained.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations to the entity.

Credit risk arises principally from cash and cash equivalents and trade and other receivables.

The objective of the Group is to minimize risk of loss from credit risk exposure.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at the end of the reporting period to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. No collateral or other security is held over these assets at balance sheet date.

Credit risk is managed on a Group basis and reviewed regularly by the Audit Committee.

The Audit Committee monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- surplus funds are only invested with banks and financial institutions with a Standard and Poor's rating of no less than A:
- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and
- customers that do not meet the Group's strict credit policies may only purchase in cash or using recognised credit cards.

The trade receivables balance, before allowance for doubtful debts, at balance date by geographic region:

	2012		2011	
	$	%	$	%
Australia	46,546	28.5	100,478	35.6
Fiji	100,551	61.4	16,688	5.9
USA	-	0	69,668	24.7
Cook Islands	-	0	84,373	29.8
Samoa	16,581	10.1	11,404	4.0
	163,678	100	282,611	100

The Group's most significant customer, located in Fiji, accounts for 1% of trade receivables as at 30 June 2012 (30% as at 30 June 2011, located in the Cook Islands, and has been fully provided for).

Credit risk is measured using debtor aging. Refer Note 12(b): Trade and Other Receivables for aging analysis.

(b) Financial Instruments

Categories of Financial Instruments

	Consolidated Group	
	2012	2011
Financial Assets	$	$
Cash and cash equivalents - AA rated	21,686,797	11,770,674
Loans and receivables	401,718	276,647
Financial Liabilities		
Borrowings	444,680	1,881,156
Trade and other payables	10,354,686	6,949,523

NOTE 28: FINANCIAL RISK MANAGEMENT (cont'd)

i. Maturity Analysis

Financial liabilities have differing maturity profiles depending on the contractual term and in the case of borrowings, different repayment amounts and frequency. The table below shows the period in which the principal and interest (if applicable) of financial liability balances will be paid based on the remaining period to repayment date assuming contractual repayments are maintained.

Trade and other payables are expected to be paid as follows:

	Consolidated Group	
	2012	2011
	$	$
Less than six months	10,354,686	6,949,523
	10,354,686	6,949,523

Borrowings are expected to be paid as follows:

	2012	2011
Less than one year	212,234	916,263
One to five years	256,597	1,137,485
	468,831	2,053,748

ii. Fair Values

The fair values of:

- Cash, cash equivalent, and receivables approximate their carrying value because of their short term to maturity.
- Bank loans, overdrafts, trade and other payables approximate their carrying value because of their short term to maturity (or interest repricing profile).

No financial assets and financial liabilities are readily traded on organised markets in standardised form.

Fair values and carrying amounts of financial assets and liabilities at reporting date.

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	$	$	$	$
Financial Assets				
Cash and cash equivalents	21,686,797	21,686,797	11,770,674	11,770,674
Trade and other receivables	401,718	401,718	276,647	276,647
	22,088,515	22,088,515	12,047,321	12,047,321

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	$	$	$	$
Financial liabilities				
Borrowings	444,680	468,831	1,881,156	2,053,748
Trade and other payables	10,354,686	10,354,686	6,949,523	6,949,523
	10,799,366	10,823,517	8,830,679	9,003,271

Fair values are materially in line with carrying values.

Financial instruments measured at fair value

There were no financial instruments held for either the 2012 or 2011 financial years.

NOTE 28: FINANCIAL RISK MANAGEMENT (cont'd)

iii. Sensitivity Analysis

Interest Rate Risk and Foreign Currency Risk

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk and foreign currency risk at reporting date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

At 30 June 2012, the effect on profit/(loss) and equity as a result of changes in interest rates, with all other variables remaining constant, would be as follows:

	Consolidated Group	
	2012	**2011**
	$	**$**
Change in profit/(loss)		
— increase in interest rates by 2%	424,842	197,790
— decrease in interest rates by 2%	(424,842)	(197,790)
Change in equity		
— increase in interest rates by 2%	424,842	197,790
— decrease in interest rates by 2%	(424,842)	(197,790)

Foreign Currency Risk Sensitivity Analysis

At 30 June 2012, the effect on profit/(loss) and equity as a result of changes in the value of the Australian Dollar to the Fijian Dollar, with all other variables remaining constant is as follows:

	Consolidated Group	
	2012	**2011**
	$	**$**
Change in profit/(loss)		
— improvement in AUD to FJD by 3% (2011: 5%)	(46,638)	(146,908)
— decline in AUD to FJD by 3% (2011: 5%)	52,709	162,372
Change in equity		
— improvement in AUD to FJD by 3% (2011: 5%)	(46,638)	(146,908)
— decline in AUD to FJD by 3% (2011: 5%)	52,709	162,372

The above interest rate and foreign exchange rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

NOTE 29: RESERVES

(a) Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries. Amounts are reclassified to profit or loss when an entity is disposed of.

(b) Share Based Payments Reserve

The share based payments reserve records items recognised as expenses on valuation of employee and third party share options. This reserve can be reclassified as retained earnings if options lapse.

NOTE 30: COMPANY DETAILS

The registered office of the Company is:

Jumbo Interactive Limited

Level One, 601 Coronation Drive, Toowong, QLD, 4066

The principal places of business are:

- Level One, 601 Coronation Drive, Toowong, QLD, 4066
- Suite 604, 370 St Kilda Road, Melbourne, VIC, 3001

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 Standards and the *Corporations Regulations 2001*; and

   (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date.

2. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

3. 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.

4. The remuneration disclosures included in pages 11 to 17 of the Directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2012, comply with section 300A of the *Corporations Act 2001*.

5. The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A.

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

David K Barwick
Chairman
Brisbane
6 September 2012

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INDEPENDENT AUDITOR'S REPORT

To the members of Jumbo Interactive Limited

Report on the Financial Report

We have audited the accompanying financial report of Jumbo Interactive Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

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Independence

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

Opinion

In our opinion:

(a) the financial report of Jumbo Interactive Limited is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 17 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Jumbo Interactive Limited for the year ended 30 June 2012 complies with section 300A of the Corporations Act 2001.

BDO Audit Pty Ltd

BDO
Tim Kendall

T J Kendall
Director
BDO Audit Pty Ltd
Brisbane, 6 September 2012

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is required by the Australian Securities Exchange in respect of listed public companies only.

1. **Shareholding**

The Company has 42,802,560 ordinary shares on issue, each fully paid. There are 1,544 holders of these ordinary shares as at 31 August 2012. Shares are quoted on the Australian Securities Exchange under the code JIN and on the German Stock Exchange.

In addition, there are an aggregate total of 1,800,000 options over ordinary shares on issue but not quoted on the Australian Securities Exchange.

a. **Distribution of Shareholders Number as at 31 August 2012**

	Number	
Category (size of Holding)	**Holders of Ordinary Shares**	**Ordinary Shares Held**
1 – 1,000	186	112,539
1,001 – 5,000	626	1,938,502
5,001 – 10,000	297	2,350,385
10,001 – 100,000	386	10,653,373
100,001 – and over	49	27,747,761
	1,544	42,802,560

b. The number of shareholdings held in less than marketable parcels is:	57	5,798

c. The names of the substantial shareholders listed in the holding Company's register as at 31 August 2012 are:

Name	**Ordinary Shares**	**Percentage Held**
Vesteon Pty Ltd and associates	9,488,540	22.17
National Nominees Limited	3,440,827	8.04

d. **Voting Rights**

The voting rights attached to each class of equity security are as follows:

Ordinary shares

— Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Options

— Optionholders have no voting rights until their options are exercised.

e. **20 Largest Shareholders — Ordinary Shares as at 31 August 2012**

Name		**Number of Ordinary Fully Paid Shares Held**	**% Held of Issued Ordinary Capital**
1.	VESTEON PTY LTD	8,935,873	20.88
2.	NATIONAL NOMINEES LIMITED	3,440,827	8.04
3.	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	2,021,582	4.72
4.	UBS NOMINEES PTY LTD	2,013,766	4.70

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
5.	MR BARNABY COLMAN CADDICK	917,000	2.14
6.	WARAWONG PTY LTD <BETHANGA HOLDINGS FAM A/C>	874,733	2.04
7.	MR IVAN TANNER + MRS FELICITY TANNER <THE SUPERNATURAL S/F A/C>	650,348	1.52
8.	MR MIKE VEVERKA <VEVERKA S/F A/C>	552,667	1.29
9.	MR YARON SHAMGAR	500,000	1.17
10.	ANTSORM CONSULTING PTY LTD <ANTSORM CONSULTING A/C>	488,348	1.14
11.	MR VICTOR JOHN PLUMMER	450,504	1.05
12.	MR CRAIG KUHN	400,000	0.93
13.	MR SAM HARGREAVES ORR	361,000	0.84
14.	J P MORGAN NOMINEES AUSTRALIA LIMITED	348,980	0.82
15.	TRUWIND PTY LTD <SUPERWIND S/F A/C>	314,871	0.74
16.	MR XAVIER BERGADE	300,000	0.70
17.	CITICORP NOMINEES PTY LTD	281,717	0.66
18.	MR DAVID PLATT + MRS SUE PLATT <PLATT SUPER FUND A/C>	270,000	0.63
19.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	232,047	0.54
20.	MR JOHN ROSAIA	204,000	0.48
		23,558,263	55.04

2. The name of the Company Secretary is Mr Bill Lyne.

3. The address of the principal registered office in Australia is Level One, 601 Coronation Drive, Toowong, QLD, 4066. Telephone (07) 3831 3705.

4. **Registers of securities are held at the following addresses:**
   Computershare Investor Services Pty Ltd
   117 Victoria Street
   West End QLD 4101

5. **Stock Exchange Listing**

   Quotation has been granted for all the ordinary shares of the Company on the Australian Securities Exchange.

6. **Unquoted Securities as at 31 August 2012**

   Options over Unissued Shares.

   A total of 1,800,000 options are on issue to employees under the Jumbo Interactive Limited Employee Option Plan and third parties for services rendered

Exercise Price	Expiry Date	Number on Issue	Number of Holders
$0.50	15 February 2014	800,000	6
$0.70	14 December 2014	1,000,000	2

7. **Other Disclosures**

   There are no other disclosures.

Jumbo Interactive Limited
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