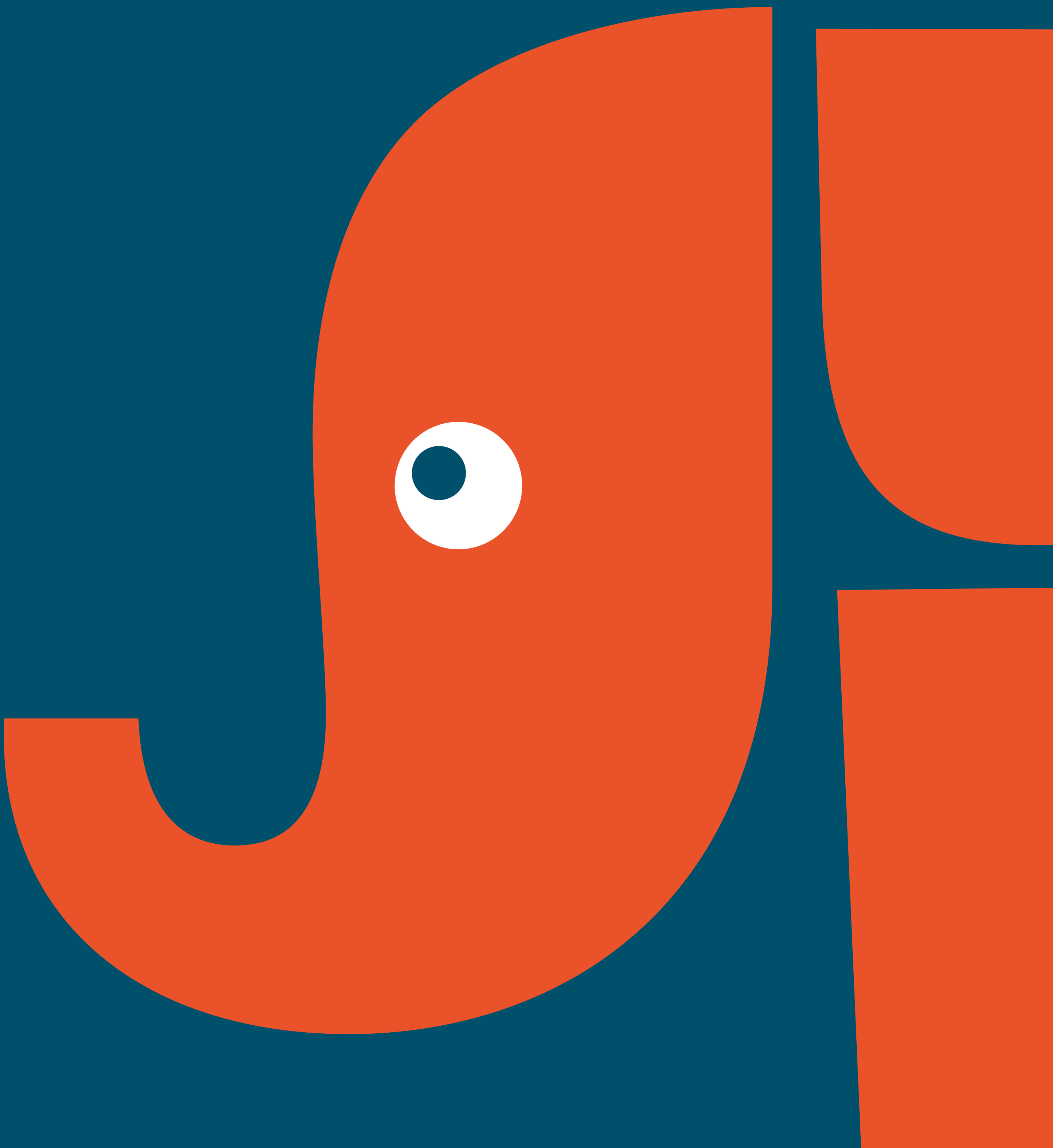
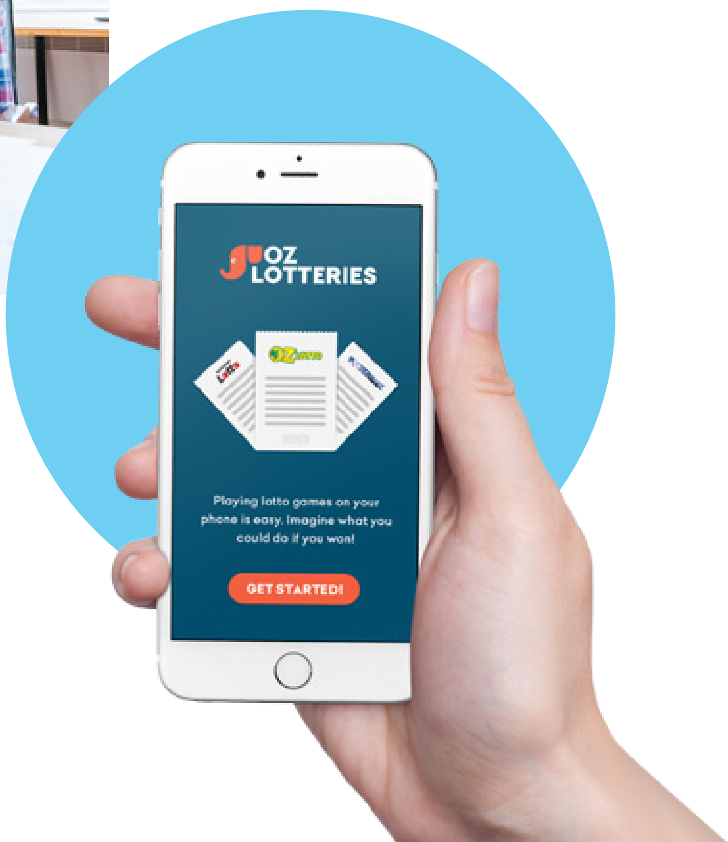
ANNUAL REPORT
2016

Jumbo Interactive Limited



A record $156 million Total Transaction Value has underpinned Jumbo's best profit result in 4 years

Table of Contents


OZ LOTTERIES
Playing lotto games on your phone is easy. Imagine what you could do if you won!
GET STARTED!

Introduction

Lotteries have always been a fun and stimulating form of entertainment and Jumbo continues to use technology to keep lotteries relevant to a new generation of tech-savvy consumers

Building on a solid base of established customers and a trusted brand, the Jumbo team was able to deliver the Company's best result in 4 years. Revenues reached a record $156 million (up 20% on the previous year) and profits were up 7-fold to $4.67 million. The balance sheet has strengthened to net assets of $24.7 million prompting an increase in dividends to 7c for the year (3c in FY15).

The growth is a result of a simultaneous increase in online customers numbers and activity. New online accounts for the year reached almost 206,900, up from about 197,700 in the previous year, boosting the total number of accounts to well over 2 million. Customer activity has also increased due to a better player experience stemming from continual investment in the software platform. 75% of customer interactions are now on mobile compared to 50% a year ago and 39% the year before that. This stellar rise of mobile adoption is in line with most other industries that benefit from the mobile computing phenomenon.

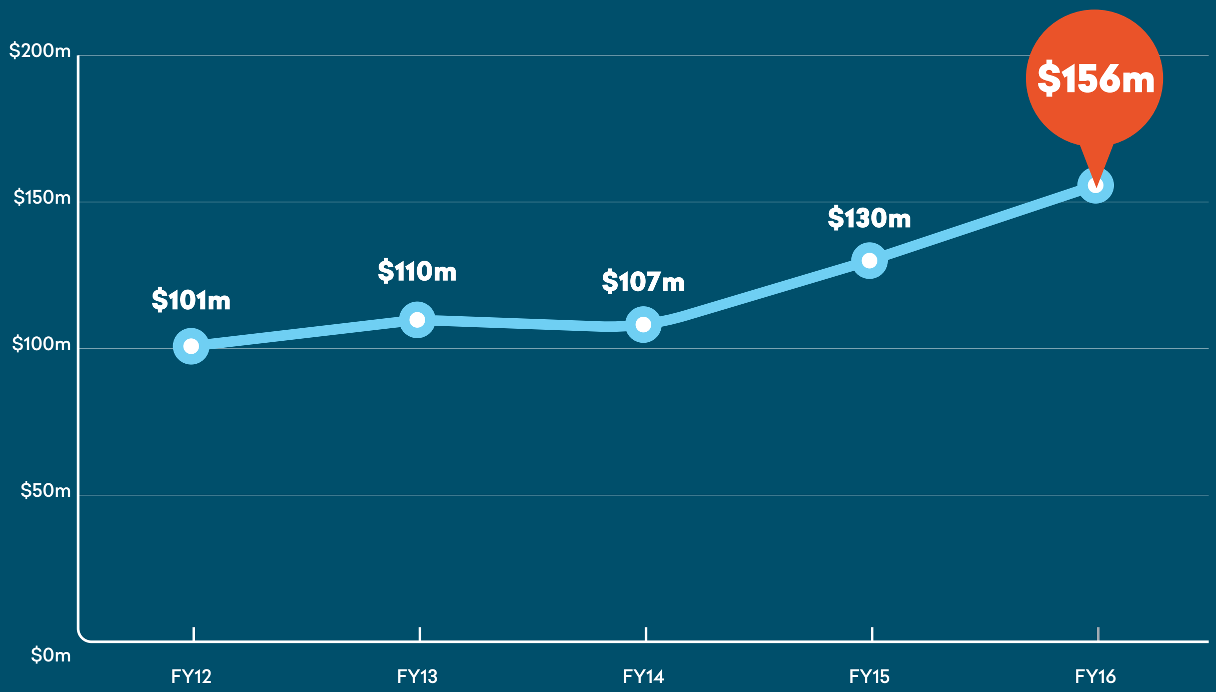
The brand improvements made in the previous year have built Ozlotteries into a strong and trusted brand with its own identity. Jumbo's social media strategy has benefitted from the stronger brand as can be seen in the number of Facebook likes which is up 20% to 114,000. This has kept our CPL (Cost per lead) metric under $20.00 maintaining an efficient and effective marketing strategy.

Jumbo's customer demographic continues to be skewed towards the younger age groups which is good news for the general lottery industry. Lotteries need to remain relevant with a new breed of consumer with access to a wider variety of digital entertainment at their finger tips. Lotteries have always been a fun and stimulating form of entertainment and Jumbo continues to use technology to keep lotteries relevant to a new generation of tech-savvy consumers.

Highlights

A record $156 million Total Transaction Value has underpinned an 18% increase in Revenue to $34.3 million delivering a seven-fold increase in Net Profit After Tax to $4.67 million

5 Year total transaction value



Revenue
12 months to 30 June 2016

18% increase over the previous year

$34.3m

Net Profit After Tax
12 months to 30 June 2016

604% increase over the previous year

$4.67m

Dividends Declared
Fully franked dividends for the 12 months to 30 June 2016

133% increase over the previous year

7.0¢

Share Price
as at 30 June 2016

53% increase over 12 months

$1.30

Return on Equity
12 months to 30 June 2016

Up from 3.1% for the previous year

18.9%

Total Shareholder Return
12 months to 30 June 2016

Up from (32.3%) for the previous year

57.1%

Letter from the Chairman

The Company has increased its dividend for the year to 7 cents compared to 3 cents in the previous financial year

Dear Shareholder

You will note from the financial results in the current financial year that whilst we have continued with the operation in Germany our main focus has been locally both on the lottery business as well as Australian Charity Lottery supply. This has allowed a significant growth in sales which has enabled the Board to revise its dividend policy for the benefit of our Shareholders.

With a strengthening of our net assets to in excess of $24.5 million the Company has increased its dividend for the year to 7 cents compared to 3 cents in the previous financial year. With the expected continued growth of these activities the Board will maintain its review of the dividend policy with the view of both looking at other investment opportunities as well as the ongoing dividend distribution. This dividend is the 16th paid to Shareholders since our initial dividend was declared.

The financial success of the Company would not have been possible if our team lead by Mr. Mike Veverka, the founder and CEO, had not continued their dedication to the growth of the Company. Mike will expand on the operations and financial results in his letter.

I would like to thank the board and our Senior Management team for their continued support and also all Shareholders who are now seeing the rewards of their ongoing confidence and patronage of the Company.

I look forward to further updating Shareholders at our Annual General meeting to be held later in the year.

Yours Truly

David K Barwick
Chairman

Letter from the CEO

A coming together of solid customer growth, improved customer activity, a good run of Jackpots and a focus on managing costs has combined to deliver Jumbo's best result in 4 years

Dear Shareholder,

Jumbo's best result in 4 years was a direct result of solid customer growth, improved customer activity and a good run of Jackpots throughout the 2016 financial year. There were 206,900 new online accounts during the year bringing the total to well over 2 million accounts. This compares to 197,700 the previous year demonstrating continued demand underpinning future growth. Customer activity has also increased due to a better player experience as we continually improve the Company's software platform.

TTV for the year was up 20% to $156 million and revenue up 18% to $34.3 million pushing the net profit after tax 7-fold to $4.67 million ($0.663 million in FY15). The balance sheet has strengthened to net assets of $24.7 million providing the Company with a solid base moving forward.

The burgeoning Australian Charity Lottery business is off to a great start with encouraging early numbers. Developments are in place to bring on more charities and improve the customer experience further. The charity lotteries have been integrated into both the ozlotteries.com website and App with encouraging customer adoption rates. The new German business has improved after a restructure during the year and efforts continue in key areas of customer retention, cost per lead and margin.

I wish to thank the entire Jumbo team in Australia and around the world for their part in delivering to shareholders the Company's best result in 4 years and look forward to extending that another year in FY17.

Mike Veverka
CEO and Founder

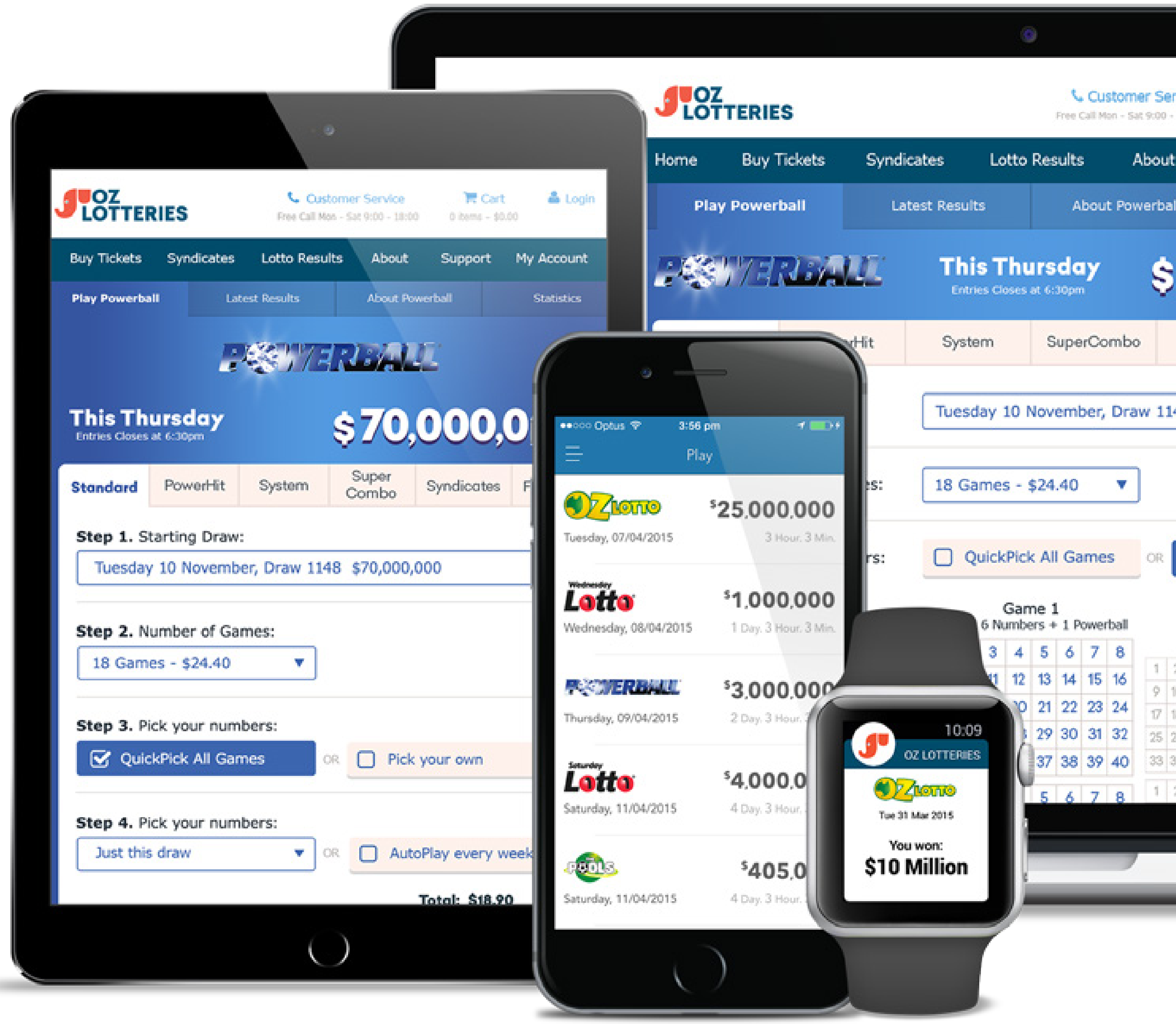
Australia

Jumbo's flagship website www.ozlotteries.com again grew ticket sales in the order of 20%. This steady growth is a direct result of continual improvements to the software platform and online marketing initiatives

206,858 new online accounts were registered in FY16 (compared to 197,670 in the previous year) bringing the total number of accounts to over 2 million. This indicates a steady growth rate of new customers that underpin the number of active customers. While some customers are regular lottery players, the majority play from time to time when Jackpots become significant. By using technology such as mobile notifications, customers interact more frequently and participate on a more regular basis. In FY16, the number of mobile interactions reached 75%, up from 50% a year ago. This indicates the Ozlotteries App is working well and is consistent with the rapid adoption of mobile devices in recent years. Social Media is an important digital channel used to acquire new customers and keep existing customers interested and activated. The number of Facebook likes has increased 20% from 95,000 in FY15 to 114,489 in FY16 indicating good progress.

Jackpot size is an important driver of sales however the frequency is generally random. By using technology and internet marketing, Jumbo is able to grow when the overall market is stagnant. For instance, the second half of FY16 saw reduced large Jackpots activity (13% by number and 23% by aggregate value) compared to the first half, yet Revenue was only 7% lower for the same period.

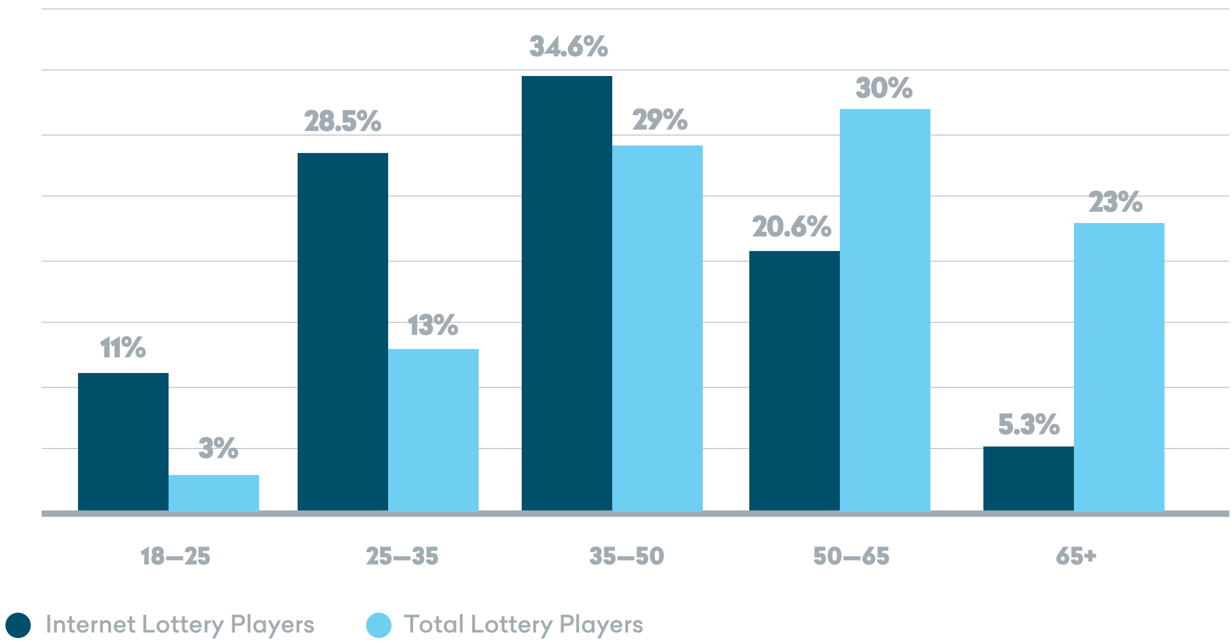
This also has direct benefit to other key stakeholders in the Australian lottery industry including the Tatts Group, who supply Jumbo via a number of reseller agreements, and the various state governments who are the main beneficiaries of lotteries in Australia.


OZ LOTTERIES
Customer Service
Cart
Login
Buy Tickets
Syndicates
Lotto Results
About
Support
My Account
Play Powerball
Latest Results
About Powerball
Statistics
POWERBALL
This Thursday
Entries Closes at 6:30pm
Standard
PowerHit
System
Super Combo
Syndicates
Step 1. Starting Draw:
Tuesday 10 November, Draw 1148 $70,000,000
Step 2. Number of Games:
18 Games - $24.40
Step 3. Pick your numbers:
QuickPick All Games
OR
Pick your own
Step 4. Pick your numbers:
Just this draw
AutoPlay every week
Home
SuperCombo
Game 1
6 Numbers + 1 Powerball
Optus
3:56 pm
Play
$25,000,000
Tuesday, 07/04/2015
$1,000,000
Wednesday, 08/04/2015
Thursday, 09/04/2015
Saturday, 11/04/2015
10:09
OZ LOTTERIES
Tue 31 Mar 2015
You won:
$10 Million

Facebook Likes

Younger Demographics

as at 30 June 2016




7:00PM
Home
Oz Lotto
Powerball
Tatts Lotto
OZ LOTTO
$20,000,000
Entries Close 7:30pm Tonight!
PLAY NOW
QUICK PICK
Latest Lotto Results
SATURDAY
Lotto
Saturday 18/8/2015
You had 2 tickets in this Draw:
18 Games
REBUY
Mobile Interactions
75%

Key Performance Indicators

A number of Key Performance Indicators (KPI's) are used to monitor customer activity underpinning ticket sales and revenue through ozlotteries.com

$15.13

CPL — Cost Per Lead

The cost to acquire these new accounts is an indicator of the effectiveness of the marketing initiatives. In FY16 the CPL was $15.13 compared to $16.35 in FY15 and $19.06 in the 12 months to 31 December 2015. Some fluctuations occur due to Jackpot levels and availability of marketing channels however CPL levels under $30 are considered to be very good.

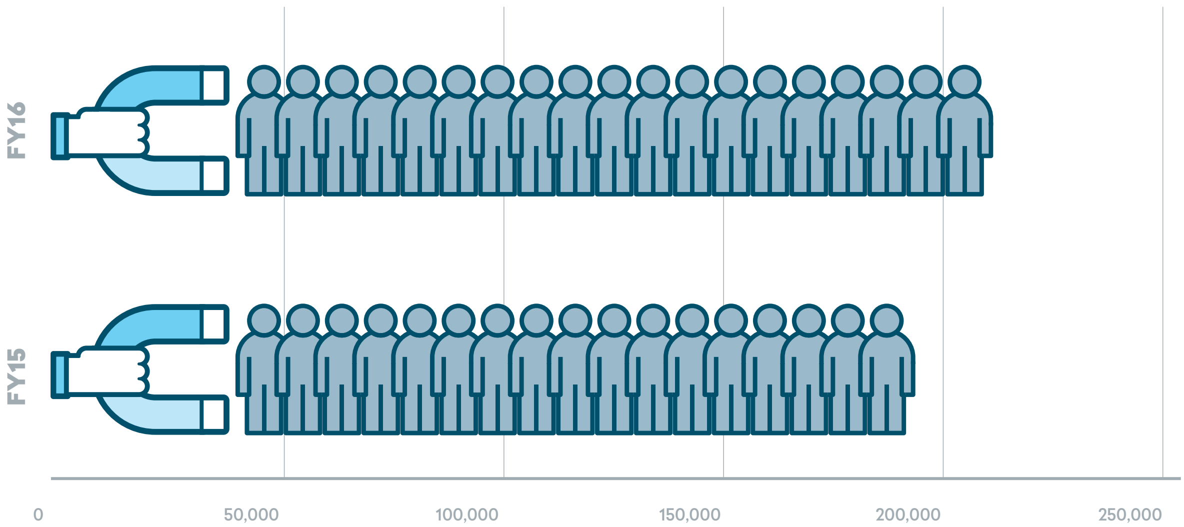
$335.27

Average Spend per Online Customer

The average spend per active online customer is defined as the total spent by active online customers divided by the number of active online customers over the preceding 12 month period. This KPI has increased 6% from $315.59 in FY15 to $335.27 in FY16. Typically this KPI fluctuates depending on Jackpot levels and spend levels in the $300.00 to $350.00 range are considered good.

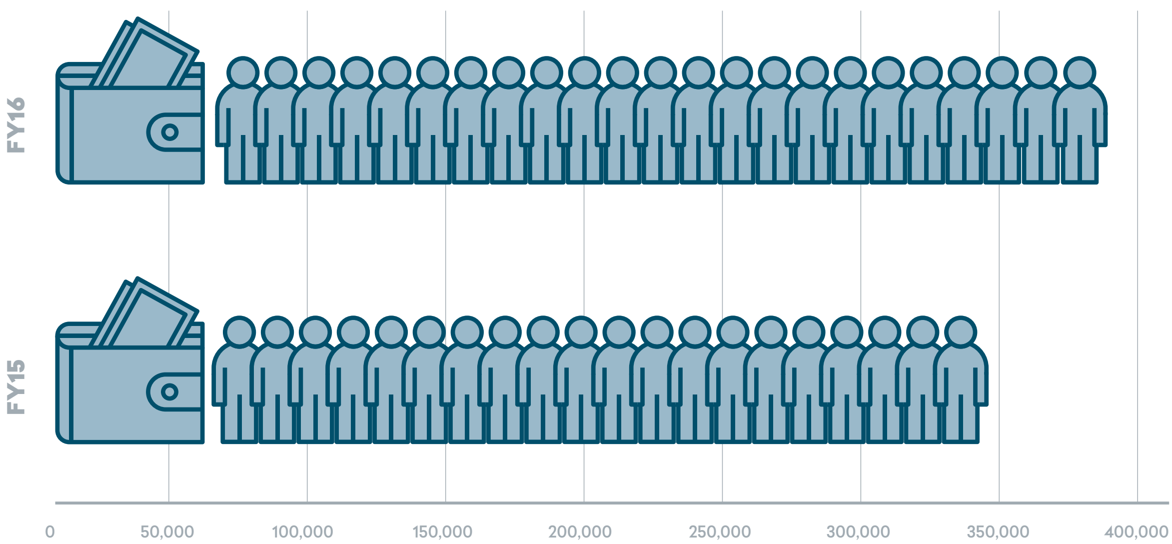
New Online Accounts

Acquisition marketing is undertaken to attract new players to either the www.ozlotteries.com website or the OzLotteries App (iOS or Android). Since trading began, over 2 million accounts have been created and in recent years this has increased at approximately 200,000 per year. In FY16 the number of new accounts was 206,858 compared to 197,670 in the previous year.



Active Online Customers

The number of Active Online Customers is defined as the number of customers who have spent money on tickets in the preceding 12 month period. Typically this is comprised of regular players with new incoming players replacing older players that have ceased being active. Various initiatives are used to invigorate older players and keep the number of actives growing. In FY16, the number of active online customers was 375,988, an increase of 13% over the 333,475 actives in FY15.



Business Initiatives

The Company is currently working on two business initiatives — Australian Charity Lotteries and German National Lotteries

Australian Charity Lotteries

The Australian Charity Lottery business involves the sale of a number of charity-based lotteries to the established customer base in Australia. The business has expanded to include four charities and the games have been further integrated into the OzLotteries.com website and App. Early indicators have been pleasing, prompting further expansion plans in the year ahead.

Recently, the Endeavour Foundation was added, and more charities are currently under selection. These games were selected to best complement the national games such as OzLotto and the Australian Powerball, ensuring customers play them “as well as” the national games and not “instead of”. The typical prizes are cars and homes which sit below the national lotteries whose prize values can range from $5 million to more than $100 million. In addition to the prize incentive, Charity Lotteries have a strong charity focus appealing to customers who have an interest in certain charity types.

The business was launched in July 2015 with three charities, and now has four:

ENDEAVOUR FOUNDATION Opportunities for people with a disability | SURF LIFE SAVING LOTTERIES | PRINCE OF WALES HOSPITAL FOUNDATION | Act for kids

German National Lotteries

Jumbo launched its German website www.jumbolotto.de in December 2013 limited to standard tickets in the Eurojackpot, Lotto 6aus49 and GlücksSpirale games. This was soon followed with Group Play games (Spiejgemeinschaften) and the JumboLotto App.

In June 2015 the business underwent a significant restructure that involved a number of staff changes and an office move from Munich to Hamburg. Mr Jan Steffen was appointed the new Managing Director for Jumbo Germany and has already made a significant impact to the performance of the business.

The business has seen an improvement in TTV, Revenue and Operating expenses leading to a significant reduction in net loss before tax from $3.591m FY15 to $2.653m FY16. Management are continuing to monitor the progress of the German marketplace for opportunities to benefit the business.

Leadership Team

Mike Veverka

Chief Executive Officer & Executive Director (BEng (Hons))

Mike Veverka is CEO and founder of Jumbo Interactive. He has a proven track record in business and computing, establishing several successful startups to meet new consumer demands for online products. His entrepreneurial flair and ambition for innovation were displayed at the age of fifteen when he created and sold his first software package to Hewlett Packard. Mike worked as a design engineer and computer programmer before founding 'Squirrel Software Technologies' that provided some of Australia's first internet services and e-commerce software. As founder and leader, Mike plays a pivotal role in the growth strategy, innovation and promotion of Jumbo.

David Barwick

Chairman and Non-Executive Director

David Barwick has over 40 years experience in the management and administration of publicly listed companies in Australia and North America. During this period David has held the positions of Chairman, Managing Director or President of over 30 public companies with strengths in strategic planning, restructuring and financing entities.

Bill Lyne

Non-Executive Director and Company Secretary (BCom, CA, FCIS, FGIA, FAICD, FFIN)

Bill Lyne is the Principal of Australian Company Secretary Service that provides secretarial, corporate compliance and governance services to public company clients in a wide range of industries. Prior to this, Bill was Company Secretary and CFO of First Australian Building Society, having previously spent many years in credit and lending positions in merchant banking. Bill holds a Bachelor of Commerce and is a Chartered Accountant. He is a Fellow of the Institute of Chartered Secretaries & Administrators (UK), Governance Institute of Australia, and the Australian Institute of Company Directors. He also has life membership with the Financial Services Institute of Australasia.

David Todd

Chief Financial Officer (MBA, GradDipACG, CAIB(SA), BCom, FGIA, FCIS)

David has extensive capabilities in business administration with strengths in credit risk management and international business. His experience in financial management spans 25 years in the banking industries of South Africa, New Zealand and Australia, and small cap and SME environments. David holds a Bachelor of Commerce, a Master of Business Administration, an Associate Diploma in Banking, and a Graduate Diploma of Advanced Corporate Governance. He is a Fellow of the Governance Institite of Australia and a Fellow of the Institute of Chartered Secretaries and Administrators (UK). David brings a wealth of commercial expertise to Jumbo Interactive as Chief Financial Officer.

Brad Board

Chief Operating Officer

Having joined Jumbo in 2001 Brad has been actively involved in Jumbo's evolution and growth into the leading digital lottery business it is today. Brad has significant lottery and ecommerce experience and ensures that the brand, digital experiences and service offerings provided by Jumbo effectively engage and satisfy it's 2,000,000+ customers in Australia and Internationally. In addition to responsibility for Jumbo's marketing and product strategy he ensures various departments and subsidiaries are interacting efficiently with each other and in accordance with Jumbo's overall strategic goals.

Xavier Bergade

Chief Technology Officer

As Chief Technology Officer, Xavier ensures that Jumbo's technology services are continually improving and innovating while remaining secure for customer transactions. He is responsible for the adaptation of the successful Australian OzLotteries.com website to other markets such as Jumbolotto.de which is available for online lottery purchases for customers in Germany, and ensuring capabilities for customer purchases on any device demands that websites continually evolve as new mobile and computer products are released to market with unprecedented frequency.

Brian J. Roberts

President, North America (DipEC Cert(OM))

Brian has extensive experience in lotteries and gaming, software development and production and is a recognised creative innovator. His experience in the lottery and gaming industry spans over 40 years with senior roles including Director of Creative Content Development at GTECH, COO and Senior Vice President of Marketing at On-Point Technology Systems, President of LotoMark and Vice President of Lottery Operations at International Totalizator and Lottery Systems. Brian has developed, implemented and managed gaming systems across many international jurisdictions. He holds over twenty issued and pending gaming industry USA patents.

Jan Steffen

Managing Director of Germany

Throughout his career to date, Jan has been active in e-commerce companies focusing on product development and marketing. Starting with the governmental lottery agent Tipp24.de, he then went on to act as a consultant for Lottoland.com and was responsible for the marketing of winrace.de GmbH, a portal for horse race betting on the Internet. He passed on his extensive expertise and experience in the field of e-commerce as a freelance consultant, both in Germany as well as in Great Britain, launching successful start-ups in Europe. Given Jumbolotto.de's position of start up in a growth phase, Jan's strong Marketing background is a key competitive advantage in that growth and customer retention are always front of mind and he's able to lean on years of marketing experience in e-commerce and the internet lottery businesses.

Financial Report

Profits reached a record high in the past four years, with continuing investment in technology and online marketing leading to a 20% increase in TTV to $156m, an 18% increase in Revenue to $34.3m, and a 1.8% decrease in operating costs, providing a seven-fold increase in NPAT to $4.67m

Jumbo Interactive Limited and its Controlled Subsidiaries

Directors' Report

The Directors of Jumbo Interactive Limited (Company), present their report on the consolidated entity (Group), consisting of Jumbo Interactive Limited and the entities it controlled at the end of, and during, the financial year ended 30 June 2016.

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 through the internet and mobile devices 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:

	$'000
Final dividend of 1.5 cent per share on ordinary shares for the year ended 30 June 2015 paid on 25 September 2015	663
Interim dividend of 2.0 cent per share on ordinary shares for the year ended 30 June 2016 paid on 24 March 2016	881
	1,544

In addition to the above dividends, on 24 August 2016, the directors declared a final fully franked ordinary dividend for the financial year ended 30 June 2016 of 5.0 cents per ordinary share (2015: 1.5 cents per ordinary share) to be paid on 23 September 2016, a total estimated distribution of $2,203,000 based on the number of ordinary shares on issue at 24 August 2016.

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 reports revenue on a net revenue inflow basis where it considers that it acts more as an Agent than as a Principal such as with the sale of lottery tickets. The gross amount received for the sale of goods and rendering of services is advised as Total Transaction Value ("TTV") for information purposes. Refer to Note 2(e) for details.

The Company was successful in growing TTV, Revenue and Profit over the same period last year. This was a result of continuing investment in marketing and technology that grew the customer database and improved customer activity.

The consolidated profit of the Group amounted to $4,670,000 (2015: $663,000), after providing for income tax $3,394,000 (2015: $1,921,000) – refer Note 6 for tax expense details, which is a 604.4% increase on the results for the year ended 30 June 2016. Net reportable operating revenues increased 17.6% to $34,341,000 (2015: $29,200,000) and TTV increased by 26.6% to $155,705,000 (2015: $129,999,000).

Other revenue, being mainly interest on cash, increased by 2.8% to $1,239,000 (2015: $1,205,000). During the financial year, the lower average interest rates resulted in lower interest income and an average weakening of the AUD foreign exchange rate resulted in a higher FX gain, compared to the 2015 financial year.

Group earnings before interest, tax, depreciation and amortisation increased by $6,365,000 from $4,724,000 (2015) to $11,089,000.

Although there was a contribution to TTV and revenue from Germany, the increase in overall TTV and revenue was due primarily to growth in the customer database in Australia. The overall increase in net profit after tax resulted from (i) the increased level of jackpot activity, increased customer database, customer conversions and activity from the software development, in Australia and (ii) a focus on management of costs both in Australia and overseas.

The number of large jackpots is a significant driver of sales. The sales trend over the last three financial year periods in the context of such jackpots is summarised as follows:

	FY 2016	FY 2015	FY 2014 restated
TTV	$155.7 million	$130.0 million	$107.0 million
Reported Revenue	$34.3 million	$29.2 million	$24.8 million
OZ Lotto/ Powerball			
Number of jackpots of $15 million or more	45	34	36
Average Division One jackpot of $15 million or more	$28.8 million	$25.3 million	$25.7 million
Peak Division One jackpot during the financial year period	$70 million	$70 million	$70 million
Aggregate Division One jackpots of $15 million or more during the financial year period	$1,295million	$860million	$925million

The higher level of large jackpot activity in the current financial year has led to higher TTV and revenue. The focus on expense management has resulted in a decrease of 1.8%. The combination of higher TTV and revenue and cost containment has resulted in a significant increase in profits.

Further discussion on the Group's operations now follows:

Review of Operations

a. Internet Lotteries Segment

The Company was successful in growing the Internet lottery segment with revenue and other income increasing 16.8% to $34,488,000 (2015: $29,517,000) from a 19.8% increase in TTV to $154,861,000 (2015: $129,291,000). This was as a result of an increase in customer database size from higher jackpot activity this financial year compared to 2015. This, together with better management of operating costs has resulted in an increase of 129.7% in net profit before tax contribution to $9,715,000 (2015: $4,230,000).

Australia

Improvements to online marketing and player experience together with strong jackpot activity resulted in 16.5% growth in revenue and other income to $34,192,000 (2015: $29,345,000). Net profit before tax increased by 52.3% to $12,368,000 (2015: $8,120,000) due to the higher jackpot activity and cost containment which only increased by 2.9%.

TTV for the financial year increased by 19.3% to 152,459,000 (2015: $127,755,000),

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

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

2. Number of Active Online Customers defined as customers who have spent money on tickets in a given period.

3. Average spend per active online customer defined as the total spent by active online customers divided by the number of active online customers in a given period.

The following table summarizes the Marketing KPI's:.

www.ozlotteries.com and mobile apps	FY 2016	FY 2015
Number of new online accounts	206,858	197,670
CPL	$15.13	$16.35
Number of active online customers	375,988	333,475
Average spend per active online customer	$335.27	$315.59

Germany

Germany increased revenue and other income by 72.1% to $296,000 (2015: $172,000) from a 56.4% increase in TTV to $2,402,000 (2015: $1,536,000). Costs were reduced by 21.6% resulting in a 26.1% decrease in net loss before tax of $2,653,000 (2015: loss of $3,591,000). Efforts are focused on key areas of customer retention, costs to acquire customers, and margins towards achieving profitability.

Mexico

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

The net loss before tax for Mexico was $45,000 (2015: loss $299,000) and is included in the Australia segment.

b. All Other Segments

This segment consists of the sale of non-lottery products and services. TTV and Revenue and other income increased to $843,000 (2015: $708,000) and net profit before tax increased to $392,000 (2015: $229,000).

c. Summary of Results

The results for the Company are summarised below:

	2016	2015	2014 restated	2013 restated	2012 restated
Total Transaction Value	$155.7 million	$130.0 million	$107.0 million	$109.8 million	$100.8 million
EBITDA	$11,089,066	$4,724,155	$6,635,290	$7,361,077	$11,029,998
PROFIT - NPAT	$4,669,967	$663,261	$3,250,637	$3,458,027	$7,103,709

Five Year Asset Growth

	2016	2015	2014 restated	2013 restated	2012 restated
Cash at Bank[1]	$25.3 million	$23.8 million	$25.4 million	$24.5 million	$21.7 million
Net Assets	$24.7 million	$21.7 million	$22.1 million	$22.3 million	$19.5 million
NTA	$12.9 million	$11.6 million	$14.1 million	$15.6 million	$12.7 million

[1] includes cash held under term deposit and customer account balances payable (refer to Note 11: Cash and Cash Equivalents and Note 19: Trade and Other Payables for details)

Five Year Share Price Analysis

	2016	2015	2014 restated	2013 restated	2012 restated
PROFIT - NPAT	$4,669,967	$663,261	$3,250,637	$3,458,027	$7,103,709
EPS	10.6¢	1.5¢	7.4¢	7.9¢	16.7¢
Share Price	130.0¢	85.0¢	130.0¢	150.0¢	105.0¢
Shares on Issue	44.1 million	44.2 million	43.9 million	43.6 million	42.4 million
Market Cap	$57.3 million	$37.6 million	$57.1 million	$65.3 million	$44.5 million

Financial Position

The net assets of the Group have increased by $3,015,000 from 30 June 2015 to $24,696,000.

The Group's working capital, being current assets less current liabilities, has increased from $10,942,000 in 2015 to $12,719,000 in 2016 mainly as a result of increased cash and cash equivalents. Non-current assets increased by$1,318,000 to $12,296,000 due mainly to the investment in the new software code of www.ozlotteries.com and www.jumbolotto.de.

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 non-current assets of $1,318,000 as a result of:	$'000
Impairment of investments (see Note 15 for details)	(454)
Net investment in website development costs net of amortisation (see Note 19: Intangible Assets for details)	1,357
Changes in other non-current assets (see Notes 14, 18 and 22)	415
	1,318

Matters Subsequent to the End of the Financial Year

Apart from the dividend declared, as at the date of this director's report, the directors are not aware of any matter or circumstance that has arisen that has significantly affected, or may significantly affect, the operations of the Group in the financial years subsequent to 30 June 2016.

Likely Developments, Key Business Strategies and Future Prospects

The Company continues its efforts to grow its core domestic lottery market in Australia while respecting responsible gaming commitments and the needs of all industry stakeholders, including other lottery channels. The following lottery agreements are held with the Tatts Group:

- Victoria (five years which expired 30 June 2013 – extended on a 30 days' notice basis);
- New South Wales (five years which expired 4 December 2013 – extended on a 30 days' notice basis);
- South Australia (five years expiring 1 September 2017); and
- Northern Territory (five years expiring 27 September 2017)

The Company has a strong relationship with Tatts and continues to pursue renewal of the expired agreements for further five year periods. The domestic internet lottery market represents approximately 12% 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. Based on this, there is still good growth potential in the domestic market.

The Company started selling Charity lottery tickets in July 2015 and has increased the number of charities from 3 to 4 during the year. This initiative is expected to show good growth in FY2017.

Sales in the $10 billion German lottery market, selling the national lottery games in Germany to its residents commenced in December 2013 through the licence obtained during the year and subsequent agreements signed with the 16 Länder (States). There has been a rationalisation of the business with a focus on customer acquisition at lower cost, customer retention, increased margins and reduced operating costs for the FY2017.

The Company continues with its investment in the New York based associate company Lotto Points Plus Inc which was established in November 2012 to provide interactive lottery style games and reward points to US customers. In July 2016, the company raised approximately US$1,800,000 capital to grow the business.

Investment in the Company's core intellectual property will continue for FY2017 with continuing benefits expected in future years. These new products and technologies are designed to take advantage of the trend towards social media and interactive gaming which is expected to have the Company well placed in the lottery market.

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

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 40 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.

Other current directorships[1]
None.

Interest in shares and options[2]
None.

Special responsibilities
Chairman (Non-Executive); Chair of the Nomination and Remuneration Committee; and member of the Audit and Risk Management Committee.

Former directorships (in the last three years)[3]
Previous Director and Chairman of Planet Metals Limited (from 9 June 2009 to 4 September 2013) and previous Director and Chairman of Metallica Minerals Limited (from 11 March 2004 to 30 June 2015).

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.

Other current directorships[1]
None

Interest in shares and options[2]
9,101,027 ordinary shares and 900,000 options over ordinary shares in Jumbo Interactive Limited.

Special responsibilities
Chief Executive Officer

Former directorships (in the last three years)[3]
None

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 two 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 Governance Institute Australia and has been a presenter at GIA courses in company secretarial practice.

Other current directorships[1]
None

Interest in shares and options[2]
None

Special responsibilities
Chair of the Audit and Risk Management Committee; member of the Nomination and Remuneration Committee; and Company Secretary.

Former directorships (in the last three years)[3]
None

[1] current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

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

[3] directorships held in the last three years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Meetings of Directors

The number of meetings of the Board of Directors (including board committees) held during the year ended 30 June 2016 and the number of meetings attended by each Director is set out below:

	Board		Audit and Risk Management Committee		Nomination and Remuneration Committee	
Name	**Eligible to attend**	**Attended**	**Eligible to attend**	**Attended**	**Eligible to attend**	**Attended**
David Barwick	16	16	9	9	3	3
Mike Veverka	15	15	-	-	-	-
Bill Lyne	16	15	9	9	3	3

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
3 September 2013	3 September 2018	$4.00	1,400,000
6 November 2013	6 November 2018	$4.00	400,000
18 November 2015	18 November 2020	$1.75	1,600,000
14 January 2016	14 January 2021	$1.75	500,000
			3,900,000

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 or since the financial year ended 30 June 2016, there were no ordinary shares of Jumbo Interactive Limited that were issued on the exercise of options granted.

During or since the end of the financial year, 1,750,000 options were granted by Jumbo Interactive Limited to Directors and key management personnel, including the five most highly remunerated officers, of the Group as part of their remuneration.

Name	Position	Number of options granted	Number of ordinary shares under option
Mike Veverka	Director	500,000	500,000
Xavier Bergade	KMP	400,000	400,000
Brad Board	KMP	400,000	400,000
David Todd	KMP	400,000	400,000
Kate Waters	KMP	50,000	50,000
		1,750,000	1,750,000

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 (KMP), 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 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 9.50% 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.

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	$84,315
Non-Executive Directors	$60,225
Memberships of Audit and Risk Management Committee and Nomination and Remuneration Committee	No additional fees
Chairmanships of Audit and Risk Management Committee and 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 code: 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 KPIs 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 financial 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 lottery agreements both domestically and internationally. Payments of incentives for the 2016 financial year result were based on the Group's overall financial performance (with some KPIs being achieved).

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 following table shows the total transaction value and profit/(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 show

	2016	2015	2014	2013	2012
Total Transaction Value	$155.7 million	$130.0 million	$107.0 million	$109.8 million	$100.8 million
Net profit/(loss) – overall operations	$4,669,967	$663,261	$3,250,637	$3,458,027	$7,103,709
Net profit/(loss) – continuing operations	$4,669,967	$663,261	$3,250,637	$3,458,027	$6,836,700
Net profit/(loss) – discontinued operations	-	-	-	-	$267,009[1]
Share price at year end	130.0¢	85.0¢	130.0¢	150.0¢	105.0¢
Dividends paid per share	3.5¢	3.0¢	3.0¢	3.5¢	1.5¢
Total shareholder return	57.1%	(32.3%)	(11.3%)	46.2%	187.8%
Earnings per share	10.6¢	1.5¢	7.4¢	7.9¢	16.7¢
Return on capital employed – overall operations	18.9%	3.1%	14.7%	15.2%	36.5%
Return on capital employed – continuing operations	18.9%	3.1%	14.7%	15.2%	38.0%
Return on capital employed – discontinued operations	-	-	-	-	1.5%

[1] 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:

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 Technology Officer

Kate Waters
Head of HR & Lottery Operations - Australia (ceased employment 1 August 2016)

Brad Board
Chief Operating Officer

Details of Remuneration

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

2016	Short term employee benefits			Post employment benefits
	Cash salary, fees and annual leave $	Cash bonus $	Non-monetary benefits $	Superannuation $
Directors				
David Barwick	77,000	-	-	7,315
Mike Veverka	399,952	99,660	-	32,422
Bill Lyne	54,583	-	-	5,185
Bill Lyne – as Company Secretary	26,921	-	-	-
Other key management personnel				
David Todd	226,753	49,830	-	25,301
Xavier Bergade	241,463	49,830	-	25,301
Kate Waters[2]	163,041	-	-	15,675
Brad Board	224,185	54,780	-	27,628
Total key management personnel remuneration	1,413,898	254,100	-	138,826

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

[2]Kate Waters ceased being a member of KMP 1 August 2016.

2015	Short term employee benefits			Post employment benefits
	Cash salary, fees and annual leave $	Cash bonus $	Non-monetary benefits $	Superannuation $
Directors				
David Barwick	70,000	-	-	6,650
Mike Veverka	390,789	24,000	-	25,000
Bill Lyne	50,000	-	-	4,750
Bill Lyne – as Company Secretary	18,935	-	-	-
Other key management personnel				
David Todd	197,650	12,000	-	23,518
Xavier Bergade	215,342	12,000	-	20,140
Kate Waters	176,140	-	-	15,932
Brad Board	208,419	26,400	-	21,508
Total key management personnel remuneration	1,327,275	74,400	-	117,498

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

Long term benefits		Share based payments		
Long service leave $	Termination benefits $	Options[1] $	Total $	Proportion of remuneration that is performance based %
–	–	–	84,315	–
16,070	–	39,982	588,086	16.9
–	–	–	59,768	–
–	–	–	26,921	–
6,226	–	18,236	326,346	15.3
1,938	–	18,236	336,768	14.8
6,290	–	8,813	193,819	–
4,630	–	18,236	329,459	16.6
35,154	–	103,503	1,945,482	

Long term benefits		Share based payments		
Long service leave $	Termination benefits $	Options[1] $	Total $	Proportion of remuneration that is performance based %
–	–	–	76,650	–
5,980	–	36,117	481,886	5.0
–	–	–	54,750	–
–	–	–	18,935	–
3,321	–	14,594	251,083	4.8
(2,831)	–	14,594	259,245	4.6
6,290	–	8,340	206,702	–
3,322	–	14,594	274,243	9.6
16,082	–	88,239	1,623,494	

c. Cash bonuses

No cash bonuses were paid at the discretion of the Nomination and Remuneration Committee.

Key management personnel are entitled to a short-term cash incentive based on performance criteria described in section (a) to this Remuneration Report. These were paid out on 24 August 2016. Details of these short-term incentives recognised as remuneration, forfeited or available for vesting in later years is outlined below:

KMP	Included in remuneration $	Forfeited in year $	Available for vesting in future years now forfeited[1] $
David Barwick	n/a	n/a	n/a
Bill Lyne	n/a	n/a	n/a
Mike Veverka	99,660	164,340	30,000
David Todd	49,830	82,170	15,000
Xavier Bergade	49,830	82,170	9,000
Kate Waters	-	-	-
Brad Board	54,780	77,220	-

[1] bonuses totalling $54,000 that have been accrued and were included in the 2013 financial year compensation details have not yet been paid and had been expected to be paid in the 2016 financial year. The vesting conditions have still not been achieved and this does not seem likely in the foreseeable future and consequently these bonuses have now been forfeited in the period ending 30 June 2016.

d. 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.

2016	No. options granted	No. options vested	Fair value per option at grant date	Exercise price	Amount paid or payable	Expiry date	Date exercisable
Directors							
Mike Veverka	500,000	-	$0.058	$1.75	-	14 January 2021	14 January 2016
	500,000	-					
Other key management personnel							
David Todd	400,000	-	$0.059	$1.75	-	18 November 2020	18 November 2015
Xavier Bergade	400,000	-	$0.059	$1.75	-	18 November 2020	18 November 2015
Brad Board	400,000	-	$0.059	$1.75	-	18 November 2020	18 November 2015
Kate Waters	50,000	-	$0.059	$1.75	-	18 November 2020	18 November 2015
	1,250,000	-					

Options will vest in key management personnel when the share price equals the exercise price, as measured by the five trading day moving volume weighted average 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.

e. Equity instruments issued on exercise of remuneration options

No equity instruments were issued during the period to key management personnel as a result of options exercised that had previously been granted as compensation.

f. Options granted as part of remuneration that lapsed during the period

No options previously granted to key management personnel as part of remuneration lapsed during the period.

g. Value of options to key management personnel

Details of the value of options granted, exercised and lapsed during the year to key management personnel are summarised below:

Name	Value of options at grant date[1] $	Value of options exercised at exercise date[2] $
Directors		
Mike Veverka	28,988	n/a
Other key management personnel		
David Todd	23,724	n/a
Xavier Bergade	23,724	n/a
Kate Waters	2,966	n/a
Brad Board	23,724	n/a

[1]The value of options granted during the period differs to the expense recognised as part of the key management persons' remuneration in (b) above because this value is the grant date fair value calculated in accordance with AASB 2 Share-based Payment.

[2]Where applicable (options have been exercised), the value of options exercised at exercise date has been 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. Equity instruments held by key management personnel[1]

Options and rights holdings

Details of options and rights over ordinary shares of Jumbo Interactive Limited, held indirectly or beneficially by key management personnel[1] are as follows:

	Balance at 1 July 2015	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance at 30 June 2016	Vested at 30 June 2016	Total vested and exercisable at 30 June 2016	Total vested and unexercisable at 30 June 2016
Mike Veverka	400,000	500,000	-	-	900,000	-	-	-
David Todd	350,000	400,000	-	-	750,000	-	-	-
Xavier Bergade	350,000	400,000	-	-	750,000	-	-	-
Kate Waters	200,000	50,000	-	-	250,000	-	-	-
Brad Board	350,000	400,000	-	-	750,000	-	-	-
	1,650,000	1,750,000	-	-	3,400,000	-	-	-

On exercise, each option and right will result in the issue of one ordinary share in Jumbo Interactive Limited.

[1]Key management personnel include close family members and entities over which the key management person or their close family members have direct or indirect control, joint control or significant influence.

Shareholdings

Details of ordinary shares in Jumbo Interactive Limited held directly, indirectly or beneficially by key management personnel and their related parties are as follows[1]:

30 June 2016	Balance at 1 July 2015	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year[2]	Balance at 30 June 2016
Mike Veverka	9,101,027	-	-	-	9,101,027
David Todd	20,000	-	-	-	20,000
Xavier Bergade	150,000	-	-	-	150,000
Kate Waters	-	-	-	-	-
Brad Board	-	-	-	-	-
	9,271,027	-	-	-	9,271,027

[1] Key management personnel include close family members and entities over which the key management person or their close family members have direct or indirect control, joint control or significant influence.

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

i. Loans to key management persons

Aggregate loans to key management persons and their related parties are as follows:

	Balance at 1 July 2015 $	Loans advanced $	Interest charged $	Interest received $	Balance at 30 June 2016 $	Number in group at end of year
Total	-	100,000	2,353	(2,353)	100,000	1

On 7 March 2016, Jumbo Interactive Ltd made a loan to KMP Brad Board for an amount of $100,000. The loan bears interest at the Commonwealth Bank of Australia's Home Loan Standard Variable Rate, 5.60% p.a. as at the end of the reporting period, plus a margin of 2.00% p.a., payable monthly in arrears. The capital balance is repayable by 7 March 2018.

The loan outstanding at the end of the current year is unsecured (with insurance cover over the life of the borrower).

No write-downs have been made during the financial year against this loan and no allowances are considered necessary at the end of the reporting period.

j. Other transactions and balances

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Other related party transactions

	Consolidated Group	
	2016 $	2015 $
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 and Rosch Realty Pty Ltd are 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 provided services during the financial year and Rosch Realty Pty Ltd provided an agent service during the previous financial year.		
Office rent received	6,600	3,788
Services paid	14,097	22,773
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.		
Salary and superannuation	82,125	82,125

k. 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. These contracts do not fix the amount of remuneration increases from year to year. Remuneration levels are reviewed generally each year by the Nomination and Remuneration Committee to align with job responsibilities and market salary expectations. 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: Base salary for the year ending 30 June 2016 of $396,000, plus superannuation, plus incentive bonus potential of up to 66.66% of base subject to KPI achievement and Nomination and Remuneration Committee approval, to be reviewed annually by the Nomination and Remuneration Committee.
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: Base salary for the year ending 30 June 2016 of $220,000, plus superannuation, plus incentive bonus potential of up to 60% of base subject to KPI achievement and Nomination and Remuneration Committee approval, to be reviewed annually by the Nomination and Remuneration Committee.
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: Base salary for the year ending 30 June 2016 of $220,000, plus superannuation, plus incentive bonus potential of up to 60% of base subject to KPI achievement and Nomination and Remuneration Committee approval, to be reviewed annually by the Nomination and Remuneration Committee.
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: Base salary for the year ending 30 June 2016 of $165,000, plus superannuation, with no incentive bonus potential, to be reviewed annually by the Nomination and Remuneration Committee.
Termination payments: Payment on early termination by the Group, other than for gross misconduct, equal to six months base salary.

Brad Board

Contract term: Ongoing
Base salary: Base salary for the year ending 30 June 2016 of $220,000, plus superannuation, plus incentive bonus potential of up to 60% of base subject to KPI achievement and Nomination and Remuneration Committee approval, to be reviewed annually by the Nomination and Remuneration Committee.
Termination payments: Payment on early termination by the Group, other than for gross misconduct, equal to six months base salar.

End of audited 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 Audit Pty Ltd, or their related practices (hereafter also referred to as BDO):

	Consolidated	
	2016 $	**2015 $**
Taxation services		
Amounts paid or payable to a related practice of BDO		
Tax compliance services - tax returns	55,377	36,650
Transfer pricings	22,000	2,925
Other tax advice	3,690	-
Other services		
Amounts paid or payable to a related practice of BDO		
Accounting advice	2,535	2,700
Accounting services	20,000	5,000
Total fees for non-audit services	103,602	47,275

On the advice of the Audit and Risk Management 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 and Risk Management 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 and Risk Management 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 set out on page 42.

Rounding of Amounts

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

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

David K Barwick
Chairman

Brisbane
24 August 2016

Auditor's Independence Declaration

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

DECLARATION OF INDEPENDENCE BY TJ KENDALL TO THE DIRECTORS OF JUMBO INTERACTIVE LIMITED

As lead auditor for the audit of Jumbo Interactive Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

T J Kendall
Director

BDO Audit Pty Ltd
Brisbane, 24 August 2016

Corporate Governance Statement

Introduction

This statement summarises the corporate governance practices that have generally applied in Jumbo Interactive Limited (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 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 its board and management and how their performance is monitored and evaluated." Jumbo 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.

Jumbo ensures that appropriate checks are undertaken before it appoints a person, or puts forward to shareholders a new candidate for election, as a director. Information about a candidate standing for election or re-election as a director is provided to shareholders to enable them to make an informed decision on whether or not to elect or re-elect the candidate.

Jumbo 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. Directors are also encouraged to undertake appropriate training and refresher courses which the Company facilitates as this assists in the performance of their roles.

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 Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

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 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 developed the following objectives in 2012 regarding gender diversity and aims to achieve these objectives over the next five years to 2017 as director and senior positions become vacant and appropriately qualified candidates become available:

	2016		2017
Group	**No.**	**%**	
Women on the Board	-	-	To have at least 1 woman on the Board
Women in senior executive positions	1	20	Maintain at least the current number (one) of women
Women employees in the Group	48	37	Achieve the percentage of women in excess of 40%
Total employees in the Group	130	100	

Senior executive positions are defined as those reporting directly to the CEO (i.e. CEO -1).

A **Workplace Gender Equality Report 2015-16** has been lodged with the Workplace Gender Equality Agency and is accessible on the Company's website.

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.

Performance of the Board, its committees and individual directors is on an annual self-assessment and peer-assessment basis which is reviewed against appropriate measures and performance of the Company as a whole.

The Board, its committees, individual directors and its senior executives' performance evaluations have been carried out during the relevant reporting period in accordance with the abovementioned processes.

2. Structure the Board to add value

In its second Principle the Council states that companies should "have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively." Jumbo's Board is so structured, and its Directors effectively discharge their responsibilities and duties for the benefit of shareholders.

The Board presently comprises only two Non-Executive Directors (David Barwick, Chairman, appointed 30 August 2006 and Bill Lyne, also the Company Secretary, appointed 30 October 2009) and the Chief Executive Officer (Mike Veverka, appointed 8 September 1999). 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.

A matrix of skills and diversity that the Board currently has or is looking to achieve in its membership is as follows. The rating scale used for level of importance and recruitment priority is High (3), Medium (2) and Low (1).

	Level of Importance	**Current Board Representation**	**Recruitment Priority**
Skills and Experience			
Corporate governance	3	3	1
Strategic planning	3	3	1
International	2	2	2
Gaming/ lotteries industry	3	3	1
Risk management	3	3	1
Financial management	2	3	1
Technology/IT	2	2	2
Digital or social media	2	2	2
Leadership	3	3	1
Legal	2	2	1
Stakeholder relationships	2	3	1
Demographic background			
Gender			
Male	2	3	1
Female	2	0	2
Age			
25-40	1	0	1
41-55	2	1	2
56-70	3	2	1
Ethnicity			
Aboriginal or Torres Straits Islander	2	0	2
Asian	2	0	2
White/Caucasian	2	3	1

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. The Board considers that David Barwick, notwithstanding that he has now served in the position of director for 10 years, and Bill Lyne all meet this criterion. On the other hand, Mike Veverka is considered to not be independent because he is a substantial shareholder in Jumbo (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 Jumbo 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.

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 Jumbo. 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. Act ethically and responsibly

In Principle 3 the Council states that companies should "act ethically and responsibly". To this end, Jumbo has formally adopted a **Code of Conduct** covering its Directors, officers and employees. 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 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.

Jumbo also has a documented **Share Trading Policy** for Directors, key management personnel and other staff and consultants. 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 corporate reporting

The Council states that companies should "have formal and rigorous processes that independently verify and safeguard the integrity of their corporate reporting." Jumbo has an established Audit and Risk Management Committee which operates under an **Audit and Risk Management 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 declare to the Board in writing that, in their opinion, 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, are in accordance with relevant accounting standards, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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 and Risk Management 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 "make timely and balanced disclosure of material matters concerning the company that a reasonable person would expect to have a material effect on the price or value of its securities." Jumbo 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.

6. Respect the rights of shareholders

In Principle 6 the Council states that companies should "respect the rights of shareholders by providing them with appropriate information and facilities to allow them to exercise those rights effectively". 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 Jumbo 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 risk management framework and periodically review the effectiveness of that framework". Jumbo maintains documented policies for identifying, assessing and monitoring risk, summarised in a **Risk Management Policy**. Through the Audit and Risk Management

Committee, as noted under Principle 4 above, the Company monitors key business and financial risks, taking into consideration their likelihood and impact, and reviews and appraises risk control measures.

Periodic reviews, undertaken at least annually by the Committee, evaluate and continually look to improve the effectiveness of the Company's risk management and internal control processes to ensure that they are soundly based given the ever changing technology environment in which the Company operates. Such review was undertaken during the most recent reporting period.

The Company does not have a separate internal audit function due to its relatively small size and less complex financial and organisational structures. 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.

The Board considers that the Company does not have any material exposure to economic, environmental and social sustainability risks which require active management. However, as the Company operates in an environment where some sectors of the community are not necessarily in favour of lotteries, the Board is aware of the potential risks and responsibilities of ensuring that new players are properly identified, there are adequate safeguards against minors buying tickets and all personal details are maintained as required under privacy legislation. The Company also provides appropriate responsible gaming warnings on its websites to try and prevent compulsive gambling problems which can adversely affect individuals and their families.

8. Remunerate fairly and responsibly

The Council's final Principle states that companies should "pay director remuneration sufficient to attract and retain high quality directors and design executive remuneration to attract, retain and motivate high quality senior executives and align their interests with the creation of value for shareholders". To this end the Board has established 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 the past, shareholders have at times approved share option incentives for the non-executive Directors. The current non-executive Directors do not hold shares or options in the Company as they believe that this maintains their independence.

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 from time to time 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 Jumbo 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.

Approved by the Board – 24 August 2016

Jumbo Interactive Limited and its Controlled Subsidiaries

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2016

		Consolidated Group	
		2016	2015
	Note	$'000	$'000
Revenue	4	34,341	29,200
Cost of sales	5	(2,803)	(2,656)
Gross profit		31,538	26,544
Other revenue/income	4	1,239	1,205
Distribution expenses		(34)	(22)
Marketing costs		(5,269)	(7,676)
Occupancy expenses		(1,199)	(993)
Administrative expenses		(17,578)	(16,292)
Impairment of investment	15	(454)	-
Finance costs	5	(6)	(6)
Share of losses of associates/joint ventures accounted for using the equity method	15	(173)	(176)
Profit before income tax expense		8,064	2,584
Income tax expense	6	(3,394)	(1,921)
Profit after income tax expense for the year attributable to the owners of Jumbo Interactive Limited		4,670	663
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(102)	(126)
Gain/(loss) on the revaluation of available-for-sale financial assets, net of tax		-	(5)
Other comprehensive income for the year, net of tax		(102)	(131)
Total comprehensive income for the year attributable to the owners of Jumbo Interactive Limited		4,568	532

		¢	¢
Earnings Per Share (cents per share)			
Basic earnings per share (cents per share)	10	10.6	1.5
Diluted earnings per share (cents per share)	10	10.6	1.5

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

Jumbo Interactive Limited and its Controlled Subsidiaries

Consolidated Statement of Financial Position

As at 30 June 2016

	Note	Consolidated Group 2016 $'000	Consolidated Group 2015 $'000
Current assets			
Cash and cash equivalents	11	25,306	23,778
Trade and other receivables	12	568	494
Inventories	13	62	63
Total current assets		25,936	24,335
Non-current assets			
Receivables	14	100	-
Investments accounted for using the equity method	15	-	413
Available-for-sale financial assets	16	-	-
Property, plant and equipment	18	401	486
Intangible assets	19	10,719	9,362
Deferred tax assets	22	1,076	717
Total non-current assets		12,296	10,978
Total assets		38,232	35,313
Current liabilities			
Trade and other payables	20	12,239	11,739
Current tax liabilities	22	697	1,458
Provisions	23	281	196
Total current liabilities		13,217	13,393
Non-current liabilities			
Provisions	23	271	202
Deferred tax liabilities	22	48	37
Total non-current liabilities		319	239
Total liabilities		13,536	13,632
Net assets		24,696	21,681
Equity			
Contributed equity	24	29,827	29,970
Accumulated losses		(17,399)	(17,399)
Profits appropriation reserve		13,850	10,724
Other reserves		(1,582)	(1,614)
Total equity		24,696	21,681

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 2016

CONSOLIDATED GROUP	Contributed equity $'000	Accumulated losses $'000	Profits appropriation reserve $'000
Balance at 1 July 2014	29,760	(17,399)	11,383
Total comprehensive income for the year			
Profit/(loss) for the year	-	-	663
Other comprehensive income			
Foreign currency translation differences	-	-	-
Available-for-sale financial asset reserve	-	-	-
Total comprehensive income for the year	-	-	663
Transactions with owners in their capacity as owners			
Issue of shares	210	-	-
Dividends paid	-	-	(1,322)
Share-based payments	-	-	-
Total transactions with owners in their capacity as owners	210	-	(1,322)
Balance at 30 June 2015	29,970	(17,399)	10,724
Total comprehensive income for the year			
Profit/(loss) for the year	-	-	4,670
Other comprehensive income			
Foreign currency translation differences	-	-	-
Total comprehensive income for the year	-	-	4,670
Transactions with owners in their capacity as owners			
Share buyback	(143)	-	-
Dividends paid	-	-	(1,544)
Share-based payments	-	-	-
Total transactions with owners in their capacity as owners	(143)	-	(1,544)
Balance at 30 June 2016	29,827	(17,399)	13,850

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

Share-based payments reserve $'000	Foreign currency translation reserve $'000	Available-for-sale financial asset reserve $'000	Total equity $'000
641	37	(2,297)	22,125
–	–	–	663
–	(126)	–	(126)
–	–	(5)	(5)
–	(126)	(5)	532
–	–	–	210
–	–	–	(1,322)
136	–	–	136
136	–	–	(976)
777	(89)	(2,302)	21,681
–	–	–	4,670
–	(102)	–	(102)
–	(102)	–	4,568
–	–	–	(143)
–	–	–	(1,544)
134	–	–	134
134	–	–	(1,553)
911	(191)	(2,302)	24,696

Jumbo Interactive Limited and its Controlled Subsidiaries

Consolidated Statement of Cash Flows

For the year ended 30 June 2016

		Consolidated Group	
	Note	**2016 $'000**	**2015 $'000**
Cash flows from operating activities			
Receipts from customers		37,220	32,132
Payments to suppliers and employees		(24,976)	(25,814)
Interest received		611	735
Interest and other costs of finance paid		(6)	(6)
Income tax paid		(4,502)	(2,304)
Net cash inflows/(outflows) from operating activities	27 (a)	8,347	4,743
Cash flows from investing activities			
Payments for investments		(84)	(5)
Loan to joint venture		-	(368)
Loan to related party		(100)	-
Payments for property, plant and equipment		(164)	(367)
Payments for intangibles		(4,791)	(4,475)
Proceeds from sale of property, plant and equipment		8	2
Net cash inflows/(outflows) from investing activities		(5,131)	(5,213)
Cash flows from financing activities			
Proceeds from issue of shares	24	-	210
Payments for share buybacks	24	(143)	-
Dividends paid		(1,544)	(1,322)
Net cash inflows/(outflows) from financing activities		(1,687)	(1,112)
Net increase in cash and cash equivalents		1,529	(1,582)
Net foreign exchange differences		(1)	(6)
Cash and cash equivalents at beginning of year		23,778	25,366
Cash and cash equivalents at end of year	11	25,306	23,778

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

Jumbo Interactive Limited and its Controlled Subsidiaries

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

Note 1: Corporate Information

The financial statements of Jumbo Interactive Limited (the 'Company') for the year ended 30 June 2016 were authorised in accordance with a resolution of the Directors on 24 August 2016 and cover the consolidated entity consisting of Jumbo Interactive Limited and its subsidiaries (the 'Group') as required by the *Corporations Act 2001*. Jumbo Interactive Limited is a for-profit entity for the purposes of preparing these financial statements.

The separate financial statements of the parent entity, Jumbo Interactive Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial statements are presented in the Australian currency (A$).

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's registered office and principal place of business is at Level 1, 601 Coronation Drive, Toowong, QLD, 4160, Australia.

Note 2: Summary of Significant Accounting Policies

a. Basis of Preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial statements have also been prepared on a historical cost basis, except for available-for-sale financial assets and held-for-trading investments that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged are adjusted to record changes in the fair value attributable to the risks that are being hedged. Non-current assets and disposal groups held-for-sale are measured at the lower of carrying amounts and fair value less costs to sell.

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

b. Basis of Consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of Jumbo Interactive Limited and its subsidiaries at 30 June each year ('the Group'). Subsidiaries are entities over which the Group has control. The Group has control over an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to use its power to affect those returns. Subsidiaries are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date on which control ceases.

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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income and statement of financial position respectively. Total comprehensive income is attributable to owners of Jumbo Interactive Limited and non-controlling interests even if this results in the non-controlling interests having a debit balance.

Associates

Associates are entities over which the Group has significant influence but not control or joint control. Associates are accounted for in the parent entity financial statements at cost and the consolidated financial statements using the equity method of accounting. Under the equity method of accounting, the Group's share of post-acquisition profits or losses of associates is recognised in consolidated profit or loss and the Group's share of post-acquisition other comprehensive income of associates is recognised in consolidated other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received from associates are recognised in the parent entity's profit or loss, while they reduce the carrying amount of the investment in the consolidated financial statements.

When the Group's share of post-acquisition losses in an associate exceeds its interest in the associate (including any long-term interests that form part of the Group's net investment in the associates), the Group does not recognise further losses unless it has obligations to, or has made payments, on behalf of the associate.

The financial statements of the associates are used to apply the equity method. The end of the reporting period of the associates and the parent are identical and both use consistent accounting policies.

Details of associates are set out in Note 15

Changes in ownership interest

Transactions with non-controlling interests that increase or decrease the group's ownership interest in a subsidiary, but which do not result in a change of control, are accounted for as transactions with equity owners of the group. An adjustment is made between the carrying amount of the group's controlling interest and the carrying amount of the non-controlling interests to reflect their relative values in the subsidiary. Any difference between the amount of the adjustment to the non-controlling interest and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Jumbo Interactive Limited.

Where the group loses control of a subsidiary but retains significant influence, joint control, or an available-for-sale investment, the retained interest is remeasured to fair value at the date that control is lost and the difference between fair value and the carrying amount is recognised in profit or loss. This fair value is the initial carrying amount for the retained investment in associate, joint venture or available-for-sale financial asset. If no ownership interest is retained, or if any remaining investment is classified as available-for-sale, any amounts previously recognised in other comprehensive income in respect of the entity are accounted for as if the group had directly disposed of the related assets or liabilities and may be recognised in profit or loss. To the extent that the group retains significant influence or joint control, balances of other comprehensive income relating to the associate or joint venture entity will only be reclassified from other comprehensive income to profit or loss to the extent of the reduced ownership interest so that the balance of other comprehensive represents the group's proportionate share of other comprehensive income of the associate/joint venture.

If the group's ownership interest in an associate or a joint venture is reduced, but the group retains significant influence or control, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss, where appropriate.

c. Business Combinations

The acquisition method of accounting is used to account for all business combinations. Consideration is measured at the fair value of the assets transferred, liabilities incurred and equity interests issued by the group on acquisition date. Consideration also includes the acquisition date fair values of any contingent consideration arrangements, any pre-existing equity interests in the acquiree and share-based payment awards of the acquiree that are required to be replaced in a business combination. The acquisition date is the date on which the group obtains control of the acquiree. Where equity instruments are issued as part of the consideration, the value of the equity instruments is their published market price at the acquisition date unless, in rare circumstances it can be demonstrated that the published price at acquisition date is not fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are, with limited exceptions, initially measured at their fair values at acquisition date. Goodwill represents the excess of the consideration transferred and the amount of the non-controlling interest in the acquiree over fair value of the identifiable net assets acquired. If the consideration and non-controlling interest of the acquiree is less than the fair value of the net identifiable assets acquired, the difference is recognised in profit or loss as a bargain purchase price, but only after a reassessment of the identification and measurement of the net assets acquired.

For each business combination, the group measures non-controlling interests at either fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed when incurred. Transaction costs arising on the issue of equity instruments are recognised directly in equity and transaction costs arising on the issue of debt as part of the consideration are accounted for in accordance with note 2(r).

Where the group obtains control of a subsidiary that was previously accounted for as an equity accounted investment in associate or joint venture, the group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss. Where the group obtains control of a subsidiary that was previously accounted for as an available-for-sale investment, any balance on the available-for-sale reserve related to that investment is recognised in profit or loss as if the group had disposed directly of the previously held interest.

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.

Contingent consideration is classified as equity or financial liabilities. Amounts classified as financial liabilities are subsequently remeasured to fair value at the end of each reporting period, with changes in fair value recognised in profit or loss.

Assets and liabilities from business combinations involving entities or businesses under common control are accounted for at the carrying amounts recognised in the group's controlling shareholder's consolidated financial statements.

d. Foreign Currency Translation

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

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.

Foreign exchange gains and losses are presented in profit and loss on a net basis within other income or other expenses, unless they relate to borrowings, in which case they are presented as a part of finance costs.

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

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.

e. 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.

Revenue from the sale of lottery tickets and related services are recognised on a net inflow basis.

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 is recognised when the service is provided.

Interest

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

Dividends

Dividends are recognised as revenue when the Group's right to receive payment is established. Dividends received in the entity's separate financial statements that are paid out of pre-acquisition profits of a subsidiary, associate or joint venture are recognised as revenue when the entity's right to receive payment is established.

f. 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 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.

g. 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.

h. 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.

i. 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. Collectability 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.

j. 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.

k. 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.

Available-for-sale financial assets

Available-for-sale financial assets comprise investments in listed and unlisted entities and any non-derivatives that are not classified as any other category of financial assets, and are classified as non-current assets (unless management intends to dispose of the investment within 12 months of the end of the reporting period). After initial recognition, these investments are measured at fair value with gains or losses recognised in other comprehensive income (available-for-sale investments reserve). Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment) the full amount including any amount previously charged to other comprehensive income is recognised in profit or loss. Purchases and sales of available-for-sale financial assets are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in other comprehensive income. On sale, the amount held in available-for-sale reserves associated with that asset is recognised in profit or loss as a reclassification adjustment. Interest on corporate bonds classified as available-for-sale is calculated using the effective interest rate method and is recognised in finance income in profit or loss.

Investments in subsidiaries, associates and joint venture entities are accounted for in the consolidated financial statements as described in note 2(b).

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.

l. Fair Values

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is based on the presumption that the transaction takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market. The principal or most advantageous market must be accessible to, or by, the group.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.

In measuring fair value, the group uses valuation techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

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.

m. 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 six 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.

n. 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.

o. 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 19(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 up to 30 June 2015 and five years from 1 July 2015.

Domain Names

Acquired domain names are stated at cost and are considered to have indefinite useful lives and are not amortised (refer Note 19(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.

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.

p. 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.

q. 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.

r. 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 0% (2015: 0%), as the Group had no borrowing costs to be capitalised during the financial year (2015: $nil).

s. 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.

t. 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 other liabilities 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 not expected to be settled wholly within 12 months after the end of the reporting period. They 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 corporate 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.

Termination Benefits

The Group recognises termination benefits as an expense and a liability on the earlier of when the Group:

- Can no longer withdraw the offer and the benefits; and
- Recognises costs for restructuring under AASB 137 Provisions, Contingent Liabilities and Contingent Assets and which involves the payment of termination benefits.

Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

u. 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.

v. 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.

w. 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.

x.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.

y. 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.

z. 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.

aa. Revision of Accounting Estimates

Intangible Assets – website development costs.
Website 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. This useful life was previously recognised by the Group over three years in accordance with AASB 138: Intangible Assets (refer Note 1(o)). The Group has now estimated a useful life of five years with effect from 1 July 2015. This change in estimate has been implemented as (i) management is of the opinion that the longer useful life is more relevant now, (ii) results in a more accurate carrying amount of intangible assets (website development costs) at the end of each reporting period, and (iii) is in line with the Draft Taxation Ruling TR2016/D1 of 6 April 2016.

The tables below provide a summary of the aggregate effect of the change in accounting estimate on the annual statements for the reporting period ending 30 June 2016. There is no effect on the comparative period ending 30 June 2015 or prior.

Consolidated Group

Effect of change in estimate on statement of financial position

	As at 30 June 2016		
	Under previous Accounting Estimate (useful life three years) $'000	**Effect of Change in Accounting Estimate (useful life five years) $'000**	**As presented $'000**
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10,384	335	10,719
TOTAL NON-CURRENT ASSETS	11,961	335	12,296
TOTAL ASSETS	37,897	335	38,232
LIABILITIES			
CURRENT LIABILITIES			
Current tax liability	597	100	697
TOTAL LIABILITIES	13,436	100	13,536
NET ASSETS	24,461	235	24,696
EQUITY			
Profits appropriation reserve	13,615	235	13,850
TOTAL EQUITY	24,461	235	24,696

Consolidated Group

Effect of change in estimate on profit or loss and other comprehensive income

	As at 30 June 2016		
	Under previous Accounting Estimate (useful life three years) $'000	**Effect of Change in Accounting Estimate (useful life five years) $'000**	**As presented $'000**
EXPENSES			
Administrative expenses	(17,243)	335	(17,578)
Profit before income tax	7,729	335	8,064
Income tax expense	(3,294)	(100)	(3,394)
Profit after income tax expense	4,435	235	4,670
Total comprehensive for the year attributable to the owners of Jumbo Interactive Ltd	4,333	235	4,568

ab. New, revised or amended Accounting Standards and Interpretations adopted

The only amendment to Australian Accounting Standards that is mandatory for the first time for the financial year beginning 1 July 2015 is AASB 2015-4 *Amendments to Australian Accounting Standards - Financial Reporting Requirements for Australian Groups with a Foreign Parent*. In line with the exemption in AASB 10 *Consolidated Financial Statements* for Australian intermediate parent entities to be able to use the consolidation exemption if the ultimate Australian parent entity prepares consolidated financial statements that comply with IFRS, this amendment, which is merely an Australian 'housekeeping' matter, similarly requires that the ultimate Australian parent entity will need to apply the equity method in order to obtain the exemption for intermediate parent entity equity accounting at a lower level in the group. There is no impact on amounts recognised in the current period or any prior period financial statements because Jumbo Interactive. Limited has always equity accounted all investments in associates.

Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date.

ac. New Accounting Standards and Interpretations not yet adopted

Relevant accounting standards and interpretations that have recently been issued or amended but are not yet effective and have not been adopted for the annual reporting period ended 30 June 2016, are as follows:

i. AASB 15 Revenue from Contracts with Customers
This standard and its consequential amendments are currently applicable to annual reporting periods beginning on or after 1 January 2018. This standard requires recognised revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under AASB 18 Revenue. The adoption of this standard is not expected to materially affect future periods.

ii. AASB16 Leases
This standard and its consequential amendments are currently applicable to annual reporting periods beginning on or after 1 January 2019. When effective, this standard will replace the current accounting requirements applicable to leases in AASB117 Leases and related interpretations.

AASB16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. This means that for all leases, a right-to-use asset and a liability will be recognised, with the right-to-use asset being depreciated and the liability being unwound in principal and interest components over the life of the lease.

Although the directors anticipate that the adoption of AASB16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

ad. Critical Accounting Estimates and Judgments

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates judgments and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal actual results. The judgements, estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Associates
As discussed in Note 2(b), associates are accounted for using the equity method. With specific reference to Lotto Points Plus LLC, a key judgement by management is the uncertainty of future profits of Lotto Points Plus.

Available-for-sale financial assets
Available-for-sale financial assets are accounted for as detailed in Note 2(k). With specific reference to the group's interest in Sorteo Games Inc, a key management judgement is the uncertainty of future economic benefits of Sorteo.

Goodwill and other intangible assets
The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other intangible assets have suffered any impairment in accordance with the accounting policy stated in Note 2(o). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. 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. With specific reference to the internet lottery segment CGU, a key judgement by management is that the reseller agreements with the Tatts Group will continue. Refer to Note 19(c) for details.

No impairment has been recognised in respect of goodwill, domain names and intellectual property at the end of the reporting period.

Note 3: Segment Reporting

Segment information is presented using a 'management approach', i.e. segment information is provided on the same basis as information used for internal reporting purposes by the chief operating decision maker (the Board). Comparatives for 2015 are stated on this basis.

Accounting policies

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

Segment information

a. Description of segments

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

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

The Internet Lotteries segment consists of the retail of lottery tickets sold both in Australia and eligible international jurisdictions, and internet database management/marketing. The Board monitors the performance of the regions on a separate basis. Accordingly, there are two operating segments: Internet Lotteries Australia and Internet Lotteries Germany. The Internet Lotteries Mexico segment ceased being a reportable segment during the reporting period and a net loss before tax in this segment of $45,000 for the year ended 30 June 2016 has been included in the Internet Lotteries Australia 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 online sale of a payroll software product. Comparative figures for 2015 are stated on this basis.

b. Segment information provided to the Board

2016

The segment information provided to the Board for the operative segments for the year ended 30 June 2016 is as follows:

	Internet Lotteries Australia $'000	Internet Lotteries Germany $'000	Internet Lotteries Mexico $'000	Total Internet Lotteries $'000
Total segment sales revenue	33,239	258	-	33,545
Intersegment revenue	-	-	-	-
Total sales revenue from external customers	33,239	258	-	33,497
Other revenue/income from external customers	953	38	-	991
Total revenue and other income from external customers	34,192	296	-	34,488
NPBT	12,368	(2,653)	-	9,715
Interest revenue	496	-	-	496
Depreciation and amortisation	3,493	24	-	3,517
Foreign exchange (gain)/loss	(243)	-	-	(243)

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

2015

The segment information provided to the Board for the operative segments for the year ended 30 June 2015 is as follows:

	Internet Lotteries Australia $'000	Internet Lotteries Germany $'000	Internet Lotteries Mexico $'000	Total Internet Lotteries $'000
Total segment sales revenue	28,388	123	318	28,829
Intersegment revenue	(20)	-	(318)	(338)
Total sales revenue from external customers	28,368	123	-	28,491
Other revenue/income from external customers	977	49	-	1,026
Total revenue and other income from external customers	29,345	172	`	29,517
NPBT	8,120	(3,591)	(299)	4,230
Interest revenue	599	-	-	599
Depreciation and amortisation	2,623	21	1	2,645
Foreign exchange (gain)/loss	(138)	-	-	(138)

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

c. Other segment information

i. Segment revenue

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

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

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

	Consolidated Group	
	2016 $'000	**2015 $'000**
Total Internet Lotteries segment revenue and other income	34,488	29,517
Other Segments revenue and other income	843	708
All other interest revenue	147	162
Other	102	18
Total revenue and other income from continuing operations (note 4)	**35,580**	**30,405**

Geographical information

The entity is domiciled in Australia. The amount of its revenue from external customers in Australia is $31,035,000 (2015: $27,268,000), and the total revenue from external customers in other countries is $4,541,000 (2015: $3,136,000). Revenues of $1,910,000 (2015: $1,290,000) are from external customers in Fiji. Segment revenues are allocated based on the country in which the customer is located.

Non-current assets in Australia are $11,120,000 (2015: $9,761,000). Non-current assets in other countries are (i) Germany $29,000 (2015: $43,000), (ii) Mexico $nil (2015: $2,000) and Fiji $36,000 (2015: $43,000).

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post-employment benefits assets, and rights under insurance contracts.

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

i. NPBT

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

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

	Consolidated Group	
	2016 $'000	**2015 $'000**
NPBT	9,715	4,230
Inter-segment eliminations	-	18
All other segments	392	229
Other	103	-
Interest revenue	147	162
Corporate expenses		
Finance costs expense	(6)	(6)
Share based payments expense	(134)	(136)
Directors' remuneration	(144)	(131)
Salaries and wages	(892)	(705)
Impairment of investment	(454)	-
Share of gains/(losses) in associate companies/joint ventures	(173)	(176)
Other	(490)	(901)
Profit before income tax from continuing operations (per P&L)	**8,064**	**2,584**

Note 4: Revenue and other Income

	Consolidated Group	
	2016 $'000	**2015 $'000**
Sales revenue		
Revenue from sale of goods	2,575	2,232
Revenue from rendering services	31,766	26,968
	34,341	29,200
Other revenue/income		
Interest		
Cash	644	762
Other income		
Foreign exchange gains	267	225
Other	328	218
	1,239	1,205
	35,580	**30,405**

Note 5: Expenses

Profit/ (loss) before income tax includes the following specific expenses:	Consolidated Group 2016 $'000	Consolidated Group 2015 $'000
Cost of sales		
Sale of goods	1,201	1,068
Rendering of services	1,602	1,588
Total Cost of Sales	2,803	2,656
Finance costs		
Fees arising from financial liabilities not at fair value through profit and loss	6	6
Total finance costs	6	6
Depreciation of non-current assets1		
Plant and equipment	167	158
Amortisation of non-current assets1		
Leasehold improvements	66	39
Intangibles	3,435	2,705
Total Amortisation	3,501	2,744
Total depreciation and amortisation	3,668	2,902
Impairment		
Investments	454	-
Other expenses		
Operating lease rentals – minimum lease payments	1,199	993
Employee benefits expense[1]	6,941	6,756
Defined contribution superannuation expense[1]	898	815

[1]included in administration expenses

Note 6: Income Tax Expense

	Note	Consolidated Group 2016 $'000	Consolidated Group 2015 $'000
a. The components of tax expense comprise:			
Current tax		3,771	2,170
Deferred tax arising from origination and reversal of temporary differences	22	(348)	(285)
Under/over provision deferred tax prior years		(8)	-
Under/over provision tax prior years		(32)	23
Current tax overseas operations		11	12
Total income tax expense/(benefit) in profit and loss		3,394	1,920
b. Reconciliation:			
Profit before income tax expense		8,064	2,584
Tax at the Australian tax rate of 30% (2015: 30%)		2,419	775
Income tax effect of overseas tax rates		818	1,087
Share options expensed during year		40	41
Other		149	(30)
Under/over provision for income tax in prior year		(32)	47
Total income tax expense/(benefit) in profit and loss		3,394	1,920

Note 7: Key Management Personnel (KMP)

Key management personnel compensation

	Consolidated Group	
	2016 $	2015 $
Short term employee benefits	1,667,998	1,401,675
Post employment benefits	138,826	117,498
Other long term benefits	35,154	16,082
Share based payments	103,503	88,239
	1,945,482	1,623,494

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

Note 8: Auditor's Remuneration

	Consolidated Group	
	2016 $	2015 $
Audit services		
Amounts paid/payable to BDO for audit or review of the financial statements for the entity or any entity in the Group	96,946	124,070
	96,946	124,070
Taxation services		
Amounts paid/payable to BDO for taxation services for the entity or any entity in the Group:		
review of income tax return	55,377	36,650
transfer pricing consulting	22,000	2,925
other taxation advice	3,690	-
	81,067	39,575
Other services		
Amounts paid/payable to BDO for other services for the entity or any entity in the Group:		
accounting advice	2,535	2,700
export grant services	20,000	5,000
	22,535	7,700
Total	200,548	171,345

Note 9: Dividends

a. Ordinary dividends

	Consolidated Group	
	2016 $'000	2015 $'000
Final fully franked ordinary dividend of 1.5 (2014: 1.5) cent per share franked at the tax rate of 30% (2014: 30%)	663	659
Interim fully franked ordinary dividend of 2.0 (2015: 1.5) cent per share franked at the tax rate of 30% (2015: 30%)	881	663
Total dividends paid or provided for	1,544	1,322
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2016 and 30 June 2015 were as follows:		
Paid in cash	1,544	1,322
Satisfied by issue of shares	-	-
	1,544	1,322

b. Dividends not recognised at the end of the reporting period

	Consolidated Group	
	2016 $'000	2015 $'000
In addition to the above dividends, since year end the Directors have recommended the payment of a final 2016 fully franked ordinary dividend of 5.0 (2015: 1.5) cent per share franked at the rate of 30% (2015: 30%). The aggregate amount of the proposed dividend expected to be paid on 23 September 2016, but not recognised as a liability at year end, is:	2,203	663

c. Franked dividends

	Consolidated Group	
	2016 $'000	2015 $'000
The franked portions of dividends recommended after 30 June 2016 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 2016.		
Franking credits available for subsequent financial years based on a tax rate of 30% (2015: 30%):	9,981	6,152

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 $944,000 (2015: $284,000).

Note 10: Earnings per Share

Reconciliation of earnings used in calculating earnings per share

	Consolidated Group	
	2016 $'000	**2015 $'000**
Basic earnings/(loss) per share		
Profit after tax from continuing operations attributable to owners of Jumbo Interactive Limited used to calculate basic earnings per share	4,670	663
Profit/(loss) attributable to owners of Jumbo Interactive Limited used to calculate basic earnings per share	4,670	663
	Number	**Number**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	44,119,040	44,083,055
Diluted earnings/(loss) per share	**$'000**	**$'000**
Profit after tax from continuing operations attributable to owners of Jumbo Interactive Limited used to calculate diluted earnings per share	4,670	663
Profit/(loss) attributable to owners of Jumbo Interactive Limited used to calculate diluted earnings per share	4,670	663
	Number	**Number**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	44,119,040	44,083,055
Adjustments for calculation of diluted earnings per share: — options	-	-
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	44,119,040	44,083,055

4,400,000 options were not included in the number of weighted average number of ordinary shares used to calculate diluted earnings per share because they are currently out-of-the-money.

Note 11: Cash and Cash Equivalents

		Consolidated Group	
	Note	**2016 $'000**	**2015 $'000**
Total cash and cash equivalents		25,306	23,778
General account balances			
Cash at bank and in hand		5,157	5,894
Short term bank deposits		13,094	10,770
		18,251	16,664
Customer Funds			
Cash at bank and in hand		855	1,514
Short term bank deposits		6,200	5,600
Online lottery customer account balances	20	7,055	7,114

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

Note 12: Trade and Other Receivables

	Consolidated Group	
	2016 $'000	2015 $'000
Current		
Trade receivables	121	103
Allowance for doubtful debts	-	-
	121	103
Other receivables	271	223
Prepayments	176	168
	568	494

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.

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 21(a).

b. Age analysis of trade receivables

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

	2016			2015		
Consolidated Group	Total $'000	Amount Impaired $'000	Amount not impaired $'000	Total $'000	Amount Impaired $'000	Amount not impaired $'000
Not past due	45	-	45	96	-	96
Past due 30 days	-	-	-	-	-	-
Past due 60 days	-	-	-	-	-	-
Past due 90 days	6	-	6	7	-	7
Past due 90 days+	70	-	70	-	-	-
Total	121	-	121	103	-	103

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 2016 the Group had current trade receivables of $0 (2015: $0) that were impaired.

Note 13: Inventories

	Consolidated Group	
	2016 $'000	2015 $'000
Current		
Finished goods at cost	62	63

Note 14: Receivables – Non-Current

	Consolidated Group	
	2016 $'000	2015 $'000
Loan to key management personnel	100	-

On 7 March 2016, Jumbo Interactive Ltd made a loan to KMP Brad Board for an amount of $100,000. The loan bears interest at the Commonwealth Bank of Australia's Home Loan Standard Variable Rate, 5.60% p.a. as at the end of the reporting period, plus a margin of 2.00% p.a., payable monthly in arrears. The capital balance is repayable by 7 March 2018.

The loan outstanding at the end of the current year is unsecured (with insurance cover over the life of the borrower).

Fair values

The fair value and carrying amounts of non-current receivables for the group are as follows:

	Consolidated Group			
	2016		2015	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Loan to key management personnel	100	86	-	-

The fair values are based on cash flows discounted using a lending rate of 7.60% (2015: n/a) for loans to key management personnel.

No non-current receivables are past due at the end of the reporting period.

Note 15: Investments Accounted for Using the Equity Method

The Company has a 34.8% interest in the associate company entity Lotto Points Plus Inc, incorporated in the USA, which is involved in the provision of retailer-based lottery merchandising and affinity programs combined with internet lottery solutions in the USA.

During the reporting period, Lotto Points Plus Inc raised US$225,000 capital through the issue of additional shares, other shares were issued to management in lieu of salary payments, and capital restructured. The Company contributed capital of US$50,000 as a part of the capital raised. With ownership of 34.8% and voting power of 46.4%, the Company does not have control of Lotto Points Plus Inc because it is not able to govern the activities of this entity so as to obtain benefits from it, and the classification of the Company's investment in Lotto Points Plus Inc therefore remains that of an associate company.

The interests in associate entities are accounted for in the consolidated financial statements using the equity method of accounting.

Lotto Points Plus Inc. has a reporting date of 31 December, being the default financial period end date in the United States of America.

Interest in Associate – Lotto Points Plus Inc., USA	Place of business/ Country of incorporation	2016 %	2015 %	Consolidated Group 2016 $'000	Consolidated Group 2015 $'000
Unlisted shares at cost					
Lotto Points Plus Inc	New York, USA	34.8	41.2	-	-
Series A Preferred Stock at cost repayable by 10 February 2020				486	486
Foreign exchange increment				11	-
Accrued dividend not yet declared				78	-
				575	486
Promissory Note at cost repayable on 13 August 2016				427	427
Foreign exchange increment				12	-
Accrued interest at 7.00% p.a.				33	-
				472	427
Series D Preferred Stock				66	-
Bridging loan				13	-
Total investment in associate company				1,126	913
Share of associate's revenues and expenses and results					
Share of losses brought forward				(500)	(257)
Revenues				-	163
Expenses				(225)	(373)
Profit/(loss) after income tax				(225)	(210)
Accumulated share of associate company profit/(losses)				(725)	(467)
Gain on dilution of shareholding recognised through profit and loss				51	34
Adjusted accumulated share of associate company profit/(losses)				(674)	(433)
FX translation increment				18	(67)
Accumulated share of associate company profit/(losses)				(656)	(500)
Impairment of investment				(454)	-
FX translation increment				(16)	-
Net investment in associate company				-	413

Unrecognised share of losses

The unrecognised share of losses for the reporting period is $10,000 and cumulatively $10,000.

Note 16: Available-For-Sale Financial Assets (Non-Current)

	Consolidated Group	
	2016 $'000	2015 $'000
Unlisted securities		
Equity investments	-	-
Unlisted securities		
Unlisted securities comprise an investment in Sorteo Games Inc., USA. The Company owns 7% of the issued share capital of Sorteo Games Inc. The Company does not control Sorteo Games Inc because it is not able to govern the activities of this entity so as to obtain benefits from it. Shares in Sorteo Games Inc are carried at fair value of $nil (2015: $nil).		
Reconciliation:		
Opening value at cost	-	-
Additional cost	-	6
Gain/(loss) on revaluation, net of tax	-	(6)
	-	-

Fair value

Refer to Note 31 for more information about fair value of available-for-sale financial assets.

Note 17: 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 2(b).

		Percentage Ownership	
Direct subsidiaries of the ultimate parent entity Jumbo Interactive Limited:	**Country of Incorporation**	**2016 %**	**2015 %**
Benon Technologies Pty Ltd	Australia	100	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[1]	Australia	-	-
Jumbo Lotteries Pty Ltd	Australia	100	100
Jumbo Interactive Asia Pty Ltd	Australia	100	100
Cook Islands Tattslotto Pty Ltd	Cook Islands	1	1
Jumbo Interactivo de Mexico SA de CV	Mexico	100	100
Jumbo Interactive GmbH	Germany	100	100

[1] the company was deregistered on 1 February 2015

		Percentage Ownership	
Subsidiaries of TMS Global Services Pty Ltd:	**Country of Incorporation**	**2016 %**	**2015 %**
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.	United States of America	100	100

Note 18: Property, Plant and Equipment

	Consolidated Group	
Plant and equipment	**2016 $'000**	**2015 $'000**
At cost	1,424	1,321
Accumulated depreciation	(1,103)	(981)
	321	340
Leasehold improvements - at cost	481	481
Accumulated amortisation	(401)	(335)
	80	146
Total property, plant and equipment	401	486

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

a. Movements in Carrying Amounts

Consolidated Group	**Plant and Equipment $'000**	**Leasehold Improvements $'000**	**Total $'000**
Year ended 30 June 2015			
Balance at the beginning of year	304	14	318
Additions	196	171	367
Disposals	(2)	-	(2)
Depreciation/amortisation expense	(158)	(39)	(197)
Carrying amount at the end of year	340	146	486
Year ended 30 June 2016			
Balance at the beginning of year	340	146	486
Additions	164	-	164
Disposals	(20)	-	(20)
Depreciation/amortisation expense	(167)	(66)	(233)
Effects of movements in foreign exchange	4	-	4
Carrying amount at the end of year	321	80	401

Note 19: Intangible Assets

	Consolidated Group 2016 $'000	2015 $'000
Goodwill	3,687	3,687
Accumulated impaired losses	(855)	(855)
Net carrying value	2,832	2,832
Intellectual property	53	53
Accumulated impairment losses	(23)	(23)
Net carrying value	30	30
Website development costs	18,635	13,840
Accumulated amortisation	(11,684)	(8,236)
Net carrying value	6,951	5,604
Customer acquisition costs	4,447	4,447
Accumulated amortisation (and impairment)	(4,447)	(4,447)
Net carrying value	-	-
Software costs	142	142
Accumulated amortisation	(138)	(136)
Net carrying value	4	6
Domain names - cost	902	890
Net carrying value	902	890
Other	39	39
Accumulated amortisation	(39)	(39)
Net carrying value	-	-
Total intangibles	10,719	9,362

a. Movements in Carrying Amounts

Consolidated Group:	Goodwill $'000	Intellectual property $'000	Website development costs $'000	Customer acquisition costs $'000	Software $'000	Domain names $'000	Other $'000	Total $'000
Year ended 30 June 2015								
Balance at the beginning of year	2,832	30	3,833	-	8	890	-	7,593
Additions internally developed	-	-	4,474	-	-	-	-	4,474
Amortisation charge	-	-	(2,703)	-	(2)	-	-	(2,705)
Closing value at 30 June 2015	2,832	30	5,604	-	6	890	-	9,362
Year ended 30 June 2016								
Balance at the beginning of year	2,832	30	5,604	-	6	890	-	9,362
Additions acquired	-	-	-	-	-	12	-	12
Additions internally developed	-	-	4,795	-	-	-	-	4,795
Amortisation charge	-	-	(3,433)	-	(2)	-	-	(3,435)
Effects of movements in foreign exchange	-	-	(15)	-	-	-	-	(15)
Closing value at 30 June 2016	2,832	30	6,951	-	4	902	-	10,719

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 and domain names with a carrying value of $7,853,000 (2015: $6,494,000). The amortisation period relating to the website developments costs is five years from 1 July 2015 and three years prior to that (refer Note 2(aa) for details). 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 Australian Internet Lottery cash-generating unit which is an operating segment:

	Consolidated Group	
	2016 $'000	**2015 $'000**
Carrying amount of goodwill		
Internet Lottery unit	2,832	2,832
Total	2,832	2,832
Carrying amount of domain names		
Internet Lottery unit	902	890
Total	902	890

The recoverable amount of the cash-generating unit is based on a value-in-use calculation using a discounted cash flow model based on a one year projection approved by management and extrapolated over a five year period using a steady rate, together with a terminal value. The growth rate used in these projections 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% (2015: 3%)
- Terminal growth rate of 3% (2015: 3%)
- Discount rate of 17% being the calculated weighted average cost of capital based on the capital asset pricing model (2015: 17%)
- Reseller agreements will be renewed as and when they expire.

Management determined projections 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 the relevant segment in which the unit operates.

At 30 June 2016, the recoverable amount of the goodwill of the internet lottery CGU is estimated to be $82,371,000 which exceeds the carrying amount of goodwill, domain names and other intangible assets by $71,911,000. If a discount rate of 100% and growth rate of 0% was used instead of 17% and 3% respectively, the recoverable amount of goodwill would still exceed the carrying amount. Should the lottery reseller agreements be cancelled or not be extended for further periods when they expire, an impairment loss would be recognised up to the maximum carrying value of $10,460,000.

Note 20: Trade and Other Payables

		Consolidated Group	
	Note	**2016 $'000**	**2015 $'000**
Total trade and other payables		12,239	11,739
Current			
Trade creditors		1,020	1,185
GST payable		266	565
Sundry creditors and accrued expenses		3,156	2,203
Employee benefits		742	672
		5,184	4,625
Customer funds payable			
Current			
Customer funds payable	11	7,055	7,114

Note 21: Borrowings

There were no outstanding interest bearing liabilities for the financial year ended 2016 (2015: $nil).

a. Assets pledged as security

The bank liabilities were secured by a fixed and floating charge over all the assets of the Group (refer Note 26 for details).

b. Defaults and breaches

There have been no defaults or breaches during the financial year ended 30 June 2016.

Note 22: Tax

	Consolidated Group	
Current	**2016 $'000**	**2015 $'000**
Income tax payable	697	1,458

NON-CURRENT	**Opening Balance $'000**	**Charged to Profit or Loss $'000**	**Closing Balance $'000**
Deferred tax liabilities comprise temporary differences recognised in the profit or loss as follows:			
Property plant and equipment			
depreciation	62	(57)	5
Amortisation	39	(39)	-
Other	19	13	32
Balance at 30 June 2015	120	(83)	37
Property plant and equipment			
Depreciation	5	(4)	1
Accruals	-	24	24
Other	32	(9)	23
Balance at 30 June 2016	37	11	48

NON-CURRENT	**Opening Balance $'000**	**Charged to Profit or Loss $'000**	**Closing Balance $'000**
Deferred tax assets comprise temporary differences recognised in the profit or loss as follows:			
Property plant and equipment			
depreciation	134	(41)	93
Amortisation	11	195	206
Accruals	77	(3)	74
Provisions	274	46	320
Other	19	5	24
Balance at 30 June 2015	515	202	717
Property plant and equipment			
Depreciation	93	31	124
Amortisation	206	164	370
Accruals	74	105	179
Provisions	320	67	387
Other	24	(8)	16
Balance at 30 June 2016	717	359	1,076

Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 2(f) occur.

- Gross capital losses $4,104,000 (2015: $3,885,000)

Note 23: Provisions

	Consolidated Group 2016 $'000	Consolidated Group 2015 $'000
Current		
Long service leave	281	196
	281	196
Non-current		
Long service leave	271	202
	271	202

Note 24: Contributed Equity

	Consolidated Group		Consolidated Group	
	2016 Shares	2016 $'000	2015 Shares	2015 $'000
Share capital				
Fully paid ordinary shares	44,064,579	29,827	44,202,560	29,970

Movements in ordinary share capital

Date	Details	Number of shares	Issue price $'000	$'000
1 July 2014	Opening balance	43,902,560		29,760
Shares issued during the year				
20 November 2014	Exercise of options	150,000	0.700	105
26 November 2014	Exercise of options	150,000	0.700	105
30 June 2015	Closing balance	44,202,560		29,970
Shares bought back during the year				
27 October 2015	On-market share buy-back	(18,400)	1.080	(20)
30 October 2015	On-market share buy-back	(25,000)	1.068	(27)
3 November 2015	On-market share buy-back	(11,766)	1.060	(12)
4 November 2015	On-market share buy-back	(876)	1.060	(1)
12 November 2015	On-market share buy-back	(152)	1.060	-
13 November 2015	On-market share buy-back	(2,206)	1.060	(2)
16 November 2015	On-market share buy-back	(25,000)	1.030	(26)
17 November 2015	On-market share buy-back	(10,000)	1.000	(10)
2 December 2015	On-market share buy-back	(17,100)	1.028	(18)
7 December 2015	On-market share buy-back	(578)	1.030	(1)
11 December 2015	On-market share buy-back	(1,903)	0.970	(2)
14 January 2016	On-market share buy-back	(6,258)	0.970	(6)
15 January 2016	On-market share buy-back	(3,090)	0.970	(3)
18 January 2016	On-market share buy-back	(15,652)	0.965	(15)
30 June 2016	Closing balance	44,064,579		29,827

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 28: Share-Based Payments.

ii. For information relating to share options issued to third parties during the financial year, refer to Note 28: 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 less than 40% (2015: less than 40%). The gearing ratios for the year ended 30 June 2016 and 30 June 2015 are as follows:

		Consolidated Group	
	Note	2016 $'000	2015 $'000
Total borrowings	21	-	-
Total equity		24,696	21,681
Total capital		24,696	21,681
Gearing ratio		0%	0%

Note 25: Capital and Leasing Commitments

a. Operating lease commitments

	Consolidated Group	
	2016 $'000	2015 $'000
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable		
Not later than one year	1,059	1,104
Later than one year but not later than six years	2,234	3,339
	3,293	4,443

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

Note 26: Contingent Liabilities

Estimates of the potential financial effect of contingent liabilities that may become payable:	**Consolidated Group 2016 $'000**	**2015 $'000**
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	405	405
	405	405

Note 27: Cash Flow Information

a. Reconciliation of Cash Flow from Operations with Profit/(Loss) after Income Tax

	Consolidated Group 2016 $'000	**2015 $'000**
Profit/(loss) for the year after income tax	4,670	663
Non-cash flows		
Amortisation	3,501	2,744
Depreciation	167	158
Share of losses of associate company accounted for using the equity method	173	176
Capitalised other revenue from associate company	(111)	(28)
Impairment losses on investment	454	-
Share option expense	134	136
Other	(113)	(190)
Changes in operating assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
Decrease/(increase) in trade receivables	(18)	23
Decrease/(increase) in other receivables	(56)	123
Decrease/(increase) in inventories	1	(14)
Decrease/(increase) in DTA	(359)	(202)
Increase/(decrease) in trade payables	(165)	(876)
Increase/(decrease) in other payables	665	2,082
Increase/(decrease) in other provisions	154	129
Increase/(decrease) in DTL	11	(83)
Increase/(decrease) in provision for income tax	(761)	(98)
Cash flow from operations	8,347	4,743

b. Facilities with Banks

	Consolidated Group 2016 $'000	**2015 $'000**
Credit facility	1,050	1,050
Facilities utilised		
Bank guarantees	(405)	(405)
Amount available	645	645

The facilities are provided by Australia and New Zealand Banking 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 21 for terms of these facilities.

c. Non-Cash Financing and Investing Activities

		Consolidated Group	
	Note	2016 $'000	2015 $'000
Capitalised interest at 7.00% p.a. on Promissory Note issued by associate company	15	33	-
Capitalised dividend on Series A Preferred Stock issued by associate company	15	78	-

Note 28: Share Based Payments

	Consolidated Group	
Share-based payment expense recognised during the financial year	2016 $	2015 $
Options issued under employee option plan	133,890	135,677
	133,890	135,677

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.

Fair value of options granted

Employees

The weighted average fair value of options granted during the year was 5.9 cents (there were no options granted during the 2015 financial year). 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 2016 were as follows:

	2016		2015
Options are granted for no consideration, have a five year life, and are exercisable when the five day volume weighted average price equals the exercise price			
Grant date:	14 Jan 2016	18 Nov 2015	-
Share price at grant date:	$0.975	$0.98	-
Exercise price:	$1.75	$1.75	-
Expected volatility:	48.399%	48.087%	-
Expected dividend yield	3.08%	3.06%	-
Risk free rate	2.12%	2.35%	-

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.

2016

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									
3 September 2013	$4.00	3 September 2018	2,100,000	-	(300,000)	-	-	1,800,000	-
6 November 2013	$4.00	6 November 2018	400,000	-	-	-	-	400,000	-
18 November 2015	$1.75	18 November 2020	-	1,700,000	-	-	-	1,700,000	-
14 January 2016	$1.75	14 January 2021	-	500,000	-	-	-	500,000	-
Total			2,500,000	2,200,000	(300,000)	-	-	4,400,000	-

2015

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									
14 December 2011	0.70	14 December 2014	300,000	-	-	(300,000)	-	-	-
3 September 2013	4.00	3 September 2018	2,400,000	-	(300,000)	-	-	2,100,000	-
6 November 2013	4.00	6 November 2018	400,000	-	-	-	-	400,000	-
Total			3,100,000	-	(300,000)	(300,000)	-	2,500,000	-

The weighted average exercise price for the year ended 30 June 2016 was $3.18 (2015: $3.86).

The weighted average remaining contractual life of share options outstanding at 30 June 2016 was 3 years 4 months (2015: 3 year 3 months).

Note 29: Events After the Reporting Date

Apart from the dividend declared, as at the date of this director's report, the directors are not aware of any matter or circumstance that has arisen that has significantly affected, or may significantly affect, the operations of the Group in the financial years subsequent to 30 June 2016.

Note 30: 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, and accounts receivable and payable.

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 and Risk Management 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 and Risk Management Committee operaes 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. The Group policy is to manage between 50% and 100% of interest bearing debt using capped and fixed interest rates. At 30 June 2016 the Group interest bearing debt was $0 (2015: $0).

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.

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 and Risk Management Committee.

The Audit and Risk Management 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:

	2016		2015	
	$'000	**%**	**$'000**	**%**
Australia	28	23.1	12	11.7
Fiji	13	10.7	17	16.5
USA	71	58.7	44	42.7
Samoa	9	7.4	30	29.1
	121	100	103	100

The Group's most significant customer, located in the USA, accounts for 59% of trade receivables (2015: located in the USA, accounted for 42%).

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	
	2016 $'000	**2015 $'000**
Financial Assets		
Cash and cash equivalents - – rated AA-	25,306	23,778
Loans and receivables	668	494
Financial Liabilities		
Trade and other payables	12,239	11,739

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	
	2016 $'000	**2015 $'000**
Less than six months	12,239	11,739
	12,239	11,739

ii. 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 2016, 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	
	2016 $'000	**2015 $'000**
Change in profit/(loss):		
increase in interest rates by 2% (2015: 2%)	506	476
decrease in interest rates by 2% (2015: 2%)	(506)	(476)
Change in equity:		
increase in interest rates by 2% (2015: 2%)	506	476
decrease in interest rates by 2% (2015: 2%)	(506)	(476)

Foreign Currency Risk Sensitivity Analysis

At 30 June 2016, 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	
	2016 $'000	**2015 $'000**
Change in profit/(loss):		
improvement in AUD to EUR by 3% (2015: 3%)	(47)	(45)
decline in AUD to EUR by 3% (2015: 3%)	50	48
Change in equity:		
improvement in AUD to EUR by 3% (2015: 3%)	(47)	(45)
decline in AUD to EUR by 3% (2015: 3%)	50	48

At 30 June 2016, the effect on profit/(loss) and equity as a result of changes in the value of the Australian Dollar to the EUR, with all other variables remaining constant is as follows:

	Consolidated Group	
	2016 $'000	**2015 $'000**
Change in profit/(loss)		
improvement in AUD to EUR by 3% (2015: : 3%)	(144)	(141)
decline in AUD to EUR by 3% (2015: : 3%)	153	149
Change in equity		
improvement in AUD to EUR by 3% (2015: : 3%)	(144)	(141)
decline in AUD to EUR by 3% (2015: : 3%)	153	149

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

Note 31: Fair Value Measurement

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

Fair value hierarchy

AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level in the fair value measurement hierarchy as follows

- Level 1 - the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - a valuation technique is used using inputs other than quoted prices within level 1 that are observable for the financial instrument, either directly (i.e. as prices), or indirectly (i.e. derived from prices)
- Level 3 - a valuation technique is used using inputs that are not observable based on observable market data (unobservable inputs).

As Jumbo Interactive Limited only holds unlisted equity securities, which are initially measured at cost, all available-for-sale financial assets fall within Level 3 of the fair value hierarchy.

Recognised fair value measurements

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

	Note	Level 3 $'000	Total $'000
30 June 2016			
Available-for-sale financial assets	16	-	-
30 June 2015			
Available-for-sale financial assets	16	-	-

Disclosed fair values

The group also has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in the notes to the financial statements.

Due to their short-term nature, the carrying amount of trade receivables and payables are assumed to approximate their fair values. The fair value of non-current receivables disclosed in Note 14 are based on cash flows discounted using the current lending rate of 7.60% (2015: n/a) for loans to key management personnel.

The carrying amount of current trade and other payables disclosed in Note 20 are assumed to approximate their fair values because the impact of discounting is not significant.

Valuation techniques used to derive level 3 fair values

Description	Valuation approach	Unobservable inputs	Range of inputs	Relationship between unobservable inputs and fair value
Unlisted equity securities in Sorteo Games Inc	Discounted cash flow	Weighted average cost of capital (WACC)	20%	Increased long-term profit growth rate and a lower WACC would increase the fair value
		Future free cash flow	Uncertain	
		Long term profit growth rate	Uncertain	Decreased long-term profit growth rate and a higher WACC would decrease the fair value

Reconciliation of level 3 movements

The following table sets out the movement in level 3 fair values for unlisted equity securities.

	$'000
Opening balance 1 July 2015	-
Other increases	-
Loss on revaluation recognised through Other Comprehensive Income	-
Closing balance 30 June 2016	-

Valuation process for level 3 fair values

Valuations of unlisted equity securities are performed by the CFO every six months to ensure that they are current for the half-year and annual financial statements. Valuations are reviewed and approved by the audit committee.

Note 32: Related Party Transactions

Parent entity

Jumbo Interactive Limited is the parent company.

Subsidiaries
Interests in subsidiaries are set out in Note 17.

Joint Ventures/Associates
Interests in joint ventures/associates are set out in Note 15.

Key management personnel
Disclosures relating to key management personnel are set out in Note 7 and the remuneration report in the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated Group	
	2016 $	2015 $
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 and Rosch Realty Pty Ltd are 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 provided services during the financial year and Rosch Realty Pty Ltd provided an agent service during the previous financial year.		
• Office rent received	6,600	3,788
• Services paid	14,097	22,773
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.		
• Salary and superannuation	82,125	82,125

Receivable from related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated Group	
	2016 $	2015 $
Trade receivables from Elegant Properties Pty Ltd (director-related entity of Mike Veverka)	1,210	1,815

Loans to/from related parties

		Consolidated Group	
	Note	2016 $	2015 $
Advances to – key management personnel	14	100,000	-

Terms and conditions

All transactions were made on normal terms and conditions and at market rates.

Note 33: 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 2 (a).

	Consolidated Group	
Parent entity	**2016 $'000**	**2015 $'000**
Current assets	4,001	3,943
Non-current assets	9,822	10,143
Total assets	13,823	14,086
Current liabilities	1,043	1,729
Non-current liabilities	10,218	9,167
Total liabilities	11,261	10,896
Net assets	2,562	3,190
Issued capital	29,827	29,970
Share based payment reserve	910	776
Available-for-sale financial assets reserve	(2,302)	(2,302)
Retained earnings/(accumulated losses)	(26.037)	(26,037)
Profits appropriation reserve	164	783
Total shareholders' equity	2,562	3,190
Profit/(loss) for the year	925	1,248
Total comprehensive income for the year	925	1,242

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 21: Borrowings, and are ongoing.

The parent entity has also 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 2016 (2015: $0).

Contingent liabilities

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

Note 34: 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.

c. Available-for-sale Financial Assets Reserve

The available-for-sale investments revaluation reserve comprises changes in the fair value of available-for-sale investments which are recognised in other comprehensive income including when the investments are sold or re-classified.

Note 35: 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 307, 306 St Kilda Road, Melbourne, VIC, 3001

Directors' Declaration

The Directors of the Company declare that:

1. The financial statements, comprising the Consolidated Statement of Profit or Loss and 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 2016 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 31 to 39 of the Directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2016, 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
24 August 2016

Independent Auditor's Report

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

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 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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 2, 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.

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 2016 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 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 31 to 39 of the directors' report for the year ended 30 June 2016. 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 2016 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, 24 August 2016

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 44,064,579 ordinary shares on issue, each fully paid. There are 1,690 holders of these ordinary shares as at 31 July 2016. 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 4,150,000 options over ordinary shares on issue but not quoted on the Australian Securities Exchange.

a. Distribution of Shareholders Number as at 31 July 2016

	Number	
Category (size of Holding)	**Holders of Ordinary Shares**	**Ordinary Shares Held**
1 – 1,000	394	200,473
1,001 – 5,000	709	1,994,871
5,001 – 10,000	272	2,161,284
10,001 – 100,000	274	7,335,266
100,001 – and over	41	32,372,685
	1,690	44,064,579

b. The number of shareholdings held in less than marketable parcels is:

Number	
Holders of Ordinary Shares	**Ordinary Shares Held**
128	14,207

c. The names of the substantial shareholders listed in the holding Company's register as at 31 July 2016 are:

Name	Ordinary Shares	Percentage Held
Vesteon Pty Ltd and associates	9,101,027	20.6
Forager Funds Management Pty Ltd	4,783,999	10.8

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 July 2016

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. VESTEON PTY LTD	8,521,915	19.34
2. NATIONAL NOMINEES LIMITED	4,870,407	11.05
3. JP MORGAN NOMINEES AUSTRALIA LIMITED	3,454,357	7.84
4. CITICORP NOMINEES PTY LIMITED	3,012,797	6.84
5. BNP PARIBAS NOMS PTY LTD <DRP>	1,471,157	3.34
6. IMPALA SUPERANNUATION NOMINEES PTY LTD <IMPALA SUPER FUND>	1,282,880	2.91
7. MR BARNABY COLMAN CADDICK	1,025,000	2.33
8. BOND STREET CUSTODIANS LIMITED <FORAGER WHOLESALE VALUE FD>	880,110	2.00
9. BNP PARIBAS NOMINEES PTY LTD <BP25 MILAN BPAA DRP>	861,499	1.96
10. WARAWONG PTY LTD <WARAWONG SUPER FUND ACCOUNT>	605,000	1.37
11. MR MIKE VEVERKA <VEVERKA S/F A/C>	579,112	1.31
12. MR JAMES GARDINER	562,900	1.28
13. MR JOHN WILDE + MRS ELIZABETH WILDE <UTOPIA A/C>	447,996	1.02
14. MR CRAIG KUHN	390,000	0.89
15. GB & JK PORTER PTY LTD <GB & JK PORTER S/F A/C>	275,000	0.62
16. KOOYONG SUPERANNUATION PTY LTD <PLATT SUPER FUND – J D P A/C>	270,000	0.61
17. WESTOR ASSET MANAGEMENT PTY LTD <VALUE PARTNERSHIP A/C>	245,692	0.56
18. MR JOHN ROSAIA	221,000	0.50
19. DOG FUNDS PTY LTD	220,000	0.50
20. ROUND ETERNAL INVESTMENTS PTY LTD <VISION SPLENDID A/C>	210,000	0.48
	29,406,614	66.74

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 address:

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 July 2016

Options over Unissued Shares.
A total of 4,150,000 options are on issue to employees for services rendered

Exercise Price	Expiry Date	Number on Issue	Number of Holders
$4.00	3 September 2018	1,600,000	6
$4.00	6 November 2018	400,000	1
$1.75	18 November 2020	1,650,000	10
$1.75	14 January 2021	500,000	1

7. Other Disclosures

There are no other disclosures.

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

Level One
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 10
12 Creek Street
Brisbane Qld 4000
Telephone: 07 3237 5999
Facsimile: 07 3221 9227

Website

www.jumbointeractive.com

Australian Business Number

66 009 189 128

Jumbo Interactive Limited

Level 1, 601 Coronation Drive
PO Box 824
Toowong, Queensland, 4066
Australia
+61 7 3831 3705
www.jumbointeractive.com

FSC
www.fsc.org
FSC® C007894