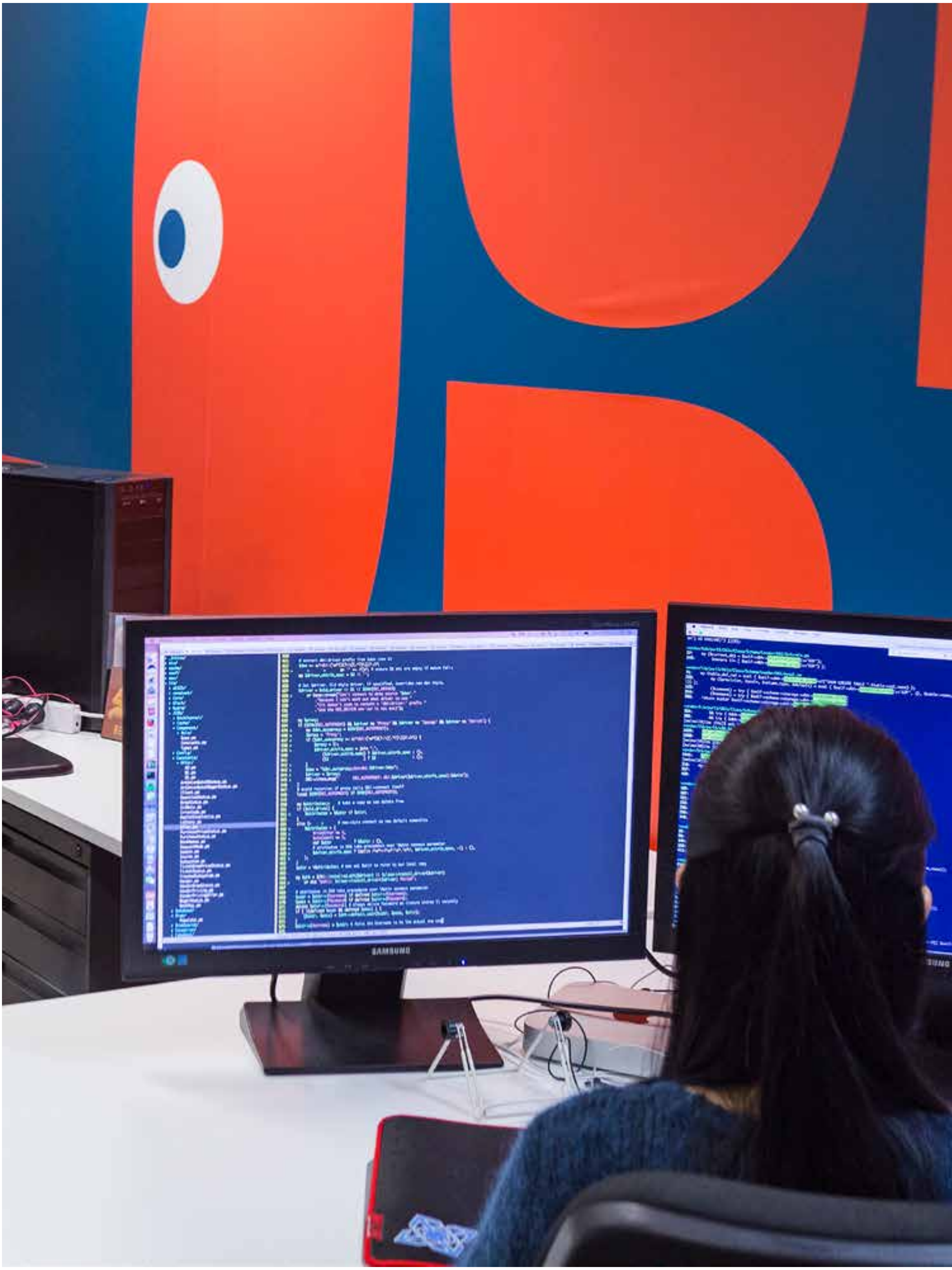
2017

ANNUAL REPORT

Jumbo Interactive Limited



With a stronger alignment with Tatts, Jumbo can push ahead with its plans for continued growth.

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Introduction

Jumbo has built an industry-leading internet lottery business that has clearly hit the mark with a younger tech-savvy consumer.

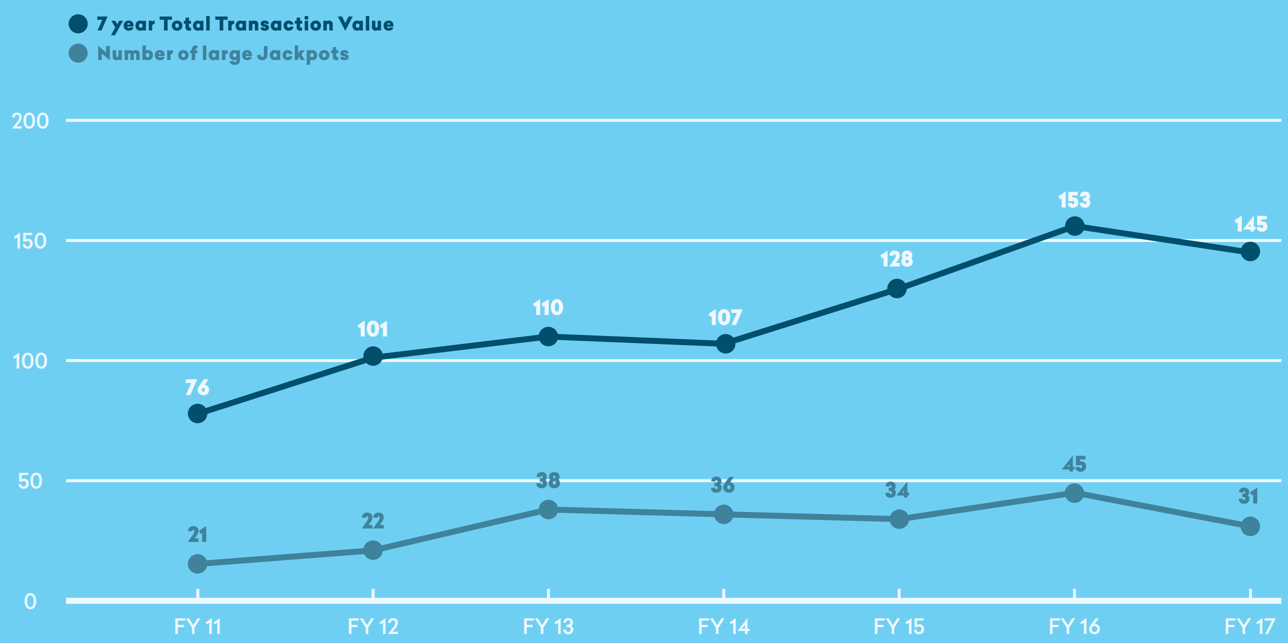
From the 5-star rated OzLotteries App to the innovative social media campaigns, Jumbo has clearly been able to deliver a customer experience that younger demographics have been looking for. Lotteries have had wide appeal for decades providing entertainment to millions as well as raising valuable funds for worthwhile causes. Jumbo focuses on bringing all the essential elements of lotteries together with the latest Internet technologies to create a sustainable business for the long term.

The momentum that Jumbo has built over the last decade is set to continue with new long term agreements and a stronger alignment with Tatts, the official lottery license holder in Australia. This sets the stage for new possibilities for Jumbo with an expanded product portfolio and a closer working relationship with the lottery industry.


JUMBO

Highlights

A 21% increase in Net Profit After Tax was the result of a greater focus on the Australian business.



Revenue (continuing operations)

12 MONTHS TO 30 JUNE 2017

$32.4m

5% decrease over the previous year

Number of Large Jackpots

OZLOTTO/ POWERBALL JACKPOTS OF $15MILLION OR MORE, 12 MONTHS TO 30 JUNE 2017

31

31% decrease over 12 months

Net Profit After Tax (total operations)

12 MONTHS TO 30 JUNE 2017

$5.64m

21% increase over 12 months

Net Profit After Tax (continuing operations)

12 MONTHS TO 30 JUNE 2017

$7.60m

4% increase over 12 months

Dividends Declared

FULLY FRANKED DIVIDENDS FOR THE 12 MONTHS TO 30 JUNE 2017

8.5c

21% increase over the previous year

Share Price

AS AT 30 JUNE 2017

$2.66

105% increase over 12 months

Letter from the Chairman

Dear Shareholder

The financial year, ended 30th June 2017, focused locally both on the growth of the lottery business and expanding the Australian Charity lottery supply. This has proved to be rewarding with the growth of sales (on a like-for-like basis) in both sectors, despite a year of lower lottery jackpots. This growth has once again allowed your Board to revise its dividend policy.

In addition, Management successfully concluded a further five year contract with Tatts Lotteries with part of this agreement allowing Tatts to become a shareholder in the Company by issuing 15% of the issued capital to them and the grant of 3,474,492 options exercisable within twelve months of the date of issue.

As a result of the increase in cash reserves, your Board agreed to distribute, by way of a special dividend, a further 15 cents per share to all shareholders. This I am pleased to say is the 18th dividend distributed to Shareholders since the dividend policy was first introduced.

The net assets as at 30th June 2017 have increased to $42,900,000 hence the rationale to make a special dividend payment. However, the Company remains committed to explore growth opportunities to ensure the continued improvement in profit performance.

In closing I would like to acknowledge that the year's success of the Company would not have been possible if our staff, led by Mr. Mike Veverka, the founder and CEO, had not continued their dedication to their respective areas of expertise.

I would like to thank the Board and our Management team for their ongoing dedication and to those shareholders who continue to support us and who are now seeing the results of this.

I and the Board look forward to answering any questions you may have at our Annual General Meeting which is scheduled to be held on the 25th October 2017.

Yours Truly

David K Barwick
Chairman

Management successfully concluded a further five year contract with Tatts Lotteries with part of this agreement allowing Tatts to become a shareholder in the Company.

Letter from the CEO

With new long term agreements and a stronger alignment with Tatts, Jumbo can push ahead with its plans for continued growth.

Jumbo has built up significant momentum by delivering exactly what the tech-savvy consumer is looking for. The new long term agreements with Tatts allows this momentum to continue and challenges the Jumbo team to think further into the future. Being awarded a 5 star rating for the OzLotteries App was a major achievement last year and now the challenge is to keep it.

Financially we delivered a 21% increase in Net Profit After Tax to $5.64 million after it was decided to exit the German market. This business was contributing a loss of approximately $2 million per year with little hope of improvement. Refocusing attention onto the Australian business has come at the right time just as the new Tatts agreements have been finalised and the charity business is gaining momentum.

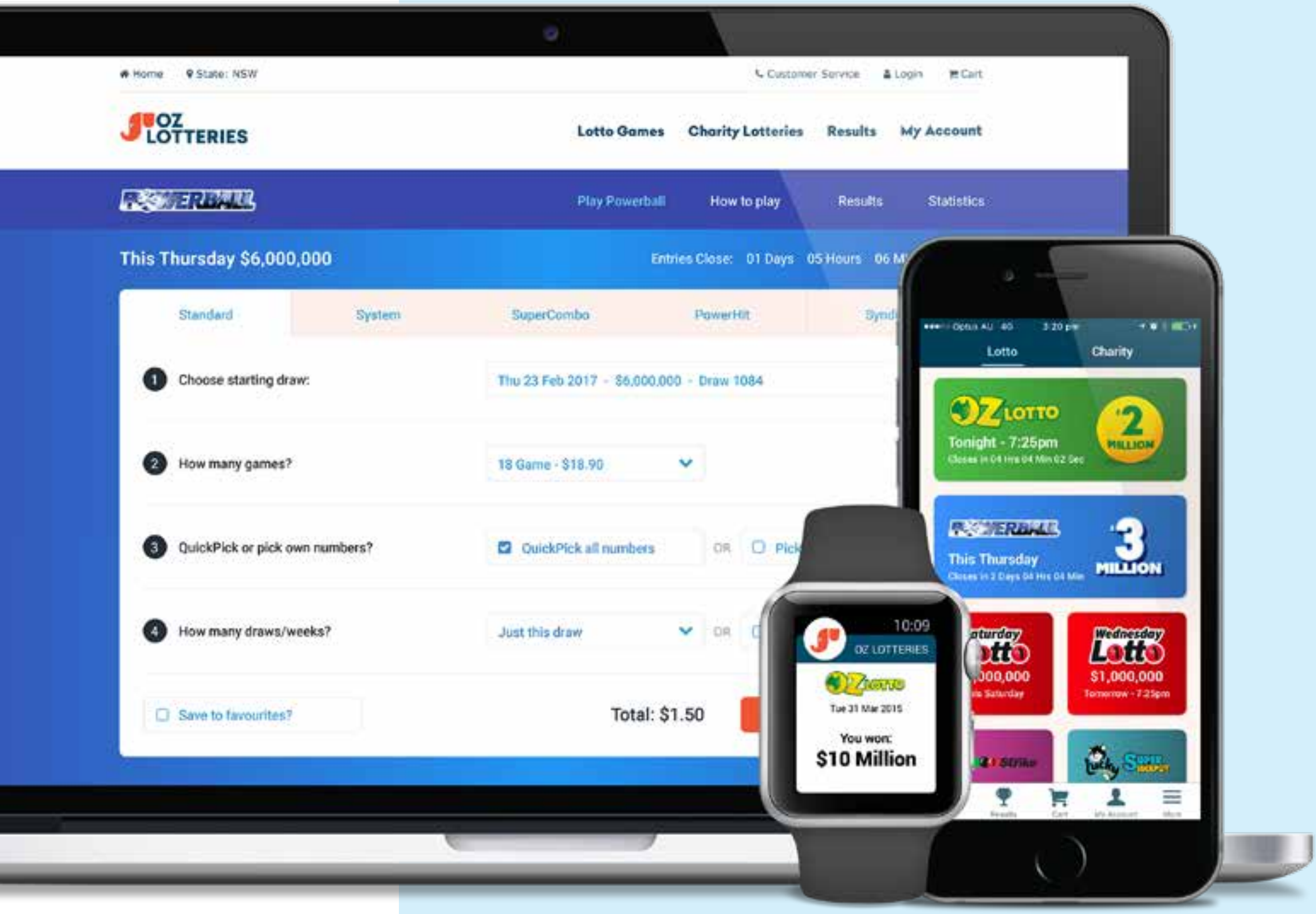
The natural fluctuation in the number of major jackpots resulted in 2017 seeing a lower than normal number of jackpots $15 million and over. This 31% decline was the main reason for the 5% decline in ticket sales and revenue. However an analysis of sales at the same jackpot level shows a steady increase in ticket sales demonstrating sustainable growth.

I wish to thank the entire talented Jumbo team for their dedication and look forward to the year ahead.

Mike Veverka
CEO and Founder

"With new long term agreements and a stronger alignment with Tatts, Jumbo can push ahead with its plans for continued growth.

Review of Operations



Financial Performance

The random occurrence of major jackpots available to lottery players are an important driver of sales and FY17 saw 31% fewer major Jackpots than the previous year. This resulted in only a 5% decline in ticket sales (TTV) to $145 million and revenue to $32.4 million, however Net Profit After Tax increased 21% to $5.64 million. This resulted in only a 5% decline in ticket sales (TTV) to $145 million and revenue to $32.4 million, however Net Profit After Tax increased 21% to $5.64 million primarily due to the closure of the loss-making German business. Excluding the effects of this closure, the Net Profit After Tax from continuing operations increased 4% to $7.6 million demonstrating growth despite lower Jackpots. EBITDA (earnings before interest, tax, depreciation and amortisation) also increased 3% to $14.1 million for the same reason.

Continued Mobile App and Social Media Improvements

With customer behaviour continuing to trend towards mobile, efforts were made to continually improve the OzLotteries App. The current version of the app enjoys a 5 star rating by iTunes, with glowing customer feedback.

All products including the new Charity games are now available for purchase natively in the App. In previous years some games where sold via a "frame" method which was quick to implement but slowed down the experience.

Customers are regularly interviewed for feedback on their purchase experience and the feedback is used to improve the app. As a result of this process, the purchase conversion rate has increased 20% over the year and the iOS App Store Rating has increased from 1.9 to 5 stars.

Jumbo is also driving social media to enhance the overall players experience as well as building the OzLotteries brand. Facebook continues to be the dominate social media platform however Instagram and Twitter are also making their mark. The number of Facebook followers has increased again from 114,500 to 134,000 over the past year.

A fun and innovative "Lotto Face" campaign was run on Instagram inviting players to post their "I just won the lottery" face. This campaign brought in over 1,700 new followers on Instagram. Twitter is currently being used for timely jackpot promotions and lotto results and currently has over 1,500 followers.

A majority of Jumbo's customers interact with social media through their mobile devices with double the interactions through mobile versus desktop. This affirms Jumbo's efforts on continual improvements to the OzLotteries app.

Charity Lotteries

To compliment the well known national lotteries available on OzLotteries, Jumbo has added Charity Lotteries that have significant customer appeal. Most importantly these extra sales do not come at the expense of national lottery sales as customers are choosing to add extra games while purchasing the national games. This is evident in the average customer annual spend KPI which has increased from $322 to $348 over the past 12 months.

Sales of Charity lotteries have more than tripled to $3.8 million over the past 12 months due to better product integration into the website and app as well as portfolio expansion. The Mater Prize Home has been added in the past year bringing the total number of charities to five. The games now include the Mater Prize Home, Surf Life Saving Lotteries, Endeavour Foundation, Act for Kids and the Prince of Wales Hospital Foundation.

Interestingly, Charity lotteries have been most successful with the younger demographic enhancing OzLotteries reputation as the lottery app for the younger generation.

Germany Closure

During FY17, Jumbo closed the loss-making German business to focus on the Australian business. The German business contributed an after tax loss of $2.0 million to the FY17 results. No significant expenses are expected in the year ahead.

The international lottery industry still has significant growth potential however Jumbo is taking a more conservative approach to evaluating those opportunities.

Extended contracts with the Tatts Group - New Possibilities

In May 2017, Jumbo expanded its decade-long commercial relationship with Tatts Group Limited (ASX:TTS), with a long term extension and expansion of its existing lottery reseller agreements. The relationship was further strengthened by Tatts subscribing for a substantial shareholding in Jumbo.

This sets the stage for new possibilities for Jumbo with an expanded product portfolio and a closer working relationship with the official Australian lottery license holder. Jumbo has begun the process of including the popular "Set for Life" game in its game portfolio available to players.

All current reseller agreements (NSW, Victoria, South Australia, Northern Territory and Fiji) have been extended for five years and then continue on a 12-month rolling basis beyond 2022.

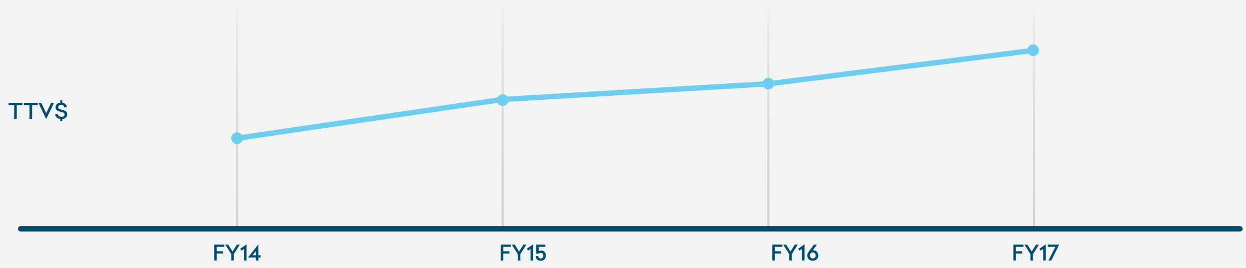
Jumbo growth at 17% CAGR over 7 years
Jumbo's flagship website www.ozlotteries.com has delivered a consistent 17% compound annual growth rate over 7 years, absorbing the natural fluctuations in jackpots. This has been underpinned by a growing customer database and a trend in consumer behaviour towards mobile purchases.

To ensure sales are not on a declining trend, sales are analysed on a like-for-like basis at specific jackpot levels over a number of years. This analysis shows a steady increase in sales further confirming the general growth trend.

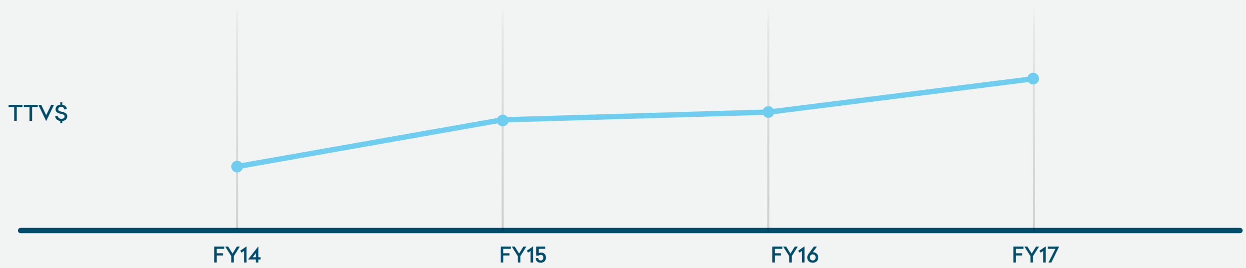
This trend in steadily growing sales can also be seen when comparing half years as summarised in the following table.

	FY 2016		FY 2017	
	HY1	HY2	HY1	HY2
TTV ($ million)	79.9	72.6	69.3	75.2
Large Jackpots	24	21	15	16

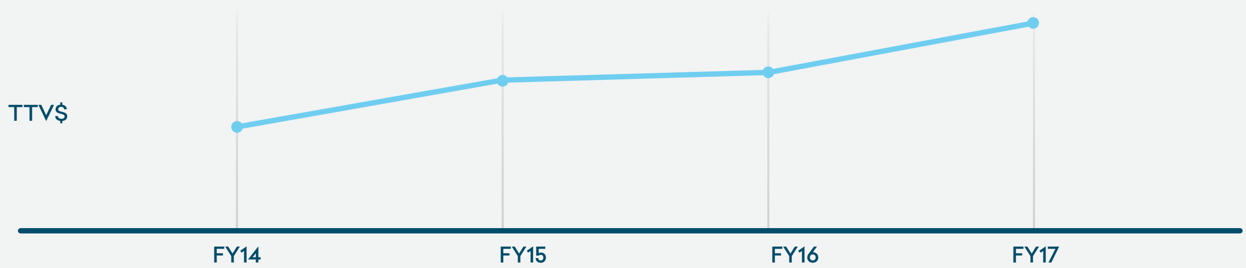
OZ Lotto TTV per $15m Draw

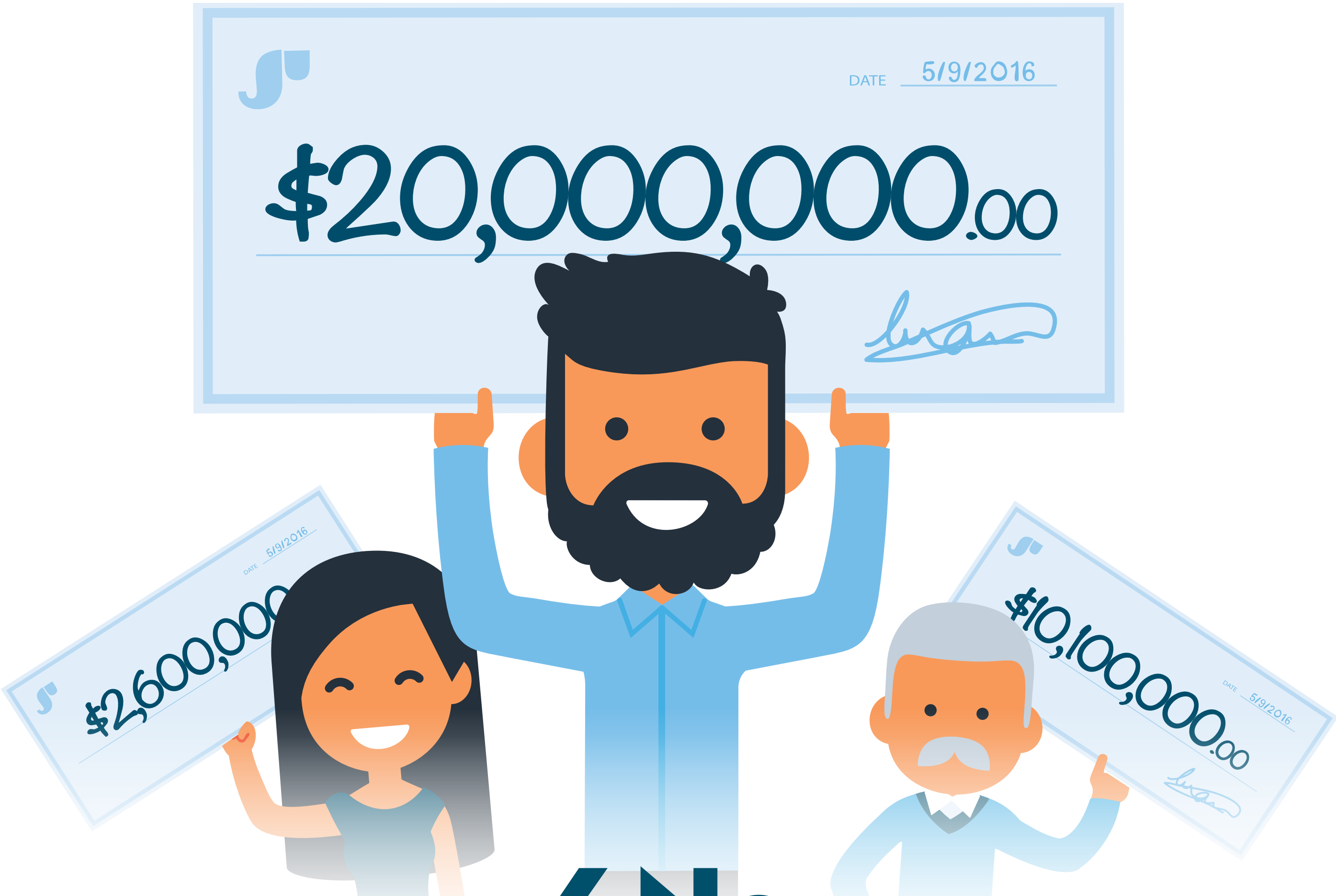


Powerball TTV per $15m Draw



TTV from Jackpots less than $15m Draw





6 New Millionaires

OzLotteries customers were also big winners last year with 6 new millionaires including one very happy customer who won $20 million from their Autoplay entry. In total, 209,786 customers won $76 million playing through OzLotteries.

Autoplay the key to a $20 million win!

5 years ago, an OzLotteries customer set up Autoplay to keep playing his favourite numbers each week. Then he forgot about it, until one day in August 2016, he received a call from Mike Veverka, Jumbo's CEO. Mike told him he had just won $20 million in OzLotto..

At first the bemused customer thought it was a prank because he didn't remember buying a ticket. However Mike reminded him that the winning game was actually an Autoplay he set up 5 years earlier. At that point the penny really did drop for one very excited OzLotteries customer!

Top 10 Winners

1. **$20 million** from OZ Lotto, August 2016.
2. **$10.1 million** from Powerball, March 2017.
3. **$2.6 million** from Saturday Lotto, May 2017.
4. **$1.3 million** from Saturday Lotto, July 2016.
5. **$1.0 million** from Monday Lotto, May 2017.
6. **$1.0 million** from Wednesday Lotto, May 2017.
7. **$674,350** from Saturday Lotto, November 2016.
8. **$519,011** from Saturday Lotto, March 2017.
9. **$271,813** from Saturday Lotto, April 2017.
10. **$200,000** from Mega Jackpot Lottery, October 2016.

Mobile App Improvements

With customer behaviour continuing to trend towards mobile, efforts were made to continually improve the OzLotteries App. The current version of the app enjoys a 5 star rating by iTunes, with glowing customer feedback.

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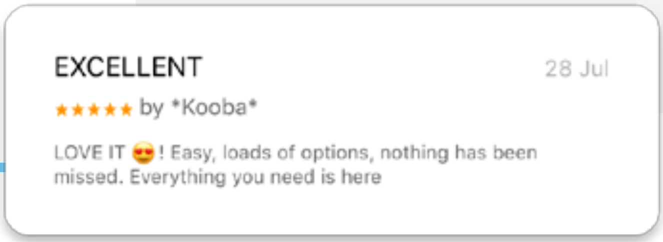

Social Media Improvements

Jumbo is also driving social media to enhance the overall player experience as well as building the OzLotteries brand. Facebook continues to be the dominant social media platform, with Instagram and Twitter also making their mark. The number of Facebook followers has again increased from 114,500 to 134,000 over the past year.

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Key Performance Indicators

CPL– Cost Per Lead

$17.09

Up from $15.13 due to fewer jackpots.

Average Spend per Online Customer

$348.40

Up from $335.27 due to the product mix between the 3 main products as well as a positive contribution from charity games.

New Online Accounts

161k

Down from 206K due to fewer jackpots

Active Online Customers

354k

Down from 376K due to fewer jackpots

Leadership Team

Jumbo has a stable leadership team that has amassed unique digital experience in the world lottery industry.

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 is also a fellow of and 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 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.

Financial Report

FY 2017 in Review

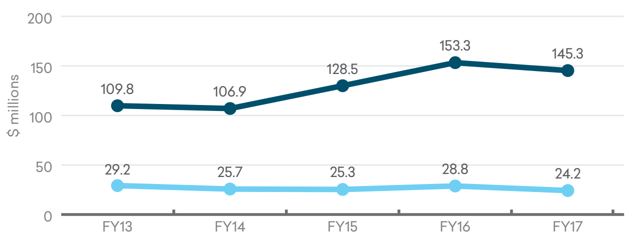
Financial Headlines

$'000	FY2017	FY2016	Variance %
Continuing operations			
TTV	145,322	153,302	(5.2%)
Revenue	32,429	34,083	(4.9%)
Revenue margin	22.3%	22.2%	0.1ppt
NPBT	11,068	10,717	3.3%
NPAT	7,597	7,323	3.7%
Discontinued operations	(1,957)	(2,653)	(26.3)
NPAT – overall operations	5,640	4,670	20.8%
EBITDA	14,094	13,717	2.7%
EBIT	10,463	10,073	3.9%
Cash at bank	43,320	25,306	69.5%
Net assets	42,900	24,696	73.7%
Net tangible assets	30,484	12,949	135.4%
Share price at year end (cps)	266.0	130.0	104.6%
Dividends paid per share (cps)	8.5	3.5	142.9%
Total shareholder return (%)	111.2%	57.1%	54.1ppt
Earnings Per Share (cps)	12.6	10.6	18.9%
Return of capital employed (%) – overall operations	13.1%	18.9%	(5.8ppt)
Shares on issue (million)	50.7	44.1	15.0%
Market capitalisation (million)	134.8	57.3	135.3%
EBIT margin (%)	32.3%	29.6%	2.7ppt

Highlights

The lower large jackpot activity has seen a reduction in Total Transaction Value and Revenue, but a continued focus on costs has resulted in an increase in Net Profit After Tax for Continuing operations. Discontinuing the operation in Germany contributed to the increase in Net Profit After Tax of Overall operations.

5 year Total Transaction Value and average large jackpots



— Revenue $32.4 million – 5% decrease
— Net Profit After Tax – Continuing operations $7.597 million – 4%increase
— Net Profit After Tax – Overall operations $5.640 million – 21% increase
— Dividends paid 8.50 cents (fully franked) – 143% increase
— Share Price $2.66 – 105% increase
— Total Shareholder Return 111.2% -54.1ppt increase

FY2018 outlook

— TTV based on current market conditions is higher growth 10 to 15% vs FY2016 with 'normalisation' of jackpot activity for traditional draw lotteries and growth from the burgeoning charity lotteries
— Revenue margin expected to be unchanged vs FY2016 – approximately 22.0 to 23.0%
— EBIT margin target 33.0% driven by continued improvement in efficiencies and focus on cost management

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 2017.

Board of 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
Chairman, Independent Non-Executive Director

Mike Veverka
Managing Director and Chief Executive Officer

Bill Lyne
Independent Non-Executive Director

Details of the experience, qualification and special responsibilities, and other Directorships of listed companies, in respect of each of the Directors as at the date of this Directors' Report are set out in the pages as follows:

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.

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

Australian Listed Company Directorships held in the past three years: Metallica Minerals Limited – Non-Executive Director and Chairman (from 11 March 2004 to 30 June 2015),

Interest in shares and options: None.

Mike Veverka

Experience: Mike Veverka has been Chief Executive Officer and Director of Jumbo Interactive Limited since the restructuring of the Company 8 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.

Qualifications: Bachelor of Engineering (Hons).

Special responsibilities: Chief Executive Officer.

Australian Listed Company Directorships held in the past three years: None.

Interest in shares and options: 9,601,027 ordinary shares and 400,000 options over ordinary shares in Jumbo Interactive Limited.

Bill Lyne

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 four 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.

Qualifications: Bachelor of Commerce; Chartered Accountant.

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

Australian Listed Company Directorships held in the past three years: None.

Interest in shares and options: None.

Company Secretary

Mr Bill Lyne was appointed Company Secretary 14 October 2006.

Refer to the information on Directors for details of experience and qualifications.

Principal 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.

Review of operations

A review of the Group's operations for the financial year and the results of those operations, are contained in the Operating and Financial Review as set out on pages 26 to 28 of this report.

Dividends

A fully franked final dividend of 5.0 cents per fully paid ordinary share for the year ended 30 June 2016 was paid on 23 September 2016, and a fully franked interim dividend of 3.5 cents per fully paid ordinary share for the year ended 30 June 2017 was paid on 24 March 2017.

A fully franked special dividend of 15.0 cents per fully paid ordinary was paid on 8 August 2017.

On 24 August 2017, the Directors have declared to pay a fully franked final dividend for the financial year ended 30 June 2017 of 5.0 cents per fully paid ordinary share (2016: 5.0 cents per fully paid ordinary share), to be paid on 24 September 2017.

Further details of dividends provided for or paid are set out in note 14 to the Consolidated Financial Statements on page 63.

State of Affairs

Changes in the state of affairs is set out on page 28 and forms part of the Directors' Report for the financial year ended 30 June 2017.

Events since the end of the financial year

Apart from the (i) issue if 3,474.493 options to Tatts, (ii) payment of a fully franked special dividend of 15 cents per ordinary share ($7,691,140), (iii) exercise of 600,000 options ($1,050,000), and (iv) final dividend declared, as at the date of this Directors' 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 Company in the financial years subsequent to 30 June 2017.

Likely developments, key business strategies and future prospects

Following the renewal of the lottery agreements with Tatts and the investment by Tatts in the Company in May 2017, and discontinuation of the Germany operation in March 2017, the Company is well placed to concentrate on and 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 to 1 May 2022 and continuing thereafter with termination by either party giving 12 months written notice;

— New South Wales - five years to 1 May 2022 and continuing thereafter with termination by either party giving 12 months written notice

— South Australia - five years to 1 May 2022 and continuing thereafter with termination by either party giving 12 months written notice:

— Northern Territory - five years to 1 May 2022 and continuing thereafter with termination by either party giving 12 months written notice; and

— Victoria (Fij)i - five years to 1 May 2022 and continuing thereafter with termination by either party giving 12 months written notice

The Company's long, strong relationship with Tatts has been strengthened with the investment by Tatts in the Company, and the Company can now confidently implement its medium to long term plans to grow the business in Australia. The domestic internet lottery market is estimated to be approximately 14% 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 shares are estimated to have reached approximately 21% and 48% 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 four to five during the year, and sales increased by 230%. This initiative is expected to show good growth in FY2018.

Operations in Germany were discontinued in March 2017 due to adverse market conditions, and the subsequent ceasing of the losses will have a positive impact on the Company's profits in future.

Investment in the Company's core intellectual property will continue for FY2018 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.

Directors' meetings

The number of meetings of the Board of Directors (including board committees) held during the year ended 30 June 2017 and the number of meetings attended by each Director is set out in the table below:

Meetings table	Board		Audit and Risk Management Committee		Nomination and Remuneration Committee	
Director	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
David Barwick	15	15	8	8	3	3
Mike Veverka	15	15	-	-	-	-
Bill Lyne	15	15	8	8	3	3

Share options

Unissued ordinary shares of the Company under options 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	1,500,000
2 February 2017	2 February 2022	$2.25	200,000
13 July 2017	13 July 2018	$2.37	3,474,492
			6,974,492

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 2017, the following ordinary shares of Jumbo Interactive Limited were issued on the exercise of options granted.

Date options granted	Issue price of share	Number of shares issued
18 November 2015	$1.75	100,000
14 January 2016	$1.75	500,000

No amounts are unpaid on these shares.

During or since the financial year ended 30 June 2017, no 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.

On 2 February 2017, the following options were issued to a contractor based in Australia as payment for services being provided (see note 24 for details):

Name	Number of options granted	Number of ordinary shares under option
Roland Fuhrmann	200,000	200,000
	200,000	200,000

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 Company's auditor BDO Audit Pty Ltd, or their related practices (herein also referred to BDO), performed other services in addition to its audit responsibilities.

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*.

Details of the amounts paid to BDO for non-audit services throughout the year are set out below:

	Consolidated	
	2017 $	2016 $
Taxation services		
Tax compliance services - tax returns	40,000	53,377
Transfer pricing	-	22,000
Other tax advice	-	3,690
Total taxation services	**40,000**	**79,067**
Other services		
Accounting advice	2,800	2,535
Accounting services	6,000	20,000
Total other services	**8,800**	**22,535**
Total fees for non-audit services	**48,800**	**103,602**

CEO and CFO declaration

The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have provided a written declaration to the Board in accordance with section 295A of the *Corporations Act 2001*.

With regards to the financial records and systems of risk management and internal compliance in this written declaration, the Board received assurance from the CEO and CFO that the declaration was founded on a sound system of risk management and internal control, and that the system was operating effectively in all material respects in relation to the reporting of financial risks.

Proceedings against 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.

Remuneration Report

The Remuneration Report is set out on pages 29 to 34, and forms part of the Directors' Report for the financial year ended 30 June 2017.

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.

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 35.

This Directors' Report is made in accordance with a resolution of the Directors of the Company.

David K Barwick
Chairman
Brisbane
24 August 2017

Operating and Financial Review

Consolidated results of continuing operations

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 for details.

Continuing operations	FY2017	FY2016	Variance %
TTV	145,322	153,302	(5.2%)
Revenue	32,429	34,083	(4.9%)
Cost of sales	(2,465)	(2,803)	(12.1%)
Gross profit	29,964	31,280	(4.2%)
Other income	1,064	1,197	(11.1%)
Expenses	(19,960)	(21,760)	(8.3%)
NPBT	11,068	10,717	3.3%
Income tax Expense	(3,471)	(3,394)	2.3%
NPAT continuing operations	7,597	7,323	3.7%
Discontinued operations	(1,957)	(2,653)	(26.3%)
NPAT overall operations	5,640	4,670	20.8%
EBITDA	14,094	13,717	2.7%
EBIT	10,463	10,073	3.9%

Although there was a decrease in TTV and Revenue due mainly to the lower level of large jackpot activity, the Company was successful in increasing Profit over the same period last year. Large jackpot activity is an important driver of sales and can randomly fluctuate over time. During the financial year, the number of large jackpots was 31 (2016:45) and aggregate value $750 million (2016: $1,295 million). This is 31% lower in number and 42% lower in aggregate value compared to the previous period. With ongoing losses in Germany due to unfavourable market conditions, the business was scaled down in November 2016 and subsequently discontinued in March 2017 (see note 6 for details). The overall increase in net profit after tax resulted from (i) a focus on the management of costs and (ii) discontinuing the operation in Germany.

The Company continues to invest in the three main pillars that support the ongoing growth of the Company with $4,448,000 (2016: $4,795,000) on its proprietary software platform (intangible assets), $3,566,000 (2016: $4,486,000) in marketing activities primarily to acquire new and retain existing customers, and $7,178,000 (2016: $6,972,000) on employees who provide the software development and marketing skills, customer support services, and management.

Comparative analysis

Compared to FY2016:

TTV decreased $7,980,000 or 5.2%, principally due to:

— $7,980,000 or 5.2% decrease in Australia Lotteries mainly as a result of decreased large jackpot activity.

Revenue decreased $1,654,000 or 4.9% due mainly to:

— $1,653,000 or 4.9% decrease in Australia Lotteries as a result of the decreased TTV. The 0.30ppt lower decrease compare to the TTV decrease is due to an edge higher margin of 22.3% (2016: 22.2%) which is affected by product mix.

Cost of sales decreased by $338,000 or 12.1% mainly due to

— a higher proportion of the TTV for Australia Lotteries being through its marketing activities and a lower proportion through affiliates - the margin decreased by 0.1ppt to 1.7% from 1.8%.

Other income, being mainly interest on cash at bank, decreased by $133,000 or 11.1% largely as a result of:

— $38,000 or 6.0% decrease in interest on cash for Australia Lotteries through lower average interest rates; and

— $95,000 or 48.5% decrease in other income mainly from a decrease in expense recoveries.

NPBT of continuing operations increased $351,000 or 3.3% to $11,068,000, principally due to:

— $27,000 or 0.2% decrease in Australia Lotteries profits due to decreased TTV and Revenue and containing costs which decreased by 7.3%;

— an increase of $14,000 or 3.6% in All Other Segment profits from decreased expenses; and

— $364,000 or 17.8% decrease in Corporate expenses mainly as a result of no impairment to investments or share of associate company losses.

Australia Lotteries NPBT decreased 0.2% or $27,000 due to:

— decreased TTV by 5.2% or $7,980,000 and Revenue and other income by 5.1% or $1,745,000 resulting mainly from decreased large jackpot activity;

— reduced cost of sales by 12.1% or $338,000; and

— reduced costs by 7.3% or $1,380,000 largely due to lower marketing expenses $887,000 and merchant fees $246,000 resulting from lower large jackpot activity.

With no meaningful opportunities foreseeable in Mexico, activity was minimal during the financial year and the NLBT of $32,000 for FY2017 (2016: NLBT $45,000) is included in the Australia Lotteries segment.

All Other Segments NPBT increased 3.6% or $14,000 due to:
— reduced costs by 3.3% or $15,000

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 in Australia is summarised in the following table:

Large jackpot activity	FY 2017	FY 2016	FY 2015
TTV continuing operations	$145.3 m	$153.3 m	$128.5 m
Reported Revenue continuing operations	$32.4 m	$34.1 m	$29.1 m
OzLotto/Powerball			
Number of jackpots[1]	31	45	34
Average Div 1 jackpot[1]	$24.2 m	$28.8 m	$25.3 m
Peak Div 1 jackpot[2]	$55 m	$70 m	$70 m
Aggregate Div 1 jackpots[2]	$750 m	$1.295 m	$860 m

[1]Ozlotto/Powerball Division 1 jackpots of $15 million or more
[2]during the financial year period

The lower level of large jackpot activity in the current financial year has led to lower TTV and revenue. The focus on cost management has resulted in a decrease in expenses of 8.3%. The combination of lower TTV and revenue and cost reduction has resulted in an increase in profits.

Segment review

(a) Online Lottery Segment

With the operation in Germany discontinued March 2017, this segment now consist of Australia and Mexico, and Mexico's results are included in those of Australia due to the minimal activity and no meaningful opportunities in the foreseeable future.

Australia

Improvements continue to be made to online marketing and player experience, but the lower level of large jackpot activity, which was 31% lower in number and 42% lower in aggregate value compared to FY2016, contributed significantly to a 5.0% decrease in revenue to $31,586,000 (2016: $33,239,000). Other income reduced by $92,000 or 9.7%. Net profit before tax decreased by 0.2% to $12,340,000 (2016: $12,367,000) due to the lower jackpot activity notwithstanding a reduction in expenses of 7.3%.

TTV for the financial year decreased by 5.2% to $144,479,000 (2016: $152,459,000),

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 2017	FY 2016
Number of new online accounts	160,698	206,858
CPL	$17.09	$15.13
Number of active online customers	354,113	375,988
Average spend per active online customer	$348.40	$335.27

The 22.3% decrease in new online accounts and 5.8% decrease in active online customers are due mainly to the decrease in large jackpot activity (31% decrease in number and 42% decrease in aggregate value). The 3.9% increase in average spend is largely due to an increase in charity lottery sales and marketing initiatives. The 13.0% increase in CPL is mostly due to trying other marketing channels to acquire customers.

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

The net loss before tax for Mexico was $32,000 (2016: loss $45,000) 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 decreased to $843,000 (2016: $844,000) and net profit before tax increased to $407,000 (2016: $392,000), due to lower expenses.

(c) Corporate

The net loss reduced 17.8% or $364,000 to NLBT $1,679,000 (2016: NLBT $2,043,000) mainly due to no impairments in investments or share of associate company losses.

(d) Summary of results

The annual comparison of results of the Company for the past five years is summarised below:

Revenue/profits ($'000)	FY2017	FY2016	FY2015	FY2014	FY2013
TTV – continuing operations	145,322	153,302	128,464	106,872	109,766
Revenue – continuing operations	32,429	34,083	29,076	24,792	25,871
NPAT – overall operations	5,640	4,670	663	3,251	3,458
NPAT – continuing operations	7,597	7,323	4,274	4,366	3,464
NPAT – discontinued operations	(1,957)	(2,653)	(3,611)	(1,115)	(6)
EBITDA – continuing operations	14,094	13,717	8,314	7,720	7,367
EBIT – continuing operations	10,463	10,073	5,433	5,498	5,085

Assets	FY2017	FY2016	FY2015	FY2014	FY2013
Cash at bank[1] ($'000)	43,320	25,306	23,778	25,366	24,461
Net assets ($'000)	42,900	24,696	21,681	22,107	22,341
Net tangible assets ($'000)	30,484	12,949	11,639	14,107	15,641
Return on capital employed (%) – overall operations	13.1	18.9	3.1	14.7	15.2
Return on capital employed (%) – continuing operations	17.7	29.6	19.7	19.7	15.5
Return on capital employed (%) – discontinued operations	(4.6)	(10.7)	(16.6)	(5.0)	(0.3)

[1]includes cash held under term deposit and customer account balances payable (refer note 7: Cash and Cash Equivalents and Note 11: Trade and Other Payables for details)

Share price	FY2017	FY2016	FY2015	FY2014	FY2013
Earnings per share (cps)	12.6	10.6	1.5	7.4	7.9
Dividends paid per share (cps)	8.5	3.5	3.0	3.0	3.5
Share price at financial year end (cps)	266.0	130.0	85.0	130.0	150.0
Total shareholder return (%)	111.2	57.1	(32.3)	(11.3)	46.2
Shares on issue (million)	50.7	44.1	44.2	43.9	43.6
Market capitalisation ($'million)	134.8	57.3	37.6	57.1	65.3

Financial position

The net assets of the Group have increased by $18,204,000 from 30 June 2016 to $42,900,000.

The Group's working capital, being current assets less current liabilities, has increased from $12,719,000 in 2016 to $30,444,000 in 2017 mainly as a result of increased cash and cash equivalents. $15,665,000 of this increase came from share issues.

Non-current assets increased by $527,000 to $12,823,000 due mainly to the investment in the new software code of www.ozlotteries.com.

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

Significant changes in State of Affairs

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

(a) Increase in contributed equity of $15,665,000 resulting from:

	$'000
– Issue of 6,609,686 shares as a result of an issue to Tatts at $2.37 per share (see note 15 for details)	15,665
	15,665

(b) Increase in cash of $18,014,000 resulting from:

	$'000
– Cash raised from the issue of contributed equity in (a) above	15,665
– Other activities (see Cash Flow Statement for details)	2,349
	18,014

(c) Increase in non-current assets of $527,000 resulting from:

	$'000
– investment in website development costs net of amortisation (see note 10 for details)	891
– Changes in other non-current assets (see notes 4, 9, 10 and 22 for details)	(364)
	527

Remuneration Report – audited

Contents

1. Remuneration Report Introduction

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

The Remuneration Report for the year ended 30 June 2017 is set out per the above **Contents.** The information in the Report has been audited.

2. Policy Framework

The Remuneration Policy of Jumbo 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 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, and drives and reflects the creation of shareholder value.

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.

The mix of total potential remuneration for FY2017 for KMP is as follows:
Fixed remuneration - 100%
Short term incentive cash bonuses - 60% to 66.66% of fixed remuneration.

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. Refer to Note 8: Executive Service Agreements of this Report for details of KMP fixed remuneration.

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 the Board	$84,315
Non-Executive Directors	$60,225
Membership of Audit and Risk Management Committee and Nomination and Remuneration Committee	No additional fees
Chairman 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 a combination of an improvement on the previous year results, increased shareholder value 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 level of achievement compared to the KPI target. 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 on 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 2017 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:

$'000	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
TTV continuing operations	$145,322	$153,302	$128,404	$106,872	$109,766
Net profit after tax – continuing operations	$7,597	$7,323	$5,433	$5,498	$5,085
Net profit after tax – overall operations	$5,640	$4,670	$663	$3,250	$3,458
Share price at year end (cps)	266.0	130.0	85.0	130.0	150.0
Dividends paid per share (cps)	8.5	3.5	3.0	3.0	3.5
Total shareholder return (%)	111.2%	57.1%	(32.3%)	(11.3%)	46.2%
Earnings per share (cps)	12.6	10.6	1.5	7.4	7.9
Return of capital employed (%)	13.1%	18.9%	3.1%	14.7%	15.2%
Market capitalisation	$134,793	$57,284	$37,572	$57,073	$65,329

3. Directors and Executives

The KMP of the Group (being those whose remuneration must be disclosed in the Report) includes the Non-Executive Directors and those Executives who have the authority and responsibility for planning, directly and controlling the activities of Jumbo.

The Non-Executive Directors and Executives that were the KMP of the Group during the financial year are identified as follows:

Directors and executives

Name	Position held
Non-Executive Directors	
David K Barwick	Chairman, Independent Non-Executive Director
Bill Lyne	Independent Non-Executive Director
Executive KMP	
Mike Veverka	Director and Chief Executive Officer
David Todd	Chief Financial Officer
Xavier Bergade	Chief Technical Officer
Brad Board	Chief Operating Officer
Kate Waters	Head of HR and Lottery Operations-Australia (resigned 1 August 2016)

Details of Remuneration

Details of compensation of KMP of Jumbo are set out below:

2017

	Short term employee benefits			Post employment benefits	Long term benefits		Share based payments		
	Cash salary, fees and annual leave	Cash bonus	Non-monetary benefits	Superannuation	Long service leave	Termination benefits	Options[1]	Total	Proportion of remuneration that is performance based
	$	$	$	$	$	$	$	$	%
Directors									
David Barwick	77,000	-	-	7,315	-	-	-	84,315	-
Mike Veverka	488,069	173,580	-	25,000	6,835	-	44,277	737,761	23.5
Bill Lyne	55,000	-	-	5,225	-	-	-	60,225	-
Bill Lyne – as Company Secretary	24,100	-	-	-	-	-	-	24,100	-
Other KMP									
David Todd	237,507	86,790	-	29,949	3,795	-	20,421	378,462	22.9
Xavier Bergade	237,507	86,790	-	29,949	3,795	-	20,421	378,462	22.9
Brad Board	237,507	73,920	-	28,726	3,795	-	20,421	364,369	20.3
Kate Waters[2]	21,382	-	-	9,706	233	174,538	756	206,615	-
Total KMP remuneration	1,378,072	421,080	-	135,870	18,453	174,538	106,296	2,234,309	

[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

2016

	Short term employee benefits			Post employment benefits	Long term benefits		Share based payments		
	Cash salary, fees and annual leave	Cash bonus	Non-monetary benefits	Superannuation	Long service leave	Termination benefits	Options[1]	Total	Proportion of remuneration that is performance based
	$	$	$	$	$	$	$	$	%
Directors									
David Barwick	77,000	-	-	7,315	-	-	-	84,315	-
Mike Veverka	399,952	99,660	-	32,422	16,070	-	39,982	588,086	16.9
Bill Lyne	54,583	-	-	5,185	-	-	-	59,768	-
Bill Lyne – as Company Secretary	26,921	-	-	-	-	-	-	26,921	-
Other KMP									
David Todd	226,753	49,830	-	25,301	6,226	-	18,236	326,346	15.3
Xavier Bergade	241,463	49,830	-	25,301	1,938	-	18,236	336,768	14.8
Brad Board	224,185	54,780	-	27,628	4,630	-	18,236	329,459	16.6
Kate Waters[2]	163,041	-	-	15,675	6,290	-	8,813	193,819	-
Total KMP remuneration	1,413,898	254,100	-	138,827	35,154	-	103,503	1,945,482	

[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

4. 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 as 'at risk' remuneration based on performance criteria described in section (a) to this Remuneration Report. These were paid out on 24 August 2017.

Performance measures apply to all participants with slightly difference individual weightings

Details of these short-term incentives recognised as remuneration, forfeited or available for vesting in later years is outlined below:

Name	Maximum Potential			Awarded and included in remuneration			Forfeited in year		
	Financial	Non-financial	Total	Financial	Non-financial[1]	Total	Financial	Non-financial	Total
	$	$	$	$	$	$	$	$	$
Mike Veverka	158,400	105,600	264,000	112,860	60,720	173,580	45,540	44,880	90,420
David Todd	79,200	52,800	132,000	56,430	30,360	86,790	22,770	22,440	45,210
Xavier Bergade	79,200	52,800	132,000	56,430	30,360	86,790	22,770	22,440	45,210
Brad Board	79,200	52,800	132,000	43,560	30,360	73,920	35,640	22,440	58,080

[1]includes available for vesting in later years

Mike Veverka	$2,640
David Todd	$1,320
Xavier Bergade	$1,320
Brad Board	$1,320

5. 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.

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.

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

6. 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.

7. 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.

8. Value of options to key management personnel

There were no options granted, exercised and lapsed during the year to key management personnel.

9. Equity instruments held by key management personnel

Options and rights holdings

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

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.

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

	Balance at 1 July 2016	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance at 30 June 2017	Vested at 30 June 2017	Total vested and exercisable at 30 June 2017	Total vested and unexercisable at 30 June 2017
Mike Veverka	900,000	-	-	-	900,000	500,000	500,000	-
David Todd	750,000	-	-	-	750,000	400,000	400,000	-
Xavier Bergade	750,000	-	-	-	750,000	400,000	400,000	-
Brad Board	750,000	-	-	-	750,000	400,000	400,000	-
	3,150,000	-	-	-	3,150,000	1,700,000	1,700,000	-

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:

FY2017	Balance at 1 July 2016	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at 30 June 2017
Mike Veverka	9,101,027	-	-	-	9,101,027
David Todd	20,000	-	-	-	20,000
Xavier Bergade	150,000	-	-	-	150,000
	9,271,027	-	-	-	9,271,027

10. Loans to key management personnel

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

	Balance at 1 July 2016	Loans advanced	Interest charged	Interest received	Balance at 30 June 2017	Number in group at end of year
	$	$	$	$	$	
Total	100,000	-	7,236	(7,236)	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, 5.22% 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) and repayable by 7 March 2018.

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.

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.

11. Other transactions and balances

Other related party transactions

	Consolidated Group 2017 $	Consolidated Group 2016 $
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.		
i. 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	7,211	6,600
Services paid	-	14,097
Amounts owing to Group at year end	1,573	1,210
ii. 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	82,441	82,125

12. 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.

KMP	Duration of service agreement	Fixed remuneration at end of FY2017[1]	Notice period[2]
Mike Veverka	Ongoing	$396,000	12 months
David Todd	Ongoing	$220,000	6 months
Xavier Bergade	Ongoing	$220,000	6 months
Brad Board	Ongoing	$220,000	6 months

[1]fixed remuneration excludes a superannuation component, currently 9.5%
[2]any termination payment (notice and severance) will be subject to compliance with all relevant legislation and will not exceed 12 months

END OF AUDITED REMUNERATION REPORT

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

As lead auditor of Jumbo Interactive Limited for the year ended 30 June 2017, 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.

K L Colyer
Director

BDO Audit Pty Ltd

Brisbane, 24 August 2017

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.

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. Objectives were developed in 2012 for achievement over five years to 2017, and the outome is as follows:

Group Diversity	Objective	2017 Result No.	2017 Result %	Outcome
Women on the board	To have at least one woman on the Board	-	-	Not achieved
Women in senior executive positions	Maintain at least the current number (one) of women	1	20.0	Achieved
Women employees in the Group	Achieve the percentage of woman in excess of 40%	47	40.2	Achieved
Total employees in the Group		117	100.0	

The Board has now developed the following objectives 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:

Group Diversity	2017 Actual No.	2017 Actual %	2022 Objective
Women on the board	-	-	To have at least one woman on the Board
Women in senior executive positions	1	20.0	Maintain at least the current number (one) of women
Women employees in the Group	47	40.2	Achieve the percentage of woman in excess of 45%
Total employees in the Group	117	100.0	

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, having served seven years since being appointed 1 November 2007 and Bill Lyne, also the Company Secretary, having served five years since being appointed 30 October 2009) and the Chief Executive Officer (Mike Veverka). Fundamental requirements for Jumbo Directors are a deep understanding of business management and financial markets and such experience, complemented where possible with industry knowledge, are desirable attributes for Board membership. All Board members meet the fundamental requirements, and bring a diverse range of skills and backgrounds. Additionally, Mr Veverka has had a very long involvement in key sections of the Company and brings considerable relevant expertise and knowledge to the Board.

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

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

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

The Directors may seek external professional advice at the expense of the Company on matters relating to their role as Directors of 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.

Table 1 – Skills Matrix	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 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.

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

6. Respect the rights of shareholders

In Principle 6 the Council states that companies should *"respect the rights of shareholders 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.

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. Periodic reviews evaluate and continually improve the effectiveness of risk management and internal control processes.

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

8. Remunerate fairly and responsibly

The Council's final Principle states that companies should *"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 during the year a Nomination and Remuneration Committee, as noted above under Principle 2.

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

Non-executive Directors' remuneration is reviewed periodically with reference to comparable businesses and the trend in Directors' fees generally, with the object of ensuring maximum stakeholder benefit from the retention of an effective Board. Shareholders, at the Company's AGM, determine any increase in the aggregate fees payable to non-executive Directors, but it is those Directors who decide amongst themselves the split of such remuneration. The current maximum annual aggregate remuneration which can be paid to all non-executive Directors is $250,000, last approved by shareholders in October 2009. In 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 an Employee Option Plan in place and from time to time has granted options to deserving staff as a reward for performance. However, the Board prohibits transactions by executives which might limit the economic risk of participating in unvested entitlements under any equity-based remuneration scheme.

Further information about the 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 2017

Financial Report

For the year ended 30 June 2017

Financial Statements

Notes to the financial statements

Signed reports

ASX information

Jumbo Interactive Limited and its Controlled Subsidiaries

Consolidated Statement Of Profit Or Loss And Other Comprehensive Income

For the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Revenue from continuing operations	2	32,429	34,083
Cost of sales	3	(2,465)	(2,803)
Gross profit		29,964	31,280
Other revenue/income	2	1,064	1,197
Distribution expenses		(24)	(34)
Marketing costs		(3,566)	(4,486)
Occupancy expenses		(959)	(879)
Administrative expenses	3	(15,405)	(15,728)
Impairment of investment		-	(454)
Finance costs		(6)	(6)
Share of losses of associates/joint ventures accounted for using the equity method		-	(173)
Profit/(loss) before income tax expense		11,068	10,717
Income tax expense	4	(3,471)	(3,394)
Profit/(loss) after income tax from continuing operations		7,597	7,323
Profit/(loss) from discontinued operations	6	(1,957)	(2,653)
Profit/(loss) after income tax expense for the year attributable to the owners of Jumbo Interactive Limited		5,640	4,670
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(68)	(102)
Reclassification of foreign exchange differences on loss of control of subsidiary		563	-
Other comprehensive income for the year, net of tax		495	(102)
Total comprehensive income for the year attributable to the owners of Jumbo Interactive Limited		6,135	4,568

Earnings Per Share (cents per share)		¢	¢
From continuing and discontinued operations			
Basic earnings per share (cents per share)	5	12.6	10.6
Diluted earnings per share (cents per share)	5	12.3	10.6
From continuing operations			
Basic earnings per share (cents per share)	5	16.9	16.6
Diluted earnings per share (cents per share)	5	16.5	16.6
From discontinued operations			
Basic earnings per share (cents per share)	5	(4.3)	(6.0)
Diluted earnings per share (cents per share)	5	(4.2)	(6.0)

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

Jumbo Interactive Limited and its Controlled Subsidiaries

Consolidated Statement Of Financial Position

As at 30 June 2017

	Note	2017 $'000	2016 $'000
CURRENT ASSETS			
Cash and cash equivalents	7	43,320	25,306
Trade and other receivables	8	548	568
Inventories		62	62
TOTAL CURRENT ASSETS		43,930	25,936
NON-CURRENT ASSETS			
Receivables	22	-	100
Property, plant and equipment	9	341	401
Intangible assets	10	11,574	10,719
Deferred tax assets	4	908	1,076
TOTAL NON-CURRENT ASSETS		12,823	12,296
TOTAL ASSETS		56,753	38,232
CURRENT LIABILITIES			
Trade and other payables	11	13,009	12,239
Current tax liabilities	4	184	697
Employee benefit obligations	12	293	281
TOTAL CURRENT LIABILITIES		13,486	13,217
NON-CURRENT LIABILITIES			
Employee benefit obligations	12	277	271
Make good provision		24	-
Deferred tax liabilities	4	66	48
TOTAL NON-CURRENT LIABILITIES		367	319
TOTAL LIABILITIES		13,853	13,536
NET ASSETS		42,900	24,696
EQUITY			
Contributed equity	15	45,492	29,827
Accumulated losses		(17,399)	(17,399)
Profits Appropriation Reserve		15,745	13,850
Reserves		(938)	(1,582)
TOTAL EQUITY		42,900	24,696

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

Jumbo Interactive Limited and its Controlled Subsidiaries

Consolidated Statement Of Changes In Equity

For the year ended 30 June 2017

	Contributed equity	Accumulated losses	Profits appropriation reserve
CONSOLIDATED GROUP	$'000	$'000	$'000
Balance at 1 July 2015	29,970	(17,399)	10,724
Total comprehensive income for the year			
Profit/(loss) for the year	-	-	4,670
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	-	4,670
Transactions with owners in their capacity as owners			
Issue of shares	(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**
Total comprehensive income for the year			
Profit/(loss) for the year	-	-	5,640
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	-	5,640
Transactions with owners in their capacity as owners			
Issue of shares	15,665	-	-
Dividends paid	-	-	(3,745)
Share-based payments	-	-	-
Total transactions with owners in their capacity as owners	15,665	-	(3,745)
Balance at 30 June 2017	**45,492**	**(17,399)**	**15,745**

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

Share-based payments reserve	Foreign currency translation reserve	Available-for-sale financial asset reserve	Total equity
$'000	$'000	$'000	$'000
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**
-	-	-	5,640
-	495	-	495
-	495	-	6,135
-	-	-	15,665
-	-	-	(3,745)
149	-	-	149
149	-	-	12,069
1,060	**304**	**(2,302)**	**42,900**

Jumbo Interactive Limited and its Controlled Subsidiaries

Consolidated Statement Of Cash Flows

For the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		35,888	37,220
Payments to suppliers and employees		(21,781)	(24,976)
Interest received		564	611
Interest and other costs of finance paid		(6)	(6)
Income tax paid		(3,799)	(4,502)
Net cash inflows/(outflows) from operating activities	7	10,866	8,347
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for investments		-	(84)
Loan to related party		-	(100)
Payments for property, plant and equipment		(162)	(164)
Payments for intangibles		(4,448)	(4,791)
Payment on loss of control of foreign subsidiary	6	(159)	-
Proceeds from sale of property, plant and equipment		-	8
Net cash inflows/(outflows) from investing activities		(4,769)	(5,131)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	15	15,665	-
Payments for share buybacks	15	-	(143)
Dividends paid	14	(3,745)	(1,544)
Net cash inflows/(outflows) from financing activities		11,920	(1,687)
Net increase/(decrease) in cash and cash equivalents		18,017	1,529
Net foreign exchange differences		(3)	(1)
Cash and cash equivalents at beginning of year		25,306	23,778
Cash and cash equivalents at end of year	7	43,320	25,306

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

Jumbo Interactive Limited and its Subsidiaries

Notes To The Consolidated Financial Statements

For the year ended 30 June 2017

About this report

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), and is a for-profit entity for the purposes of preparing the financial statements. The consolidated financial statements are for the consolidated entity consisting of Jumbo Interactive Limited (the Company) and its subsidiaries and together are referred to as the Group or Jumbo.

The consolidated financial statements were approved for issue in accordance with a resolution by the Directors on 24 August 2017. The Directors have the power to amend and reissue the consolidated financial statements.

The consolidated financial statements are general purpose financial statements which:

- Have been prepared in accordance with the Corporations Act 2001, Australian Accountings Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and International Financial reporting Standards (IFRS) issued by the International Financial Standards Board
- Have been prepared under the historical cost convention
- Are presented in Australian dollars (A$), with all amounts in the financial report being rounded off in accordance with the requirements of ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission to the nearest thousand dollars, unless otherwise indicated
- Where necessary, comparative information has been restated to conform with changes in presentation, in the current year
- Adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group effective for reporting periods beginning on or after 1 July 2016

The notes to the financial statements

The notes include financial information which is required to understand the consolidated financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example:

- The amount in question is significant because of its size or nature
- It is important for understanding the results of the Group
- It helps explain the impact of significant changes in the Group's business – for example, acquisitions and impairment write downs
- It relates to an aspect of the Group's operations that is important to its future performance

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes of the financial statements.

SIGNIFICANT JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates of future events. Judgements and estimates which are material to the consolidated financial statements include:

	Note	Page
Estimated useful life of website development costs	10	58
Goodwill and other intangible assets	10	58

In addition, in preparing the financial statements, the notes to the financial statements were ordered such that the most relevant information was presented earlier in the notes and that the disclosures that management deemed to be immaterial were excluded from the notes to the financial statements. The determination of the relevance and materiality of disclosures involved significant judgement.

Key events and transactions for reporting period

The financial position and performance of the Group was particularly affected by the following events and transactions during the reporting period:

1. The lower level of large jackpot activity (see Directors' Report for details);
2. The share issue to Tatts and resultant increase in cash (see Directors' Report for details); and
3. Discontinuing the operation in Germany (see note 6 for details).

Results for the year

IN THIS SECTION

Results for the year provides segment information and a breakdown of individual line items in the consolidated statement of profit or loss and other comprehensive income that the Directors consider most relevant, including a summary of the accounting policies, relevant to understanding these line items.

Note 1: Segment information

Jumbo determines and presents operating segments on a product and a geographic basis as this is how the results are reported internally to the Board (chief operating decision maker) and how the business is managed. The Board assesses the performance of the Group based on the net profit before tax (NPBT). Comparatives for 2016 are stated on this basis.

During the 2017 financial year, the Internet Lotteries Germany segment was reclassified as a discontinued operation – refer note 6 for details.

(a) Description of segments

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

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

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

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

(b) Segment information

The segment information provided to the Board is as follows:

2017	Internet Lotteries Australia $'000	Other $'000	Corporate $'000	Eliminations $'000	Total continuing operations $'000
External revenue	31,586	843	-	-	32,429
Internal revenue	-	-	-	-	
Total revenue	31,586	843	-	-	32,429
Cost of Sales	(2,465)	-	-	-	(2,465)
Gross Profit	29,121	843	-	-	29,964
Other revenue/income from external customers	857	-	207	-	1,064
Distribution expenses	(24)	-	-	-	(24)
Marketing costs	(3,458)	(85)	(23)	-	(3,566)
Occupancy expenses	(939)	(20)	-	-	(959)
Administrative expenses	(13,217)	(331)	(1,857)	-	(15,405)
Finance costs	-	-	(6)	-	(6)
NPBT continuing operations	12,340	407	(1,679)	-	11,068
Income tax expense					(3,471)
NPAT continuing operations					7,597
Discontinued operations					(1,957)
NPAT overall operations (per P&L)					5,640
Interest revenue	470	-	135	-	605
Depreciation and amortisation	(3,513)	(118)	-	-	(3,631)
Impairment of assets	(62)	-	-	-	(62)
Foreign exchange gain/(loss)	263	-	-	-	263

2016	Internet Lotteries Australia $'000	Other $'000	Corporate $'000	Eliminations $'000	Total continuing operations $'000
External revenue	33,239	844	-	-	34,083
Internal revenue	-	-	-	-	
Total revenue	33,239	844	-	-	34,083
Cost of Sales	(2,803)	-	-	-	(2,803)
Gross Profit	30,436	844	-	-	31,280
Other revenue/income from external customers	949	-	248	-	1,197
Distribution expenses	(34)	-	-	-	(34)
Marketing costs	(4,345)	(75)	(66)	-	(4,486)
Occupancy expenses	(865)	(14)	-	-	(879)
Administrative expenses	(13,774)	(362)	(1,592)	-	(15,728)
Impairment of investment	-	-	(454)	-	(454)
Finance costs	-	-	(6)	-	(6)
Share of losses of associate companies	-	-	(173)	-	(173)
NPBT continuing operations	12,367	393	(2,043)	-	10,717
Income tax expense					(3,394)
NPAT continuing operations					7,323
Discontinued operations					(2,653)
NPAT overall operations (per P&L)					4,670
Interest revenue	496	-	148	-	644
Depreciation and amortisation	(3,493)	(151)	-	-	(3,644)
Foreign exchange gain/(loss)	247	-	20	-	267
Impairment of investments	-	-	(454)	-	(454)
Share of losses of associate company	-	-	(173)	-	(173)

(c) Other segment information

Geographical information

The entity is domiciled in Australia. The amount of its revenue from external customers in Australia is $28,965,000 (2016: $30,997,000), and the total revenue from external customers in other countries is $4,528,000 (2016: $4,283,000). Revenues of $1,834,000 (2016: $1,910,000) 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 $11,890,000 (2016: $11,120,000). Non-current assets in other countries are (i) Germany $nil (2016: $29,000), and (ii) Fiji $24,000 (2016: $36,000).

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.

Note 2: Revenue and other income

The Company reports revenue from the sale of lottery tickets and related services 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.

From continuing operations

	Consolidated Group 2017 $'000	2016 $'000
Sales revenue		
– Revenue from sale of goods	2,510	2,575
– Revenue from rendering of services	29,919	31,508
	32,429	34,083
Other revenue/income		
– Interest		
– Cash	605	644
– Other income		
– Foreign exchange gains	263	267
– Export market development grants	111	120
– Other	85	166
	1,064	1,197
	33,493	35,280

From discontinued operations (note 6)

	Consolidated Group	
	2017	2016
	$'000	$'000
Sales revenue		
– Revenue from rendering of services	138	258
	138	258
Other revenue/income		
– Other income		
– Other	177	38
	177	38
	315	296

Recognition and measurement

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.

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.

Government grants

The export market development grant from the government is recognised at its fair value when there is reasonable assurance that the grant will be received and the Group will comply with any attached conditions.

Note 3: Expenses

Profit from continuing operations before income tax includes the following specific expenses:

	Consolidated	
	2017	2016
	$'000	$'000
Cost of sales		
– Sale of goods	1,152	1,201
– Rendering of services	1,313	1,602
Administration expenses		
Depreciation of non-current assets		
– Plant and equipment	149	145
Amortisation of non-current assets		
– Leasehold improvements	41	66
– Intangibles	3,441	3,433
Other expenses		
– Employee benefit expense	6,468	6,074
– Defined contribution superannuation expense	824	898
Occupancy expenses		
– Operating lease rentals minimum lease payments	959	879
Impairment of assets – domain names	62	-

Note 4: Income tax

Liabilities

		Consolidated	
		2017	2016
CURRENT	Note	$'000	$'000
Income tax expense		**184**	**697**

(a) Income tax expense

		Consolidated	
		2017	2016
	Note	$'000	$'000
The components of tax expense comprise:			
– Current tax		3,284	3,771
– Deferred tax	4(b)	186	(348)
– Under/over provision deferred tax previous years		-	(8)
– Under/over provision tax prior years		-	(32)
– Current tax overseas operations		1	11
Total income tax expense/(benefit) in profit and loss		3,471	3,394
Reconciliation			
Profit before income tax expense		9,111	8,064
– Tax at the Australian tax rate 30% (2016:30%)		2,733	2,419
– Income tax effect of overseas tax rates		338	818
– Share options expensed during year		44	40
– Other		356	149
– Under/over provision tax prior years		-	(32)
Total income tax expense in profit or loss attributable to continuing operations		3,471	3,394

(b) Deferred tax

Deferred tax liabilities	Opening balance $000	Charged to Profit or Loss $000	Closing Balance $000
Deferred tax liabilities comprise temporary difference recognised in the profit and loss as follows:			
Property, plant and equipment			
– Depreciation	5	(4)	1
Accruals	-	24	24
Other	32	(9)	23
Balance at 30 June 2016	**37**	**11**	**48**
Property, plant and equipment			
– Depreciation	1	(1)	-
Accruals	24	42	66
Other	23	(23)	-
Balance as at 30 June 2017	**48**	**18**	**66**

Deferred tax assets	Opening balance $000	Charged to Profit or Loss $000	Closing Balance $000
Deferred tax assets comprise temporary difference recognised in the profit and loss as follows:			
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**
Property, plant and equipment			
– Depreciation	124	(5)	119
– Amortisation	370	(211)	159
Accruals	179	23	202
Provisions	387	29	416
Other	16	(4)	12
Balance as at 30 June 2017	**1,076**	**(168)**	**908**

Recognition and measurement

Current taxes

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 consolidated financial statements.

Deferred taxes

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 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 and associates 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.

Tax consolidation

Jumbo Interactive Limited and its wholly owned Australian controlled subsidiaries are part of a tax consolidated group under Australian taxation law since 1 July 2006. Jumbo Interactive Limited is the head entity in the tax consolidated group. Entities within the tax consolidation group have entered into a tax funding agreement '(TFA') and tax sharing deed ('TSD') with the head entity. Under the terms of the TFA, Jumbo Interactive Limited and each of the entities in the tax consolidation group have agreed to pay (or receive) a tax equivalent payment to (or from) the head entity, based on the current tax liability or current tax asset of the entity.

Note 5: Earnings per share (EPS)

(a) Basic earnings per share

Basic EPS is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding.

(b) Diluted earnings per share

Diluted EPS is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding after adjusted for the effects of dilutive potential ordinary shares

(c) Profit after tax attributable to owners of the Company used as numerator

	Consolidated	
	2017 $'000	2016 $'000
Profit from continuing operations	7,597	7,323
Profit from discontinued operation	(1,957)	(2,653)
Profit attributable to the owners of the Company	5,640	4,670

(d) Weighted average number of shares used as denominator

	Consolidated	
	2017 Number	2016 Number
Weighted average number of ordinary shares used as the denominator in calculating basic EPS	44,954,344	44,119,040
Adjustments for calculation of diluted EPS: — options	980,179	-
Weighted average number of ordinary shares used as the denominator in calculating diluted EPS	45,934,523	44,119,040

1,800,000 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 6: Discontinued operations

On 3 November 2016, Jumbo Interactive Limited announced its intention to scale down Jumbo Interactive GmbH, its Internet lotteries German business segment, due to adverse market conditions and, as disclosed in the 2016 Half Year Report, on 5th December 2016 the sale of lottery tickets ceased. The business was subsequently placed into voluntary administration (VA) on 31 March 2017 and is reported as a discontinued operation as Jumbo no longer has control. The purpose of the VA is to facilitate the orderly closure and wind-up of the business in compliance with German Legal requirements.

Financial information relating to the discontinued operation for the nine month period to the date of voluntary administration and the year ended 30 June 2016 is set out below.

	2017 $'000	2016 $'000
Revenue	315	296
Expenses	(1,467)	(2,949)
Loss before income tax	(1,152)	(2,653)
Income tax (expense)/benefit	-	-
Loss after income tax	(1,152)	(2,653)
Loss on loss of control of subsidiary in voluntary administration	(242)	-
Reclassification of foreign currency translation reserves to the income statement[1]	(563)	-
Loss on loss of control before income tax	(805)	-
Income tax (expense)/benefit	-	-
Loss on loss of control after income tax	(805)	-
Loss for the year from discontinued operation	(1,957)	(2,653)
Profit attributable to owners of the parent entity relates to:		
Profit/(loss) from continuing operations	7,597	7,323
Profit/(loss) from discontinued operations	(1,957)	(2,653)
	5,640	4,670

[1]Foreign currency loss relates to the historical foreign currency translation reserve in respect of Jumbo's investment in Germany, reclassified to the income statement on loss of control through voluntary administration.

	2017 $'000	2016 $'000
Net cash inflow/(outflow) from operating activities	(1,353)	(2,786)
Net cash inflow/(outflow) from investing activities	(88)	(15)
Net cash inflow/(outflow) from financing activities	-	-
Net cash increase/(decrease) in cash generated from discontinued operations	(1,441)	(2,801)

Details of the voluntary administration of Jumbo Interactive GmbH

	2017 $'000
Cash paid to administrator on loss of control	159
Total cash lost on loss of control	159
Carrying amount of net assets over which control was lost	83
Loss on loss of control of subsidiary before income tax	242
Income tax benefit	-
Loss on loss of control of subsidiary after income tax	242

The carrying amounts of the assets and liabilities as at the date of voluntary administration (31 March 2017) were:

Note 6: Discontinued operations (cont)

	31 March 2017 $'000
Property, plant and equipment	19
Intangible assets	64
Trade and other receivables	87
Total assets	170
Trade and other payables	(87)
Total liabilities	(87)
Net assets	83

Operating assets and liabilities

IN THIS SECTION

Operating assets and liabilities provides information about the working capital of the Group and major balance sheet items, including the accounting policies, judgements and estimates relevant to understanding these items.

Note 7: Cash and cash equivalents

	Note	Consolidated 2017 $'000	Consolidated 2016 $'000
(a) Cash and cash equivalents			
Total cash and cash equivalents		43,320	25,306
Included in the above balance:			
General account balances		35,825	18,251
Online lottery customer account balances	11	7,495	7,055
		43,320	25,306

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

Recognition and measurement

Cash and cash equivalents includes cash on hand, and deposits held 'at call' and with original maturities of three months or less, with financial institutions.

	Consolidated 2017 $'000	Consolidated 2016 $'000
(b) Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit/(loss) for the year after income tax	5,640	4,670
Non-cash flows		
Amortisation	3,504	3,501
Depreciation	160	167
Derecognition of subsidiary	242	-
Share of losses of associate company accounted for using the equity method	-	173
Capitalised other revenue from associate company	(114)	(111)
Impairment losses on investment	-	454
Share option expense	149	134
Other	186	(113)
Changes in operating assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
Decrease/(increase) in trade receivables	26	(18)
Decrease/(increase) in other receivables	94	(56)
Decrease/(increase) in inventories	-	1
Decrease/(increase) in DTA	168	(359)
Decrease/(increase) in foreign exchange reserve	495	-
Increase/(decrease) in trade payables	9	(165)
Increase/(decrease) in other payables	708	665
Increase/(decrease) in other provisions	95	154
Increase/(decrease) in DTL	18	11
Increase/(decrease) in provision for income tax	(514)	(761)
Cash flow from operations	10,866	8,347
(c) Non-Cash Financing and Investing Activities		
Capitalised interest at 7.00% p.a. on Promissory Note issued by associate company (note 20)	41	33
Capitalised dividend on Series A Preferred Stock issued by associate company (note 21)	73	78

Note 8: Trade and other receivables

	Note	Consolidated 2017 $'000	Consolidated 2016 $'000
CURRENT			
Trade receivables		95	121
Allowance for doubtful debts		-	-
		95	121
Loans to key management personnel	22	100	-
Other receivables		170	271
Prepayments		183	176
		548	568

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

Past due but not impaired

These trade receivables relate to a few customers for whom there is no recent history of default. The aging of past due but not impaired trade receivables are as follows:

	Consolidated	
	2017	2016
	$'000	$'000
Up to one month	-	-
One month to two months	-	-
Two months to three months	17	6
Over three months	-	70
	17	76

As at 30 June 2017 the Group had current trade receivables of $0 (2016: $0) that were impaired

Recognition and measurement

Trade receivables are recognised at original invoice amounts less an allowance for uncollectible amounts, and have repayment terms between seven and thirty 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.

Note 9: Property, plant and equipment

	Consolidated	
	2017	2016
	$'000	$'000
Plant and equipment–at cost	1,416	1,424
Accumulated depreciation	(1,176)	(1,103)
	240	321
Leasehold improvements–at cost	542	481
Accumulated amortisation	(441)	(401)
	101	80
Total property, plant and equipment	341	401

Movements in Carrying Amounts

Consolidated Group	Plant and equipment $'000	Leasehold Improvements $'000	Total $'000
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
2017			
Balance at the beginning of year	321	80	401
Additions	100	62	162
Disposals	(20)	-	(20)
Depreciation/amortisation expense	(160)	(41)	(201)
Effects of movements in foreign exchange	(1)	-	(1)
Carrying amount at the end of year	240	101	341

Recognition and measurement

(i) Initial recognition and measurement

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.

(ii) Subsequent costs

Improvements to leasehold property are recognised as a separate asset.

All repairs and maintenance are charged to the profit or loss during the reporting period in which they occur.

(iii) Depreciation and amortisation

Property, plant and equipment are depreciated or amortised from the date of acquisition, or, in respect of internally generated assets, from the time an asset is held ready for use.

Plant and equipment are depreciated using the straight-line method to allocate their costs, net of their residual values, over their estimated useful lives.

Leasehold improvements are amortised over the shorter of either the unexpired term of the lease or the estimated useful life of the improvements.

The depreciation and amortisation rates used during the year were based on the following range of useful lives:

Plant and equipment	Two to five years
Leasehold improvements	Up to six years

The depreciation and amortisation rates are reviewed annually and adjusted if appropriate. An asset's carrying amount is written down to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount.

(iv) Derecognition

An item of property, plant or equipment is derecognised when it is disposed of or no future economic benefits are expected from its use or disposal.

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

Note 10: Intangible assets

	Consolidated	
	2017	2016
	$'000	$'000
Goodwill	3,687	3,687
Accumulated impairment losses	(855)	(855)
Net carrying value	2,832	2,832
Intellectual property	53	53
Accumulated impairments loss	(23)	(23)
Net carrying value	30	30
Website development costs	22,957	18,635
Accumulated amortisation	(15,114)	(11,684)
Net carrying value	7,843	6,951
Software costs	133	142
Accumulated amortisation	(133)	(138)
Net carrying value	-	4
Domain names – cost	910	902
Accumulated impairment losses	(62)	-
Net carrying value	848	902
Other	63	39
Accumulated amortisation	(42)	(39)
Net carrying value	21	-
Total intangibles	11,574	10,719

SIGNIFICANT JUDGEMENTS AND ESTIMATES

Impairment assessment of goodwill and domain names

A key judgement by management with regards to the Internet Lotteries Australia segment CGU is that the reseller agreements with the Tatts Group will continue. The key assumptions used for value-in-use calculations are discussed further in note 10(b). Goodwill is tested for impairment half yearly.

Impairments assessment of other intangible assets

The Group considers half yearly whether there have been any indicators of impairment and then tests whether non-current assets have incurred any impairment in accordance with the accounting policy.

Estimated useful life of website development costs

Management estimates the useful of intangible assets-website development costs based on the expected period of time over which economic benefits from the use of the asset will be derived. Management reviews useful life assumptions on an annual basis having given consideration to variables including historical and forecast usage rates, technological advancements and changes in legal and economic conditions.

The amortisation period relating to the website developments costs is five years from 1 July 2015 and three years prior to that.

Domain names

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.

(a) Movements in carrying values

Consolidated Group	Goodwill	Intellectual property	Website development costs	Software	Domain names	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2016							
Balance at the beginning of the 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
2017							
Balance at the beginning of the year	2,832	30	6,951	4	902	-	10,719
Additions acquired	-	-	-	-	8	110	118
Additions internally developed	-	-	4,330	-	-	-	4,330
Disposals on derecognition of subsidiary	-	-	-	(9)	-	(85)	(94)
Impairments	-	-	-	-	(62)	-	(62)
Amortisation charge	-	-	(3,430)	(1)	-	(24)	(3,455)
Effects of movements in foreign exchange	-	-	(8)	-	-	-	(8)
Amortisation on derecignition of subsidiary	-	-	-	6	-	20	26
Closing value at 30 June 2017	2,832	30	7,843	-	848	21	11,574

(b) 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.

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 are as follows:

- Annual growth rate of 3% (2016: 3%);
- Terminal growth rate of 3% (2016: 3%);
- Discount rate of 17% being the calculated weighted average cost of capital based on the capital asset pricing model (2016: 17%); and
- 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.

Internet Lotteries Australia CGU is estimated to be $80,576,000 which exceeds the carrying amount of goodwill, domain names and other intangible assets by $69,278,000. If a discount rate of 20% and growth rate of 0% was used instead of 17% and 3% respectively, the recoverable amount of goodwill, domain names and other intangible assets 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 $11,298,000.

Recognition and measurement

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. 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. 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.

Impairment of assets
Assets are tested for impairment at the end of each reporting period or whenever events or changes in circumstances indicate that the carrying amount may not be recovered.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash flows from other assets or groups of assets (CGUs).

The recoverable amount is the greater of the asset's fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects market assessments of the time value of money and the specific risks of the asset.

Impairment losses are recognised in the profit or loss. Non-financial assets other than goodwill that incur impairment are reviewed for possible reversal of impairment at each reporting period.

Note 11: Trade and other payables

		Consolidated	
		2017	2016
	Note	$'000	$'000
Total trade and other payables		13,009	12,239
Included in the above:			
Trade creditors		1,029	1,020
GST payable		378	266
Sundry creditors and accrued expenses		3,312	3,156
Employee benefits		795	742
		5,514	5,184
Customer funds payable	7	7,495	7,055
		13,009	12,239

Recognition and measurement
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.

(i) Employee benefits
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.

(ii) Superannuation
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.

(iii) Termination benefits
Termination benefits are payable when employment is terminated before the retirement date, or when an employee accepts voluntary redundancy in exchange for these 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.

Note 12: Employee benefit obligations

	Consolidated	
	2017	2016
	$'000	$'000
CURRENT		
Long service leave	293	281
NON-CURRENT		
Long service leave	277	271
	570	552

	Make good provision
	$'000
Balance at the beginning of the year	-
Provisions made during the year	24
Balance at the end of the year	24

Recognition and measurement

(i) 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.

Capital and financial risk management

IN THIS SECTION

Capital and financial risk management provides information about the capital management practices of the Group and shareholder returns for the year, discusses the Group's exposure to various financial risks, explains how these affect the Group's financial position and performance and what the Group does to manage these risks.

Note 13: Capital risk management

		Consolidated	
		2017	2016
	Note	$'000	$000
Total borrowings	16	-	-
Less: cash and cash equivalents	7	(35,825)	(18,251)
Net debt		-	-
Total equity	15	45,492	24,696
Total capital		45,492	24,696
Gearing ratio		0%	0%

The Group's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and sustain future development of the business.

The Group monitors its capital structure by reference to its gearing ratio. This ratio is calculated as total net debt divided by total capital. Net debt is calculated by as total borrowings less cash and cash equivalents (up to a minimum of zero). Total capital is net debt plus total equity. There were no changes in the Group's approach to capital management during the year.

Note 14: Dividends

(a) Ordinary shares

	Consolidated	
	2017	2016
	$'000	$'000
Final fully franked ordinary dividend of 5.0 (2015: 1.5) cent per share franked at the tax rate of 30% (2015: 30%)	2,203	881
Interim fully franked ordinary dividend of 3.5 (2016: 2.0) cent per share franked at the tax rate of 30% (2016: 30%)	1,542	663
Total dividends paid or provided for	3,745	1,544

Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2017 and 30 June 2016 were as follows:		
Paid in cash	3,745	1,544
Satisfied by issue of shares	-	-
	3,745	1,544

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

	Consolidated	
	2017	2016
	$'000	$'000
Special fully franked dividend of 15.0 (2016:nil) cent per share franked at the tax rate of 30% was declared by the directors on 12 July 2017 and paid on 8 August 2017	7,691	-
In addition to the above dividends, since year end the Directors have recommended the payment of a final 2017 fully franked ordinary dividend of 5.0 (2016: 5.0) cent per share franked at the rate of 30% (2016: 30%). The aggregate amount of the proposed dividend expected to be paid on 22 September 2017, but not recognised as a liability at year end, is:	2,564	2,203

(c) Franked dividends

	Consolidated	
	2017	2016
	$'000	$'000
The franked portions of dividends paid and recommended after 30 June 2017 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 2017.		
Franking credits available for subsequent financial years based on a tax rate of 30% (2016: 30%):	12,173	9,981

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

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

(ii) 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 dividends paid and 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 $4,395,000 (2016: $944,000).

Note 15: Equity and reserves

(a) Contributed equity

Issued shares

	Consolidated		Consolidated	
	2017	2017	2016	2016
	Shares	$'000	Shares	$'000
Ordinary shares – fully paid	50,674,265	45,492	44,064,579	29,827

Movements in ordinary share capital

	Consolidated	
Details	Shares	$'000
Opening balance 1 July 2015	44,202,560	29,970
On-market share buyback	(137,981)	(143)
Balance 30 June 2016	44,064,579	29,827
Opening balance 1 July 2016	44,064,579	29,827
Off-market share issue to Tatts	6,609,686	15,665
Balance 30 June 2017	50,674,265	45,492

Issued capital represents the amount of consideration received for securities issued or paid for securities bought back by Jumbo.

Costs directly attributable to the issue of new shares or options are deducted from the consideration received, net of income taxes.

(b) 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.

(c) 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 24: Share-Based Payments.

(ii) For information relating to share options issued to third parties during the financial year, refer to note 24: Share-Based Payments.

(d) Reserves

Nature and purpose of reserves

Profits appropriation reserve

The profits appropriation reserve records accumulated profits available for distribution at the Directors' discretion. In June 2010, there was a change in the test for payment of dividends from a 'profit test' to 'solvency test' (s254T Corporations Act 2001), and the profits appropriation reserve was established to ensure the accumulated losses up until then were 'ring-fenced' and that future profits were available for distribution, in particular for dividend payments.

Share-based payments reserve

The share-based payments reserve records items recognised as expenses on the fair value of share-based remuneration provided to employees. This reserve can be reclassified as retained earnings if options lapse.

Foreign currency translation reserve

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

Available-for-sale financial asset reserve

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

Note 16: Borrowings

(a) Facilities with Banks

		Consolidated	
		2017	2016
	Note	$'000	$'000
Credit facility			
Bank guarantees		550	550
Commercial card		300	300
Facilities utilised			
Bank guarantees	27	(426)	(405)
Commercial credit card		(295)	(295)
Amount available		129	150

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.

There were no outstanding interest bearing liabilities for the financial year ended 2017 (2016: nil).

(b) Assets pledged as security

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

(c) Defaults and breaches

There have been no defaults or breaches during the financial year ended 30 June 2017.

Note 17: Financial risk management

The Group has exposure to a variety of financial risks including market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk. Risk management is performed by a central Treasury function on behalf of the Group under Treasury Policies approved by the Board annually. Speculative activities are strictly prohibited. Compliance with the Treasury Policies is monitored on an ongoing basis through regular reporting to the Board.

(a) Market risk

Market risk is the risk that adverse movements in foreign exchange and interest rates will affect the Group's financial performance or the value of its holdings of financial instruments. The Group measures market risk using cash flow at risk. The objective of risk management is to manage the market risks inherent in the business to protect profitability and return on assets.

(i) Foreign exchange risk

Exposure to foreign exchange risk

Foreign exchange risk arises from commercial transactions (transactional risks) and recognised assets and liabilities (translational risks) that are denominated in or related to a currency that is not in the Group's functional currency. The Group's foreign exchange risk relates largely to the Fiji Dollar (FJ$). The foreign exchange risk to the Euro (€) has ceased with the discontinued operation in Germany (see note 6 for details).

Risk management

Treasury monitor the Group's exposure regularly and utilise the spot market to buy and sell specified amounts of foreign currency to manage this risk. Transactional risks are managed predominantly within the Group's pricing policies through the regular review of prices in foreign currency.

Sensitivity on foreign exchange risk

Any movement in foreign exchange rates would not be significant to the Group.

(ii) Interest rate risk

Exposure to interest rate risk

The Group's has interest bearing assets and therefore its income and operating cash flows are subject to changes in market interest rates.

At the reporting date, the Group has exposure to the following interest rates:

	Consolidated			
		2017		2016
	Rate[1]		Rate[1]	
	%	$'000	%	$'000
Deposits	1.93	43,320	2.85	19,294
Net exposure to interest rate risk		43,320		19,294

[1]weighted average interest rate

Risk management

The Group manages cash flow interest rate risk by using term deposits with banks for various periods. The weighted average maturity of outstanding term deposits is approximately 20 days (2016: 33 days). Term deposits currently in place cover approximately 84% (2016: 79%) of the total cash and cash equivalent balances.

Sensitivity on market risks

The following table summarises the gain/(loss) impact of a 200 basis points (bps) interest rate change on net profit and equity before tax, with all other variables remaining constant, as at 30 June 2017:

	Consolidated			
	Effect on profit (before tax)		Effect on equity (before tax)	
	2017	2016	2017	2016
200 bps movement in interest rates				
200 bps increase in interest rates	866	506	866	506
200 bps decrease in interest rates	(866)	(506)	(866)	(506)

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

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. Assets are pledged as security as detailed in note 16(b).

Credit risk is managed on a Group basis through the Board approved Treasury Policies and is reviewed regularly by the Board.

The Board 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 and to a limited amount at any one financial institution:
- All potential customers are rated for credit worthiness taking into account their size, market position and financial standing, and the risk is measured using debtor aging analysis; and
- Customers that do not meet the Group's strict credit policies may only purchase in cash or using recognised credit cards.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities. The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash balances are maintained to meet its liabilities when due.

The following table summarises the contractual timing of undiscounted cash flows of financial instruments:

2017	Less than 6 months $'000	Between 6 months and 1 year $'000	Between 1 and 5 years $'000	Over 5 years $'000	Total carrying amount $'000
Financial assets					
Cash and cash equivalents	43,320	-	-	-	43,320
Trade and other receivables	448	100	-	-	548
	43,768	100	-	-	43,868
Financial liabilities					
Trade and other payables	13,009	-	-	-	13,009
	13,009	-	-	-	13,009

2016	Less than 6 months $'000	Between 6 months and 1 year $'000	Between 1 and 5 years $'000	Over 5 years $'000	Total carrying amount $'000
Financial assets					
Cash and cash equivalents	25,306	-	-	-	25,306
Trade and other receivables	568	100	-	-	668
	25,874	100	-	-	25,974
Financial liabilities					
Trade and other payables	12,239	-	-	-	12,239
	12,239	-	-	-	12,239

(d) Fair value hierarchy

The fair value of cash, cash equivalents and non-interest bearing financial assets and liabilities approximates their carrying value due to their short term maturity.

The fair value of financial instruments that are not traded in an active market (for example, unlisted investments) are determined using valuation techniques. The valuation techniques maximise the use of observable market data where possible and rely as little as possible on entity specific estimates.

The Group measures and recognises the following assets and liabilities at Fair Value through Other Comprehensive Income on a recurring basis:

— Available-for-sale financial assets

The fair value of unlisted equity securities is estimated by discounting the estimated future cash flows at the estimated weighted average cost of capital.

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).

The carry values of loans to key management personnel at variable interest rate approximates its fair value.

Group structure

IN THIS SECTION

Group structure provides information about particular subsidiaries and associates and how changes have affected the financial position and performance of the Group.

Note 18: Controlled subsidiaries

The Group's subsidiaries that were controlled during the year and prior years are set out below:

	Country of Incorporation	Percentage Ownership 2017 %	Percentage Ownership 2016 %
Direct subsidiaries of the ultimate parent entity Jumbo Interactive Limited:			
Benon Technologies Pty Ltd	Australia	100	100
TMS Global Services Pty Ltd	Australia	100	100
Jumbo Ventures Pty Ltd[1]	Australia	-	100
Intellitron Pty Ltd	Australia	100	100
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[2]	Germany	-	100

[1]the company was de-registered 17 August 2016

[2]the company was placed in voluntary administration 31 March 2017

Subsidiaries of TMS Global Services Pty Ltd:			
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[3]	United States of America	-	100
Jumbo Lotteries North America, Inc.	United States of America	100	100

[3]the company was de-registered 27 February 2017

Principles of consolidation

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.

Changes in ownership interests

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the profit or loss. This fair value becomes the initial carrying value for the purposes of subsequently accounting for the retained interest as an associate, joint venture or –available-for-sale financial asset. In addition, any amount previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the relative assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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

Note 19: Parent disclosures

The parent and ultimate parent entity within the Group is Jumbo Interactive Limited.

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregated amounts as follows:

	2017 $'000	2016 $'000
Current assets	17,471	4,001
Non-current assets	24,164	9,822
Total assets	41,635	13,823
Current liabilities	641	1,043
Non-current liabilities	7,046	10,218
Total liabilities	7,687	11,261
Net assets	33,948	2,562
Issued capital	45,492	29,970
Retained earnings/(accumulated losses)	(26,037)	(26,037)
Profits appropriation reserve	15,736	164
Other reserves	(1,243)	(1,392)
Total shareholders' equity	33,948	2,562
Profit for the year	19,317	925
Total comprehensive income for the year	19,317	925

(b) 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 16: Borrowings, and are ongoing.

The parent entity has also provided a guarantee in favour of Tattersalls in respect of payment obligations of a subsidiary company in terms of the Agent reseller agreements, between its subsidiary and the favouree.

(c) Contractual commitments

There were no contractual commitments for the acquisition of property, plant and equipment entered into by the parent entity at 30 June 2017 (2016: $0).

(d) Contingent liabilities

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

Recognition and measurement

The financial information for the parent entity, Jumbo Interactive Limited, has been prepared on the same basis as the consolidated financial statements, except as set out below:

(i) Investments in subsidiaries and associates

Investments in subsidiaries and associates are accounted for at cost in the financial statements of Jumbo Interactive Limited. Dividends received from associates are recognised in the parent entity's income statement, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation

Jumbo Interactive Limited and its wholly owned subsidiaries have implemented the tax consolidation legislation for the whole of the financial year. Refer to note 4 for details.

Other information

IN THIS SECTION

Other information provides information on other items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements however are not consider critical in understanding the financial performance or position of the Group.

Note 20: Investments accounted for using the Equity Method

Interest in Associate – Lotto Points Plus Inc., USA	Place of business/ Country of Incorporation	2017	2016	2017	2016
		%	%	$'000	$'000
Unlisted shares					
Lotto Points Plus Inc	New York, USA	30.9	34.8	-	-
Net investment in associate company				-	-

Lotto Plus Inc is an investment company, with its only investment being a 21.9% shareholding (non-voting) in Lottery Rewards Inc., USA (see note 21(b) for details).

Recognition and measurement

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.

Note 21: Available-for-sale financial assets (non-current)

Unlisted securities comprise investments in:

(a) Sorteo Games Inc., USA. The Company owns 7% of the issued share capital of Sorteo Games Inc. Shares in Sorteo Games Inc are carried at fair value of $nil (2016: $nil).

(b) Lottery Rewards Inc., USA. The Company owns 7.0% of the issued share capital of Lottery Rewards Inc – 0.2% directly and 6.8% indirectly (through Lotto Points Plus Inc – see note 20 for details). Shares in Lottery Rewards Inc are carried at fair value of $nil (2016: n/a).

SIGNIFICANT JUDGEMENTS

A key judgement by management is the uncertainty of future economic benefits of both Sorteo Games Inc and Lottery Rewards Inc

Recognition and measurement

Non-current assets are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction, rather than through continuing use. After initial recognition at cost, they are measured at fair value with gains and losses recognised in other comprehensive income (available-for-sale investments reserve), until the investment is disposed of, at which time the cumulative gain or loss previously recognised in the available-for-sale reserve may be transferred within equity.

Note 22: Related party transactions

Parent entity

Jumbo Interactive Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 18.

Key management personnel

Disclosures relating to key management personnel are set out in note 23 and the remuneration report in the directors' report.

Transactions with related parties

All transactions between related parties are on normal commercial terms and conditions at market rates and no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

	Consolidated	
	2017	2016
	$	$
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	7,211	6,600
Services paid	-	14,097

	Consolidated	
	2017	2016
	$	$
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	82,441	82,125

Receivables from related parties

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

	Consolidated	
	2017	2016
	$	$
Trade receivables from Elegant Properties Pty Ltd (director-related entity of Mike Veverka)	1,573	1,210

Loans to/from related parties

	Consolidated	
	2017	2016
	$	$
Advances to – key management personnel	100,000	100,000

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, 5.22% 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) and repayable by 7 March 2018.

Interest charged and received during the year was $7,236 (2016: nil).

Note 23: Key Management Personnel compensation

	Consolidated	
	2017	2016
	$	$
Short term employee benefits	1,799,152	1,667,998
Post employment benefits	135,870	138,826
Other long term benefits	18,453	35,154
Termination benefits	174,538	-
Share based payments	106,296	103,503
	2,234,309	1,945,482

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 24: Share-based payments

	Consolidated	
Share-based payment expenses recognised during the financial year	2017 $	2016 $
Options issued under employee option plan	130,989	133,890
Options issued to third parties for services received	17,863	-
	148,852	133,890

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.

Third party options

Options have been issued to an Australian based contractor as part of the remuneration for their services to incentivise them to procure a commercially acceptable transaction in Australia. Options vest when the volume weighted average share price over five consecutive trading days equals the exercise price and provided an acceptable transaction has been brought to the Company with terms and conditions acceptable to the Company by 31 December 2017 failing which the options will lapse.

Fair value of options granted

Employees

There were no options granted during the 2017 financial year. The weighted average fair value of options granted during the 2016 financial year was 5.9 cents. The fair value at grant date was determined by an independent valuer using the Monte Carlo Simulation option pricing model that takes into account the share price at grant date, exercise price, expected volatility, option life, expected dividends, and the risk free rate. The inputs used for the Monte Carlo Simulation option pricing model for options granted during the year ended 30 June 2016 were as follows:

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		
	2016	
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%

Third parties

The weighted average fair value of options granted during the year was 2.0 cents (there were no options granted during the 2016 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 2017 were as follows:

	2017
Grant date	2 Feb 2017
Share price at grant date	$1.650
Exercise price	$2.250
Expected volatility	56.950%
Expected dividend yield	4.24%
Risk free rate	2.20%

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.

Details of options outstanding during the financial year are as follows:

2017

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 Sep 2013	$4.00	3 Sep 2018	1,800,000	-	(400,000)	-	-	1,400,000	-
6 Nov 2013	$4.00	6 Nov 2018	400,000	-	-	-	-	400,000	-
18 Nov 2015	$1.75	18 Nov 2020	1,700,000	-	(100,000)	-	-	1,600,000	-
14 Jan 2016	$1.75	14 Jan 2021	500,000	-	-	-	-	500,000	-
Third party options									
2 Feb 2017	$2.25	2 Feb 2022	-	200,000	-	-	-	200,000	
			4,400,000	200,000	(500,000)	-	-	4,100,000	-

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

The weighted average exercise price for the year ended 30 June 2017 was $2.78 (2016: $3.18).

The weighted average remaining contractual life of share options outstanding at 30 June 2017 was 2 years 6 months (2016: 3 year 4 months).

Recognition and measurement

The fair value of options granted to Directors, employees and consultants is recognised as an expense with a corresponding increase in equity (share based payments 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.

Note 25: Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity and its related practices:

	Consolidated	
	2017	2016
	$	$
Audit services		
Amounts paid/payable to BDO for audit or review of the financial statements for the entity or any entity in the Group	132,408	94,946
	132,408	94,946
Taxation services		
Amounts paid/payable to BDO for taxation services for the entity or any entity in the Group:		
Review of income tax return	40,000	55,377
Transfer pricing consulting	-	22,000
Other taxation advice	-	3,690
	40,000	81,067
Other services		
Amounts paid/payable to BDO for other services for the entity or any entity in the Group:		
Accounting advice	2,800	2,535
Export grant services	6,000	20,000
	8,800	22,535
	181,208	200,548

Note 26: Summary of other significant accounting policies

Other significant accounting policies adopted in the preparation of these consolidated financial statements are set out in relevant sections of the notes below. These policies have been consistently applied to all the years presented, unless otherwise stated. Where necessary, comparative information has been restated to conform with changes in presentation in the current year.

(a) Basis of preparation

(i) New, revised or amended Accounting Standards and Interpretations adopted

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

This standard requires 'decluttering' of financial statements which means only notes that are deemed material are included and are grouped by operating activity, and only significant accounting policies are disclosed.

(ii) New Accounting Standards and Interpretations not yet adopted

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.

AASB 16 Leases

This standard and its consequential amendments are currently applicable to annual reporting periods beginning on or after 1 January 2019. This standard requires lessees to capitalise all leases on the balance sheet (subject to limited exception) and there is no longer a requirement to classify leases as either operating or financial leases. This means that on commencement date of the lease, lessees need to measure a right-of-use asset and a lease liability. The initial adoption of this standard will impact on the financial statements at 30 June 2020. The Group's management has yet to assess the impact of this amendment.

(b) Foreign currency transactions

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses are presented in profit or 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.

(c) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises financial assets on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial assets are initially recognised at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Group classifies its financial assets as subsequently measured at either amortised cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Refer to notes 20 and 21 for further details.

(ii) Financial assets measured at amortisation cost

A financial asset is subsequently measured at amortised cost, using effective interest method and net of any impairment, if:

— The asset is held within the business model whose objective is to hold assets in order to collect contractual cash flows
— The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest

The Group assesses at each reporting date whether there is objective evidence that a financial asset (or group of financial assets) is impaired.

Refer to notes 7 and 8 for further details.

(iii) Non-derivative liabilities

The Group initially recognises loans on the date when they originated. Other financial liabilities are initially recognised on the trade date. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest rate method.

Refer to note 11 for further detail

(d) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of GST, unless the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO), 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 receivable or payable included. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the consolidated statement of financial position.

Cash flows are included in the consolidated 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 ATO, are classified as operating cash flows.

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

Unrecognised items

IN THIS SECTION

Unrecognised items provide information about items that are not recognised in the consolidated financial statements but could potentially have a significant impact on the Group's financial position and performance.

Note 27: Contingencies

Contingencies relate to the outcome of future events and may result in an asset or liability, however due to current uncertainty do not qualify for recognition.

Estimates of the potential financial effect of contingent liabilities that may become payable:

	Consolidated	
	2017	2016
	$'000	$'000
Guarantees provided by the Group's bankers	426	405

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.

Note 28: Commitments

Operating lease commitments

	Consolidated	
	2017	2016
	$'000	$'000
Non-cancellable operating leases contracted for but not capitalised in the consolidated financial statements		
Payable		
Not later than one year	914	1,059
Later than one year but not later than five years	1,803	2,234
	2,717	3,293

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.

Recognition and measurement

Leased property

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases and payments (net of incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Make good

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

Note 29: Events after the reporting date

Apart from the (i) issue if 3,474.493 options to Tatts, (ii) payment of a fully franked special dividend of 15 cents per ordinary share ($7,691,140), (iii) exercise of 600,000 options ($1,050,000), and (iv) final dividend declared, as at the date of this Directors' 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 Company in the financial years subsequent to 30 June 2017.

The above items are not recognised in the financial statements 30 June 2017.

Directors' Declaration

The Directors of the Company declare that:

1. The consolidated financial statements, comprising the Consolidated Statement of Profit or Loss and Other 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 Australian 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 2017 and of its performance for the year ended on that date.

2. The Company has included in the notes to the consolidated 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 29 to 34 of the Directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2017, 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 2017

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INDEPENDENT AUDITOR'S REPORT

To the members of Jumbo Interactive Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Jumbo Interactive Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, 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, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of Goodwill and Other Intangible Assets

Key audit matter	*How the matter was addressed in our audit*
The Group's disclosures in respect to intangible assets, including the impairment assessments of goodwill and other intangible assets are included in Note 10. The Group carries intangible assets of $11.574 million as at 30 June 2017. The carrying value of intangible assets represent a significant asset of the Group. The Group is required to annually test the amount of goodwill and indefinite useful life intangible assets for impairment and assess other intangible assets for impairment indicators. This annual impairment test was significant to our audit because the goodwill and intangible assets balance is material to the financial statements and because management's assessment process is complex, highly judgmental and includes estimates and assumptions relating to expected future market or economic conditions.	Our procedures included, amongst others: • Evaluating management's determination of the Group's Cash Generating Units ("CGU's") to ensure they are appropriate, including being at a level no higher than the operating segments of the entity • Evaluating management's process regarding the valuation of the Group's goodwill and other intangible assets • Assessing the Group's assumptions and estimates relating to forecast revenue, costs, capital expenditure, discount rates and the life of reseller agreements used to determine the recoverable value of its assets • Assessing the historical accuracy of forecasting of the Group by comparing the current year actual results with FY16 figures included in prior year forecasts to consider whether any forecasts included assumptions, that with hindsight, had been optimistic • Challenging key assumptions by performing sensitivity analysis on the growth rates and discount rate assumptions used.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 29 to 34 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Jumbo Interactive Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

BDO Audit Pty Ltd

BDO

K L Colyer

Director

Brisbane, 24 August 2017

Shareholder Information

The Company has 51,274,265 ordinary shares on issue, each fully paid. There are 2,011 holders of these ordinary shares as at 31 July 2017. 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 6,974,492 options over ordinary shares on issue but not quoted on the Australian Securities Exchange.

(a) The range of fully paid ordinary shares as at 31 July 2017

Range	Total Holders	Units	% of issued capital
1 – 1,000	582	306,896	0.60
1,001 – 5,000	854	2,380,135	4.64
5,001 – 10,000	291	2,287,679	4.46
10,001 – 100,000	239	6,035,660	11.77
100,001 – and over	45	40,263,895	78.53
Total	2,011	51,274,265	100.0

(b) Unmarketable parcels

	Minimum parcel size	Holders	Units
Minimum $500.00 parcel at $2.76 per unit	182	81	2,309

The number of shareholders holding less than the marketable parcel of shares is 81 (shares 2,309)

(c) Substantial holders of 5% or more fully paid ordinary shares as at 31 July 2017[1]:

Name	Notice date	Ordinary Shares	Percentage Held
Vesteon Pty Ltd and associates	12 May 2017	9,101,027	17.8
Forager Funds Management Pty Ltd	15 May 2017	4,299,289	8.5

[1] as disclosed in substantial shareholder notices received by the Company

(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) Top 20 holders of fully paid ordinary shares as at 31 July 2017

Name		Units	% of Units
1.	VESTEON PTY LTD	8,912,915	17.38
2.	JP MORGAN NOMINEES AUSTRALIA LIMITED	7,412,579	14.46
3.	TATTS ONLINE PTY LTD	6,609,686	12.89
4.	CITICORP NOMINEES PTY LIMITED	2,628,539	5.13
5.	BNP PARIBAS NOMS PTY LTD <DRP>	1,973,694	3.85
6.	NATIONAL NOMINEES LIMITED	1,591,870	3.10
7.	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD <VFA A/C>	1,100,000	2.15
8.	MR BARNABY COLMAN CADDICK	1,081,000	2.11
9.	BNP PARIBAS NOMINEES PTY LTD <BP25 MILAN BPAA DRP>	740,952	1.45
10.	MR MIKE VEVERKA <VEVERKA S/F A/C>	688,112	1.34
11.	BOND STREET CUSTODIANS LIMITED <FORAGER WHOLESALE VALUE FD>	659,435	1.29
12.	WARAWONG PTY LTD <WARAWONG SUPER FUND ACCOUNT>	550,000	1.07
13.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	470,472	0.92
14.	MR JOHN WILDE + MRS ELIZABETH WILDE <UTOPIA A/C>	447,996	0.87
15.	MR CRAIG KUHN	390,000	0.75
16.	WESTOR ASSET MANAGEMENT PTY LTD <VALUE PARTNERSHIP A/C>	284,258	0.55
17.	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	235,290	0.46
18.	MR JOHN ROSAIA	221,000	0.43
19.	DOG FUNDS PTY LTD	220,000	0.43
20.	ROUND ETERNAL INVESTMENTS PTY LTD <VISION SPLENDID A/C>	210,000	0.41
Total Top 20 shareholders of ordinary fully paid shares		**36,427,798**	**71.04**
Total remaining holders balance		**14,846,467**	**28.96**

(f) Unquoted securities as at 31 July 2017

Options over Unissued Shares

A total of 3,500,000 options are on issue to employees and third parties for services rendered and 3,474,492 to Tatts Online Pty Ltd as part of a share issue transaction.

Exercise price	Expiry date	Number on issue	Number of holders
$4.00	3 September 2018	1,400,000	5
$4.00	6 November 2018	400,000	1
$1.75	18 November 2020	1,500,000	8
$2.25	2 February 2022	200,000	1
$2.37	13 July 2018	3,474,492	1

(g) On-market buy-back

There is no current on-market buy-back in effect.

Company Information

Jumbo Interactive Limited
ABN 66 009 189 128
www.jumbointeractive.com

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

Chief Financial Officer
David Todd

Company Secretary
Bill Lyne

Registered Office
Level 1
601 Coronation Drive
Toowong, QLD 4066
Telephone: 07 3831 3705
Facsimile: 07 3369 7844

Auditors
BDO Audit Pty Ltd
Level 10
12 Creek Street
Brisbane, QLD 4000

Share Registrar
Computershare Investor Services Pty Ltd
117 Victoria Street
West End, QLD 4101
Telephone: 07 3237 5999
Facsimile: 07 3221 9227

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