2019 ANNUAL REPORT

Jumbo Interactive Limited

“Jumbo’s own stellar performance is our best selling point with prospective new SaaS customers”

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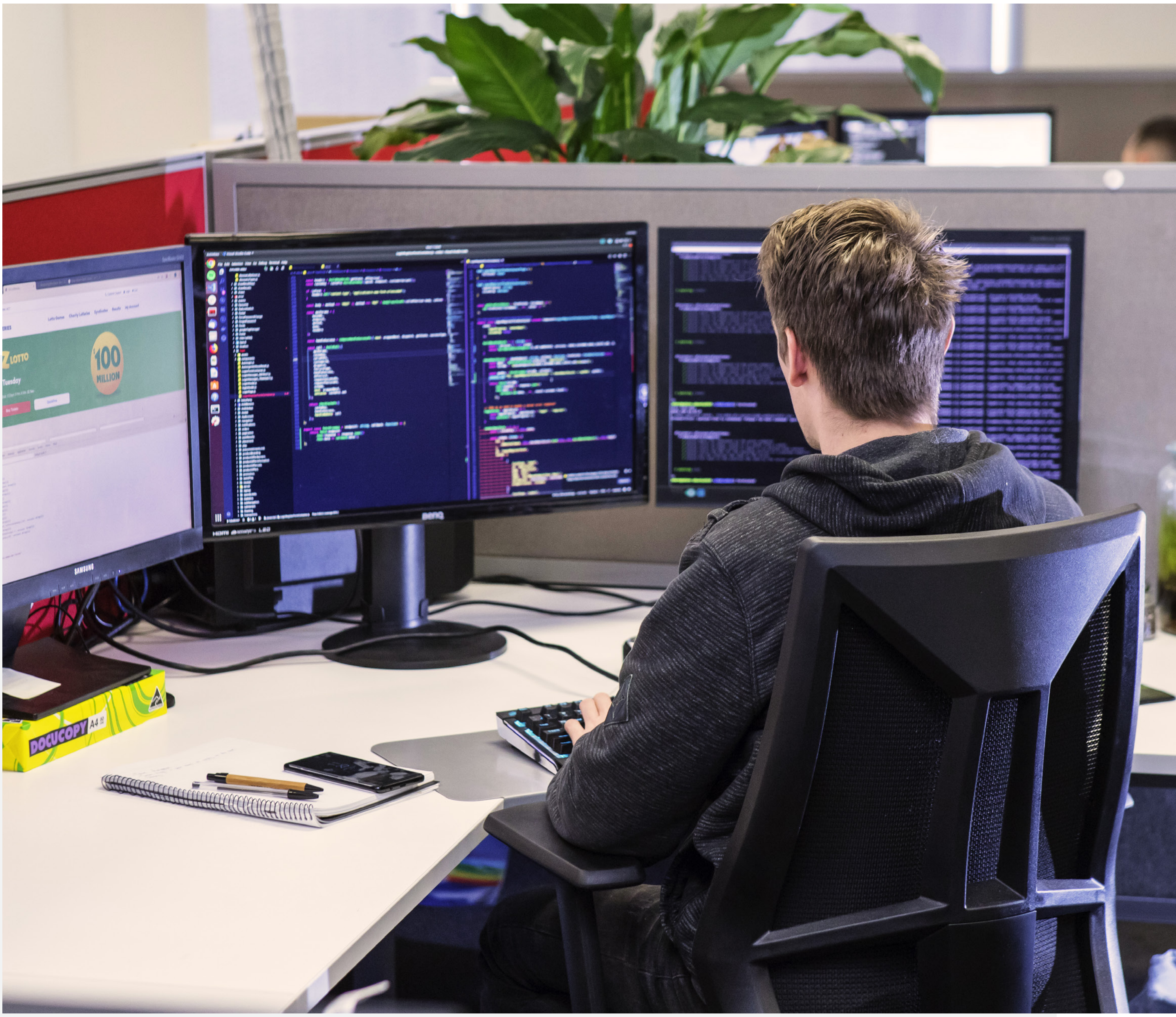
Introduction

$1 Billion in ticket sales on the Jumbo platform by FY22

2019 was a breakout year for Jumbo, with the constraints of the old software platform a thing of the past. Two important benefits stem from the new software platform. First, the Jumbo team were able to make the most of a strong run of jackpots including two $100 million Powerball jackpots. Second, a new SaaS (Software as a Service) business division was launched called "Powered by Jumbo". This new division has few geographic boundaries, and addresses the need for a proven and robust software system for lottery operators with which to drive future growth. Two agreements have been signed building momentum in this exciting business. Only 7% of the world's lottery tickets are sold online pointing to a sustained rise over the next decade.

This has led to Jumbo's new "$1 Billion Vision" - $1 Billion in ticket sales on the Jumbo platform by FY22. This includes both the ticket reselling business (OzLotteries.com) and the new SaaS (Powered by Jumbo) business. Certainly an ambitious target, but with Jumbo's strong track record and world class software, it is also achievable.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JUMBO

Highlights

The share price has increased 303% over 12 months to $20.15 at 30 June 2019.

Total Transaction Value

12 MONTHS TO 30 JUNE 2019

$321m

75% increase over the previous year

Revenue (continuing operations)

12 MONTHS TO 30 JUNE 2019

$65.2m

64% increase over the previous year

Net Profit After Tax (continuing operations)

12 MONTHS TO 30 JUNE 2019

$26.4m

124% increase over 12 months

Dividends Declared for the Financial Year

FULLY FRANKED ORDINARY DIVIDENDS (EXCLUDING SPECIAL) RELATING TO THE FINANCIAL YEAR ENDED 30 JUNE 2019

36.5c

97% increase over the previous year

Number of Large Jackpots

OZ LOTTO / POWERBALL JACKPOTS OF $15 MILLION OR MORE, 12 MONTHS TO 30 JUNE 2019

49

53% increase over 12 months

Share Price

AS AT 30 JUNE 2019

$20.15

303% increase over 12 months

Without the diversified skills of our team we could not have achieved these results or the significant increase in share price.

“

Letter from the Chairman

Dear Shareholder

With the performance of the 2018/19 financial year being such a success, it gives me great pleasure to write to you as a Shareholder of Jumbo Interactive Limited (Jumbo).

This year, we have seen our FY2019 year-end share price increase to $20.15 from $5.00 in FY2018. There have been a number of reasons for this growth which I will briefly cover in my letter. However, I must first acknowledge the continued loyalty and performance of our staff headed up by our major shareholder and CEO Mr. Mike Veverka. Without the diversified skills of our team we could not have achieved these results and or the significant increase in share price.

The skills of our team have been seen by the new Jumbo software platform which has not only benefited sales on OzLotteries.com but has also laid the foundation for a Software as a Service business with enormous potential. Essentially the new SaaS business, branded "Powered by Jumbo", provides software to other lottery operators wishing to emulate the success of OzLotteries.com. The first customer (Mater Lotteries) has gone live after a 6 month setup process. Early signs are positive however a few more months will need to pass before reliable data can be obtained on the success of the project. Efforts have been directed towards a pipeline of other lottery operators evaluating the system and confidence is high that more will sign up in the near future in both Australia and the United Kingdom.

In summary, the performance of the Company can be identified by a Total Transaction Value (TTV) increase of 75% to $321 million and Net profit after tax (NPAT) increase of 125% to $26.4 million. This has allowed us to continue in the increase of our dividend distribution throughout the year. The financial performance was a result of a 106% increase in new accounts to 444,004 and a 74% increase in active customers to 761,863.

In January 2019 we were pleased to announce the appointment of Mr. Giovanni Rizzo to the board. Giovanni is a specialist in the gaming industry with over 20 years' experience in various management roles of large listed businesses. The Company remains committed in the compliance of board diversification and hopes to be in a position to make further announcements on this issue in the near future.

In conclusion I would like to thank the board of directors and Management for their continued support and reiterate the efforts of our CEO and our loyal staff for their continued efforts in the growth of the Company.

I look forward to seeing you at our Annual General Meeting at which time our Management team can answer any questions you may have regarding the Company.

Yours faithfully

David K Barwick
Chairman

No longer is Jumbo just a ticket reseller, but also a software platform partner to other lotteries around the world.

“

Letter from the CEO

2019 was a breakout year for Jumbo. The constraints of the old software platform became a thing of the past when after 4 years, the new software platform went live in April 2018. The benefits were felt immediately. The improved customer experience attracted new customers, and higher capacity delivered faster response times even during higher draws. The system was thoroughly tested in August 2018 when the new Powerball format jackpotted to $100 million and it came through with flying colours.

This built a base to what would become a record year. The number of new signups soared 106% to 444,004 customers in 12 months and the number of Active customers grew 74% to 761,863. The scalable nature of the business meant the flow-on effect to financial results would be strong. TTV grew 75% to $320.7 million and Revenue up 64% to $75.2 million resulting in a 124% increase in Net Profit after Tax to $26.4 million. This has allowed the board to reward shareholders with a total FY dividend of 36.5 cents plus a special dividend of 8.0 cents.

However the real benefit from the new software platform is an entirely new business division - Software as a Service. No longer is Jumbo just a ticket reseller, but also a software platform partner to other lotteries around the world. Jumbo's own performance is our number one selling point to prospective new lotteries. Our first partner, the Mater Lottery, was signed in November 2018 and went live in June 2019. Our second partner, the Endeavour Foundation, was recently signed in August 2019 with a live date scheduled for December 2019.

The new Software as a Service business is not constrained by geographic boundaries and work has begun to establish operations in key overseas markets. The momentum in Australia will be used to open up these new markets and establish a base for future growth.

The Jumbo staff deserve enormous credit for their tireless work on the software platform making all this possible. There is a strong sense of purpose within the Jumbo offices to make a difference in our society and it is rewarding to see the money raised by all the causes we work with as a result of our efforts. Personally I admit to a great sense of pride to see Jumbo reach the $1 billion market cap level and be included in the ASX300. This fills me with motivation to build on what has been achieved and take Jumbo even further in the years ahead.

Mike Veverka
CEO and Founder

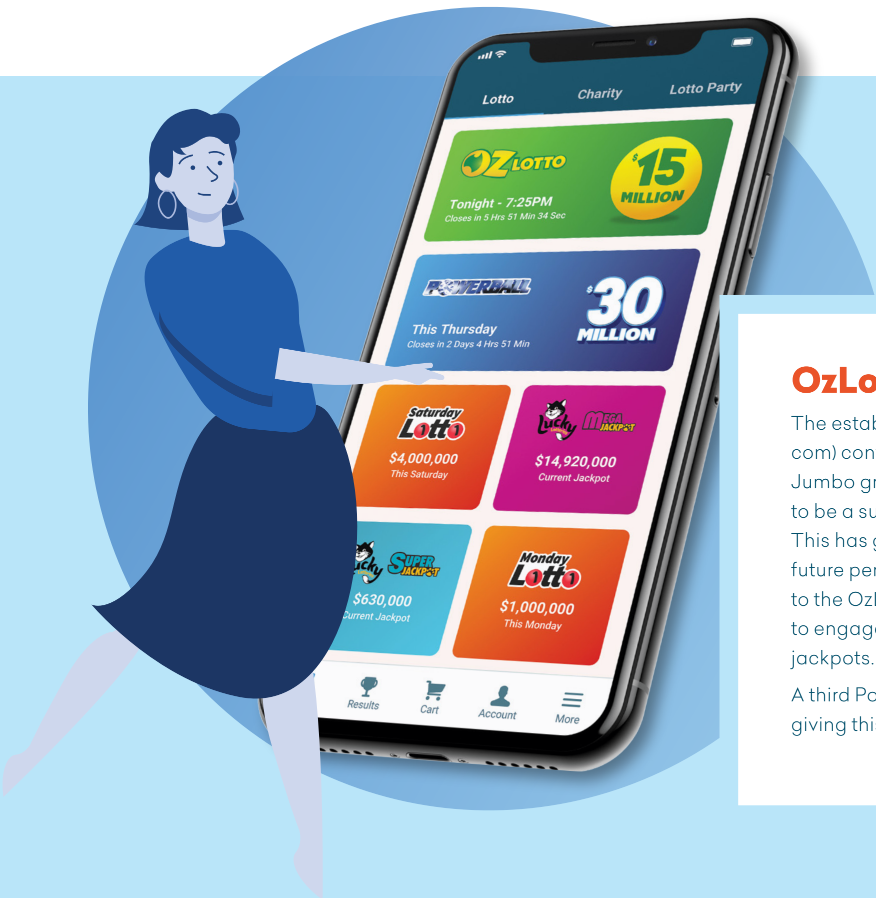
Review of Operations

Financial Performance

The new software platform had an immediate effect on financial performance as customers were able to sign up in greater numbers and became more active throughout the year. TTV (Total Transactional Value) and Revenue grew 75% to $321 million and 64% to $65.2 million respectively. The scalability of the business then delivered a 107% increase in EBITDA (Earnings Before Interest Tax Depreciation and Amortisation) to $40.2 million and a 124% increase in NPAT (Net Profit After Tax) to $26.4 million.

For the 12 month period to 30 June 2019, the number of new online accounts increased 106% to 444,004 and the number of active online customers increased 74% to 761,863. During the financial year, there were 49 (2018: 32) large jackpots with an average value of $38.4 million (2018: $28.4 million). This is 53.1% higher in number and 35.2% higher in average value compared to the previous period.

Customer engagement is well up with 761,863 active customers compared to 437,540 the previous year.



OzLotteries.com Performance

The established ticket reseller business (OzLotteries.com) continued its growth as the dominant part of the Jumbo group. The new Powerball format has proven to be a success with two $100 million jackpots in FY19. This has grown the customer database, which underpins future performance. Technical improvements were made to the OzLotteries.com app and the Lotto Party service to engage customers especially during periods of low jackpots.

A third Powerball jackpot reached $110 million in July 2019 giving this division a good start to the 2020 financial year.

Key Performance Indicators

New Online Accounts

444k

Up from 215k due to an improved software platform, marketing initiatives and higher large jackpot activity.

Active Online Customers

762k

Up from 438K due to an improved software platform, marketing initiatives and higher large jackpot activity.

CPL— Cost Per Lead

$13.81

Down from $17.28 due to an improved software platform and more efficient acquisition marketing.

Average Spend per Online Customer

$385.44

Up from $371.13 due to an improved software platform and higher large jackpot activity.

When comparing with prior periods, the timing of large jackpots has a material impact on average spend. Large jackpots at the beginning of the 12 month period will have the effect of increasing the average while jackpots at the end will have the effect of decreasing it (new customers have not had the time to spend).

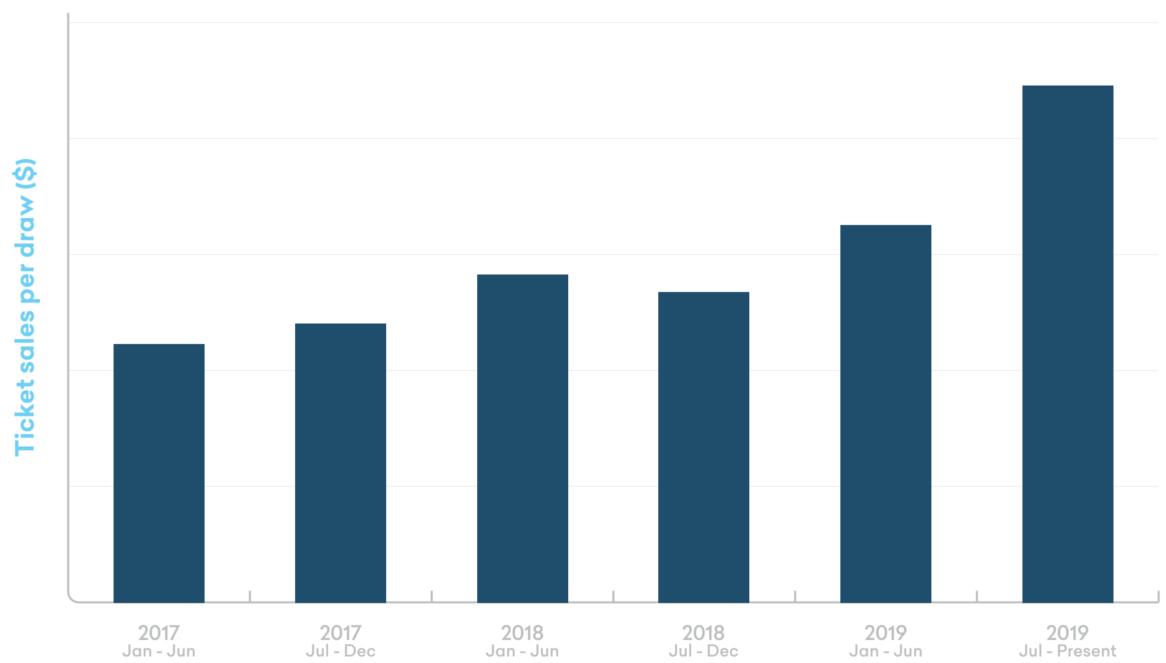
Like-for-Like Analysis

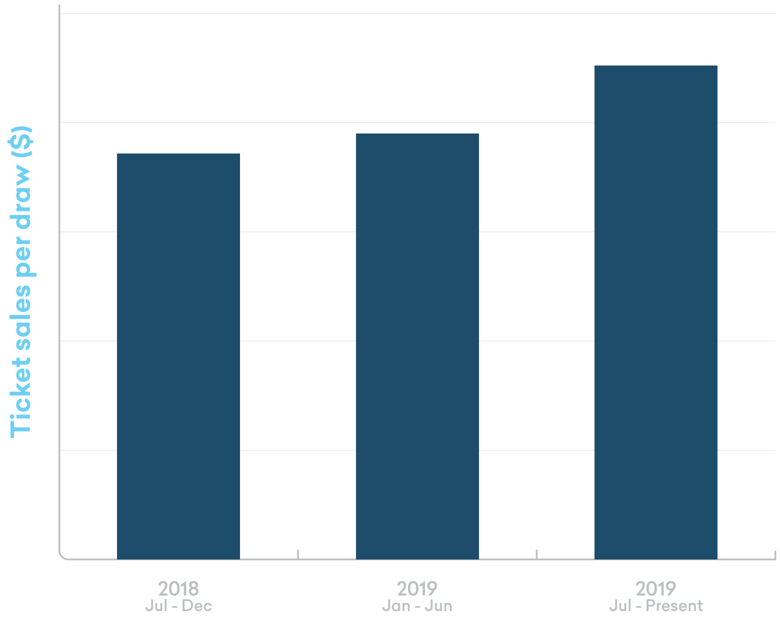
Overall ticket sales (TTV) are greatly influenced by the timing and size of large draws.

Often making it difficult to gain insights into the performance of the OzLotteries.com business. One method is to compare ticket sales for regular smaller draws and look for growth trends.

OzLotto $15 million

The following graph indicates OzLotto ticket sales at the $15 million prize level. The decline in 2018 Jul - Dec was due to the simultaneous Powerball draw reaching very high levels temporarily attracting customers away from OzLotto.





POWERBALL

Powerball $20 million

The following graph indicates Powerball ticket sales at the $20 million prize level. Following the changes to Powerball in April 2018, there is no longer a $15 million sequence to compare.

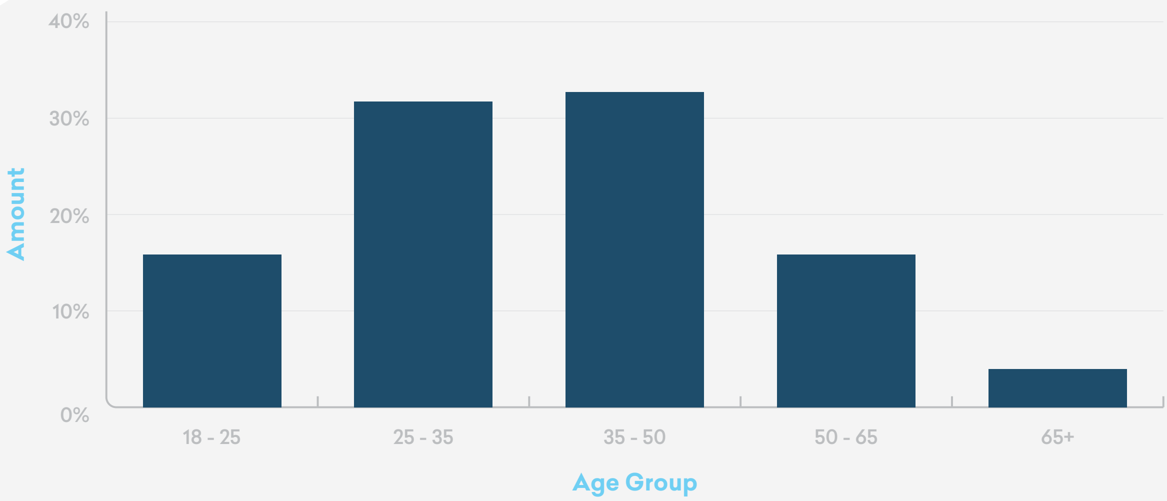
Demographics

In a market traditionally appealing to a more mature demographic, Jumbo has always been regarded for its ability to reach a younger audience. An audience considered to be elusive by the worldwide lottery industry.

Recent data highlights Jumbo's continued success with appealing to the younger demographic.

Jumbo now has a higher percentage of customers in the under 35 category, which clearly demonstrates a trend towards younger demographics, offering greater customer longevity.

Recent data highlights Jumbo's continued success with appealing to the younger demographic.



Powered by JUMBO

Software as a Service

The Powered by Jumbo business model

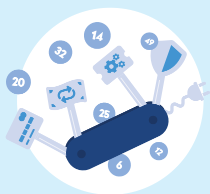
The new “Powered by Jumbo” business model is similar to most SaaS (Software as a Service) models where a large enterprise-wide software system is licensed to a lottery operator to assist with managing their business. The software licence is typically multi-year (5 years is common) with a fee based on a percentage of ticket sales. This percentage is dependant on turnover and is typically around 10% for low turnover operations (under $20 million pa), to 3% for high turnover (over $100 million p.a.).

A full explanation of the Powered by Jumbo solution is available at poweredbyjumbo.com

Powered by Jumbo Services

Moving online (website and app)

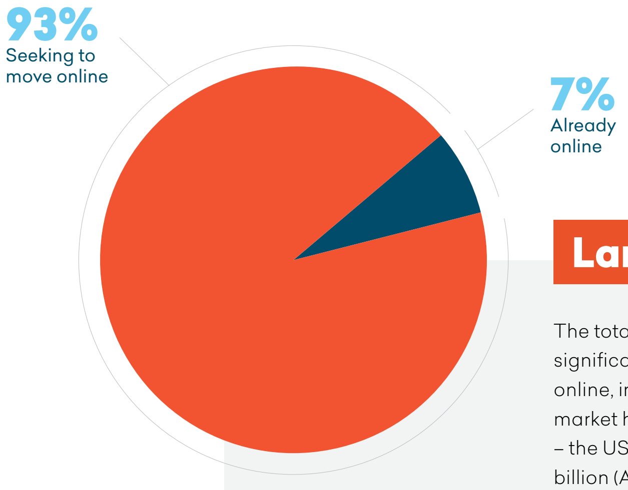
Customer relationship management



Ticket sales collection and management

Marketing tools

Management reporting



Large Global TAM

The total addressable market (TAM) for the SaaS business is significant. Approximately 7% of the world's lottery tickets are sold online, indicating 93% of a US$303 billion (A$445 billion) [1] global market has yet to make the transition. The largest individual market – the USA – is of particular interest, as less than 5% of that US$80 billion (A$117 billion) market is online. Recent changes have allowed some early movers to begin selling online and Jumbo is watching the developments with interest.

Initial target – Charity Lotteries

The global lottery market consists of traditional national lotteries with large prizes (Powerball and OzLotto for example) as well as smaller charity-style lotteries with smaller prizes (typically under $5 million). This charity lottery segment is underserved with digital solutions and is therefore the initial target for "Powered by Jumbo".

The charity lottery market is particularly active in Australia, UK and Canada and has a total addressable market size of approximately A$3.5 billion [2].

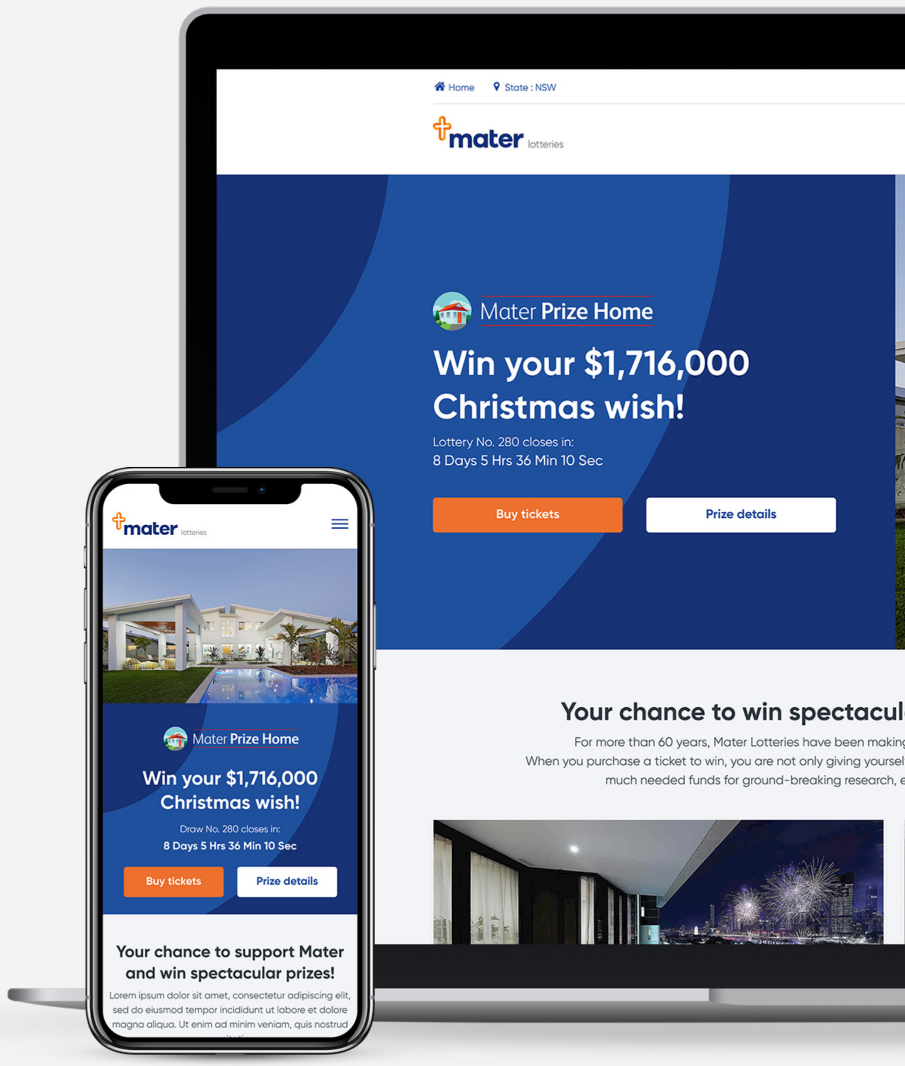
Mater Lotteries and the Endeavour Foundation

The first two customers for "Powered by Jumbo" are Mater Lotteries (signed November 2018) and the Endeavour Foundation (signed August 2019). Both are high quality charities with a strong track record and a bright future. The agreements provide a full software platform capable of operating both online and offline ticket sales for a period of 5 years.

The Mater Lotteries website is now live and work is progressing to move offline ticket sales onto the "Powered by Jumbo" platform. The Endeavour Foundation project is expected to follow a similar release timeframe to the Mater over the next 12 months.

mater lotteries

Endeavour Foundation



(1) Sources: The WLA Global Lottery Data Compendium 2018; Jumbo Research;
(2) Sources: Jumbo Research; lotteriescouncil.org.uk; charityintelligence.ca

Data, AI & Lotteries

For over a decade Jumbo has been at the technological forefront of the lottery industry.

From the very early adoption of the digital sales channel back in 2000, to the early adoption of mobile and the world's first lottery app for the apple watch, Jumbo has vigorously embraced technology while others took a wait and see approach.

This trend is accelerating with important breakthroughs in the fields of Data Analytics and Artificial Intelligence. Lotteries are unique in the sense that a large amount of data must be collected around consumer behaviour to ensure regulatory compliance. However the benefits of data go far beyond regulatory compliance and into being able to deliver ever increasing levels of customer experience.

The new Jumbo software platform collects significantly more data than prior years with the database size growing from 500GB in 2009 to 2TB in 2019. Managing this data and delivering insights is now the challenge, and an area that Jumbo has expanded significantly.

Data value & Security

With total customer numbers well over 2 million, it is clear a lot of people trust Jumbo with their personal details

Jumbo takes a "security first, benefits second" approach to data collection. First and foremost consumer privacy must always be maintained and never compromised. With the number of active customers approaching 1 million and a total customer numbers well over 2 million, it is clear a lot of people trust Jumbo with their personal details. This trust must never be taken for granted and efforts continue to safeguard this trust.

The benefits of Data Analytics all point to a better customer experience. Giving each and every customer relevant information based on prior habits is a time saving feature that is a high priority for our customers. Every click is counted and minimised from the moment a customer decides to buy a ticket to the moment their ticket has been safely lodged. Convenience continues to rank in the top 3 reasons why players keep coming back to Jumbo.

Artificial Intelligence

Managing big data can only be done efficiently with the proper use of Artificial Intelligence. The time when AI was just science fiction has long passed and many industries now employ partially aware machine learning to gain insights. Lotteries are no different. To be a world leader in lottery software, Jumbo must build systems able to learn by themselves with only minor input from staff.

One unique aspect about consumer behaviour in the lottery industry is the dramatic difference in sales between normal and large jackpots. In the past 15 months Jumbo has traded through three jackpots over $100 million. Sales during the last few hours of the draw escalate dramatically and would greatly exceed the capacity of staff to provide that one-on-one customer experience. This is where artificial intelligence and on-the-fly data analytics take over and allow the business to scale without compromising customer experience.

Artificial Intelligence comes in a variety of forms beyond data analysis. Speech recognition advancements have now made it possible for customers to simply talk to devices and receive accurate responses. Responses to questions like “What are last night’s Powerball numbers?” and “What is the OzLotto jackpot this week?” are already functioning on the major platforms. The next advancements will bring the security required to be able to deliver responses to commands like “Please put my usual entry into this week’s Powerball draw”.

Speech recognition advancements have now made it possible for customers to simply talk to devices and receive accurate responses.

Lotto Party

An idea borne from customer experience optimization, Lotto Party demonstrates Jumbo's innovation process.

Lotto Party is Jumbo's digital solution for lottery syndicate play. Lotto Party enables a group of friends to easily create their own group syndicate through the app.

Lotto Party has grown from 17% to 31% of syndicate sales from 2018 to 2019 (calendar year). Customers are organising Lotto Parties in all sorts of ways; with friends, colleagues, and even through Internet forums. The ability for organisers to create unique names for their groups makes lottery play fun, creative, and engaging.

One in five new customers acquired through Lotto Party invitations were not existing customers. Since its launch, 13,000 new Oz Lotteries customers have been acquired through Lotto Party organisers sending out invitations to non-Oz Lotteries customers.

The average lifetime value of these new customers is 27% higher than the average lifetime value of a regular Oz Lotteries player. Additionally, 9% of these acquired customers have since created their own Lotto Parties, enabling Jumbo to acquire more customers organically.

Exciting developments in progress include enabling web-based joiners to Lotto Parties, and web-based organiser functionality. Additionally, co-organiser functionality is in development, which will facilitate the likelihood that a group will organise another Lotto Party, and the development of Avatars legitimizes the game, encouraging more invitees to join.

A Jumbo donation

During the 2018 World Lottery Association's World Summit in Buenos Aires, Mike Veverka announced a US$50,000 founding donation to kick start the Women in Lottery Leadership program (**WILL**). The creation of WILL by Ms Rebecca Hargrove, President of the World Lottery Association (**WLA**), and several other global lottery women CEO's; the mission is to drive high-performance business growth through supporting the advancement of women into top positions of lottery management, leadership and responsibility.

"As a father of two daughters, I often wonder about the opportunities all women will encounter in the future", said Mr Mike Veverka during the presentation.

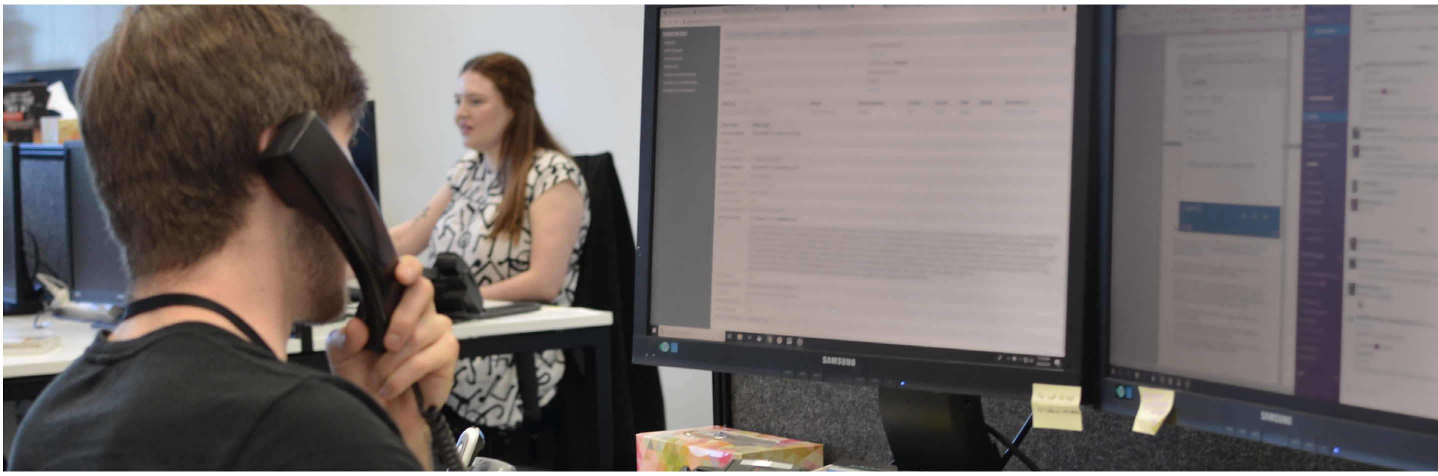
"I think we can all make a difference in the future by taking action today", he said.

Find out more about 'WILL' at
womeninlotteryleadership.com

As a father of two daughters, I often wonder about the opportunities all women will encounter in the future.

Mike Veverka
CEO and Founder

Customer Support



Written by **Brenda Melville**
Head of Lottery Operations (Australia)

Customer Support is the face of Jumbo Interactive to all our customers and partners, handling a variety of customer queries, a source of product feature requests and usability suggestions. They work very closely with all teams across development, marketing, and design to ensure a seamless customer experience.

Jumbo Interactive Customer Support is a dynamic and agile team of experienced professionals with an empathetic and human touch, who continue to deliver outstanding outcomes for our loyal customer base. Quality and First Point Resolution continue to the be the driving focus for the team with our customer satisfaction ratings consistently over 90% for both phone and chats, with 53% of our email received answered in under an hour. During a big jackpot period, it is paramount that our customers are assisted in a timely manner to ensure they can complete their purchase with as little hassle as possible.

86% of all calls received throughout the year have been answered within 15 seconds.

We offer our customers multiple ways to contact us, and by allowing our customers the opportunity to seek help through a medium they prefer, be this via the phone, on our website chat, or an email, we see positive reactions and customer engagement. We also offer our customers a comprehensive knowledge base to allow them, if they prefer, to self-service.

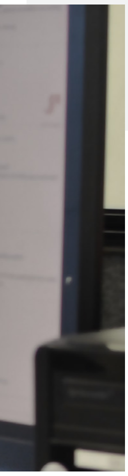
The latest changes to the Powerball game meant that we saw the jackpot reach $100 million twice throughout the year. This increase saw at least 1 in 3 Australians purchase a lotto ticket, and to handle this increase, a number of system performance changes were implemented, and internal processes overhauled, to ensure better scalability during these periods of peak demand.

The team is also involved with assisting our Powered by Jumbo customers to ensure they are using the system to its full potential, offering training and troubleshooting common questions.

Responsible Play

As a responsible business, Oz Lotteries always wishes to remain a fun and enjoyable place to manage your online lottery purchases. Our Customer Support team is trained to assist and spot warning signs of problem play.

Our team is able to offer practical solutions to assist the customers who require professional help in this area, as well as facilitating various restrictions on their accounts.



Jumbo Interactive Customer Support is a dynamic and agile team of experienced professionals with an empathetic and human touch.

Winners are Grinners!

Charity Lottery Winners

This year Oz lotteries has continued its strong relationship with some of Australia's major charities, including signing a new agreement with RSPCA. Our customers continue to support these charities with strong sales, and this year three of our customers have seen the Aussie dream of owning their own home come true, with two properties being won on the Gold Coast and one on the stunning Sunshine Coast. Last month also saw one lucky Act for Kids supporter take first prize in Draw 79, winning himself a luxurious Mercedes E-Class Saloon.

Endeavour Foundation Prize Home Lottery

Draw 417 Nov 2018
Sunshine Coast Home Prize
valued at $1,194,870

Surf Life Saving Lotteries

Draw 188 Aug 2018
Sanctuary Cove Home
Prize valued at $1,294,572

Endeavour Foundation Ultimate Life Changer Lottery

Draw 823 Dec 2018
Southport Apartment
valued at $575,278

Act for kids

Draw 79 Jun 2019
Mercedes E Class Saloon
valued at $97,376 + $2,500

Commercial Lottery Winners

This year 11 customers have had the dream of winning the jackpot come true; 5 of these customers winning over a million dollars. Oz Lotteries paid a total of $194,473,643 in prizes this year; an increase of over $68 million in prizes compared to last year - that's a lot of lucky Oz Lotteries customers!

The Customer Support team contacts all of our large prize winners, to help them with the process of withdrawal. Vikki says, "It's such an awesome call to make, I get to change someone's life, they can finally pay off that mortgage or go on that dream holiday. We all get so excited to make these calls" - Vikki Brown, Customer Support Team Leader

Over the last year, the interest in the raffle game Lucky Lotteries Mega has continued to increase as the draw has jackpotted to over $90 million (at 16 August 2019). This year 15 Oz Lotteries customers have walked away with first prize amount of $200,000.`

$50 Million Powerball!

As the Powerball Jackpot reached $100 million for the first time in August 2018, customers came to play. One lucky Oz Lotteries customer was fortunate to take away a share in the prize pool winning himself $50 million dollars. The young Melbourne man kept his cool as we explained to him that he had won $50 million. The young winner said he knew he had become a multi-millionaire when he checked his ticket last night before bed.

"I'm trying to remain as calm as possible! I only bought this entry last night on the Oz Lotteries app before the draw closed."

"I'm going to do the right thing. This win is life-changing! I'm going to look after my whole family – invest money in property and shares. It will make a massive difference to a lot of people."

$40 Million Powerball!

A foster father from South Australia was the sole winner of February's $40 Million Powerball jackpot.

He explained that he checked the winning Powerball numbers following the draw, but couldn't quite believe it when they matched. So he woke his wife and daughter and asked them to check the numbers.

"They thought I was pulling their chain! We still can't believe it."

Happily enough, we told him he was definitely the winner, to which he replied"You've made our day. Actually, you've made our whole life!"

Oz Lotto $7.5 million

A regular Oz Lotteries customer "had a feeling" he was going to win the lottery while washing up, which prompted him to log in and purchase a ticket just before the draw closed. He purchased a System 11 ticket, choosing his children's birthdays for numbers, rather than his usual numbers.

Because he wasn't playing his usual numbers when he saw the Oz Lotteries results he didn't immediately realise he'd won!

Saturday Lotto $2 million

A man in his 60's from Cronulla took home a share in the $20 million Saturday Superdraw. He thought the news was a joke after receiving the confirmation call on April Fools Day. When asked if he thought it would be possible to win, he said "No, not at all. I've never won anything like this in my life. I'm in a bit of a shock."

It's such an awesome call to make, I get to change someone's life, they can finally pay off that mortgage or go on that dream holiday. We all get so excited to make these calls.

"

Vikki Brown,
Customer Support Team Leader

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.

Giovanni Rizzo

Non- Executive Director

Giovanni Rizzo is a specialist in the gaming industry with over 20 years' experience in various management roles of large listed lottery, casino and electronic gaming machine businesses in South Africa, Canada and Australia. Most recently, Giovanni was Head of Investor Relations at Tatts Group Limited, Australia's exclusive operator of licenced lotteries. Giovanni holds a Bachelor of Commerce (Honours) in Finance and Audit and is a Chartered Accountant in Australia, New Zealand and South Africa.

David Todd

Chief Financial Officer (MBA, Grad DipACG, 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 Institute 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 e-commerce 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

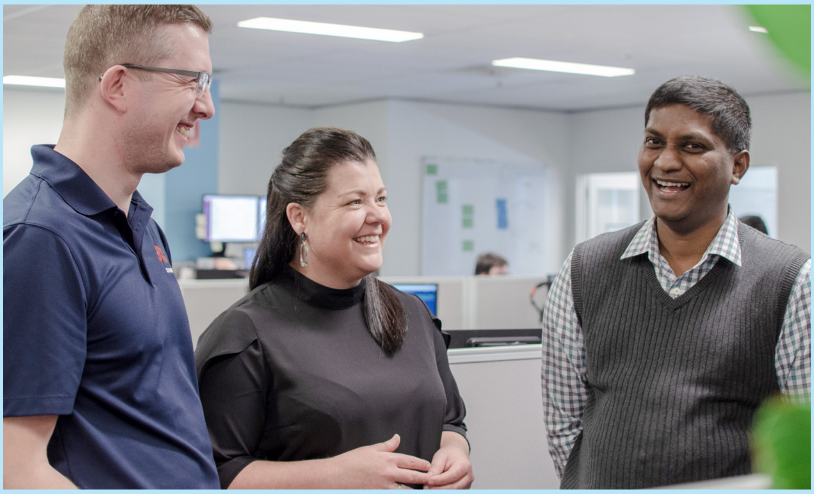
Chief Technology Officer

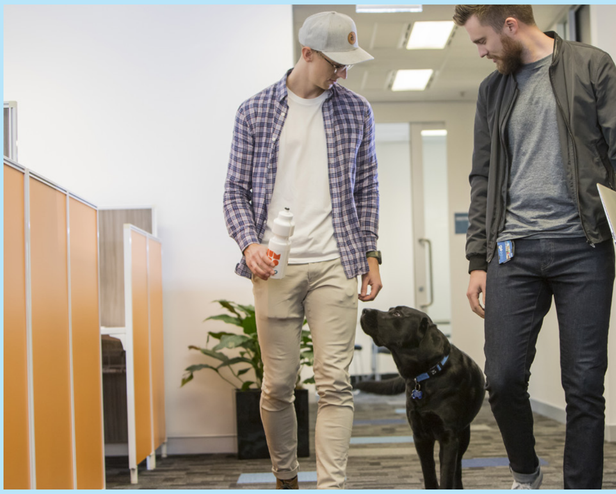
As Chief Technology Officer, Xavier ensures that Jumbo's technology services are continually improving and innovating while remaining secure for customer transactions. He is responsible for the adaptation of the successful Australian OzLotteries.com website to other markets and ensuring capabilities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

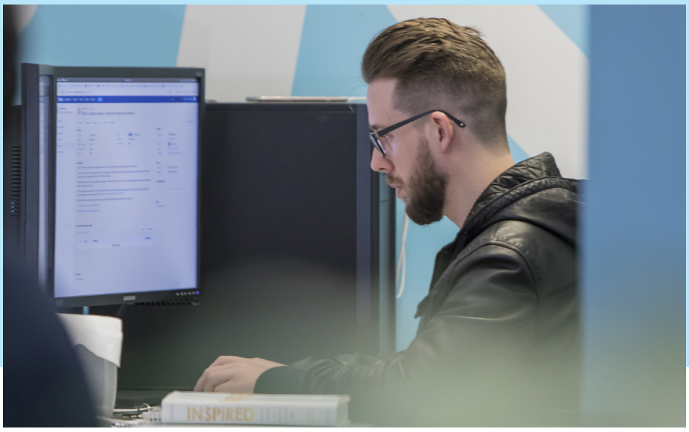
Brian J. Roberts

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.







People of Jumbo

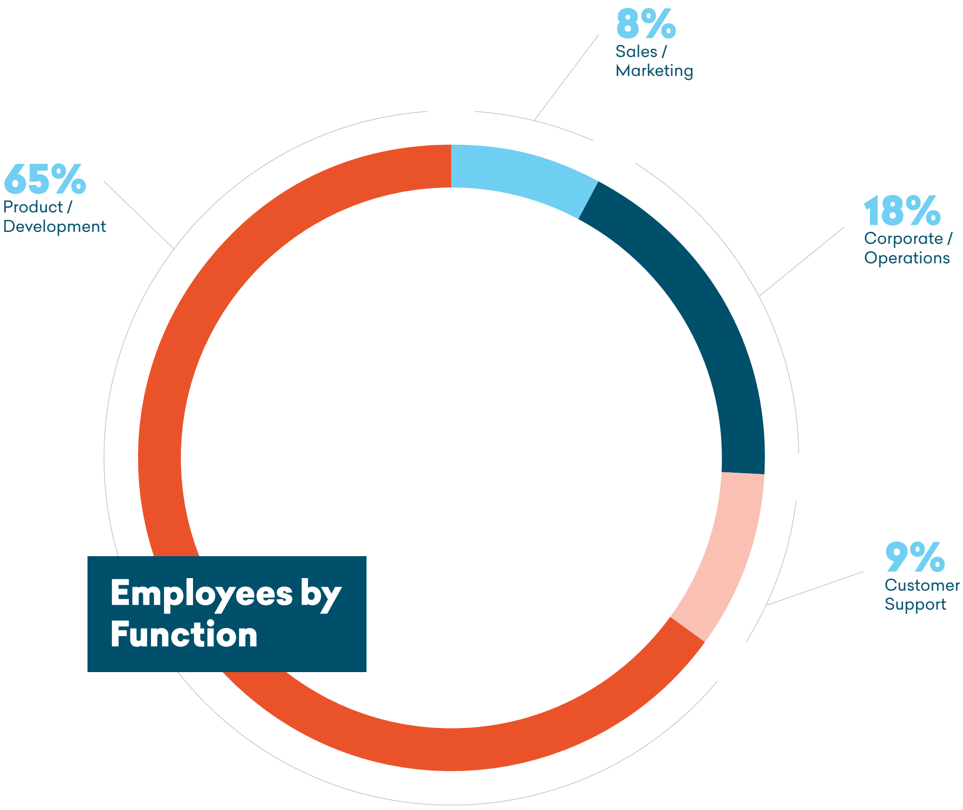
Written by **Abby Perry**
Head of Human Resources

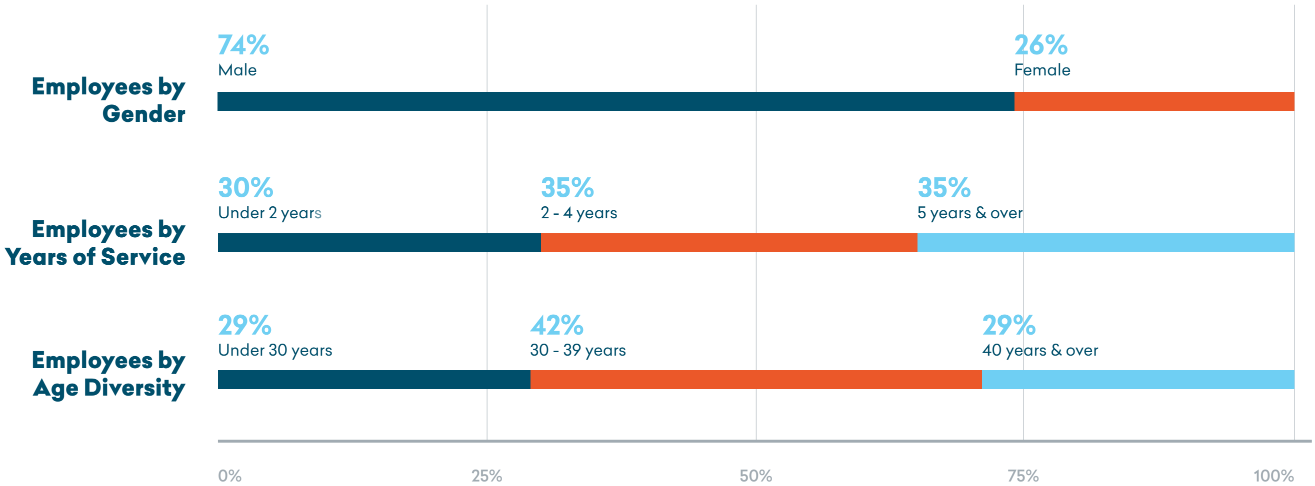
Workplace Culture

Jumbo is committed to providing a supportive and collaborative environment that fosters a positive and strong culture for our people to thrive. The Jumbo team comprises of individuals with a diverse range of cultural backgrounds and professional experience. Our culture enables us to attract and retain the best people by ensuring they feel important and valued. Our employee pulse surveys offer an avenue for continuous feedback, enabling us to focus our efforts on improving areas that are important to our people. The use of online feedback tools has supported our people and leaders with new and efficient ways of communicating, elevating engagement and performance. We acknowledge and show appreciation to individuals and teams through our quarterly recognition program, further building on our fun and friendly environment.

Employee Wellbeing

Jumbo has taken a holistic view of wellbeing, supporting employees in their health and careers. We have implemented strategies and activities to improve wellbeing, including exercise, diet and mental health. These initiatives include free breakfast and lunch, subsidised wellness activities, company sponsored participation in sporting and charity events, and a variety of social activities. Our resident Guide Dog in training has worked wonders with our people, making them happier, reducing stress levels and creating a comfortable and flexible environment. We offer support services for employees that may be experiencing difficulties, whether at home or at work, by providing company funded professional counselling services. All employees are encouraged to take ownership for their health and wellbeing, backed up by Jumbo's safe and healthy work environment.





Nurturing Our People

Our people are pivotal to our success and we encourage and nurture the development of employees through our professional learning pathways, building our organisational capability and enhancing productivity and engagement. Employees are encouraged to participate in Jumbo's development program, supported by various training possibilities including professional certification, conference attendance, internal and external workshops, and an abundance of online training course options. Our established graduate and mentor programs provide a platform for people to realise their potential, achieve their goals and deliver greater performance. We invest in the latest technology and tools, encouraging employees to be creative and continuously learning in an effort to drive innovation and to support our people's career aspirations.

Our culture enables us to attract and retain the best people by ensuring they feel important and valued.

Corporate Responsibility

Business sustainability through environmental, social and governance responsibility

Jumbo is committed to developing and operating the world's best digital lottery experience in a sustainable and responsible manner, whilst creating lasting value for all of our stakeholders.

Our responsibilities extend to our customers, staff, shareholders, suppliers, government, communities, and the environment in which we operate.

Environment

Jumbo is a leading developer and operator of a world-class digital lottery experience.

Being an almost exclusively digital operation, Jumbo's environmental impacts are far less significant compared to more tangible products, which require manufacturing and transportation. Accordingly, Jumbo is a non-carbon intensive office and technology based business.

Our relatively small environmental footprint arises from the energy used by our few offices, and from consumables.

— Our Brisbane head office has a 4.5 star NABERS energy rating

Providing digital tickets to our customers, rather than paper, assists them in reducing their own environmental footprints.

Community and Customers

The lottery industry is an essential contributor to the community. There is a strong social responsibility aspect to lotteries, particularly in the charity lottery space.

A snapshot of our charity partners include the Mater Foundation, which raises funds for to revolutionise the community through investment in care, education, and world-class medical research. The Endeavour Foundation supports people with an intellectual disability to live their best life. Jumbo supports these charities by casting a wider net for their fund raising activities, and giving them access to customers they may not otherwise reach.

In contrast to more aggressive forms of gaming, lotteries are not associated with problem gambling issues. Additionally, the substantial tax revenue from lotteries contributes to a host of social services.

Jumbo also provides services to our regional neighbours in Fiji, Samoa and the Cook Islands, enabling these countries to raise funds for their local communities.

Jumbo is committed to providing a safe environment for lottery players to buy and manage their lottery entries online, and does not encourage excessive gambling or extending customers beyond their financial means. As part of our commitment to responsible gambling, we comply with each State and Territory's Responsible Gambling Code of Practice. This is underpinned by our Responsible Gambling Policy which is available on the website ozlotteries.com/about/responsible-gaming.

Jumbo had no reported instances of problem gambling by its customers in FY19.

We are also committed to the protection of the Personal Information of individuals and are bound by the Australian Privacy Principles (**APPs**) under the Privacy Act 1988. To ensure that Jumbo protects its customers' privacy in accordance with the APPs, we are committed to ensuring the collection, accuracy, storage, security, use, disclosure and destruction of Personal Information is compliant with the APPs. We ensure our employees received training in the proper handling of Personal Information, and access to information held by us is limited to authorised people on a strict need-to-know basis relevant to their roles and responsibilities. Our Privacy Policy is available on the website ozlotteries.com/about/privacy.

Jumbo did not have any eligible data breaches to report under the Data Breach Notification Scheme, which falls under Part IIIC of the Privacy Act 1988, in FY19.

Workplace

Our people are the key to our success. They reflect our culture and values and their diverse capabilities enable us to achieve exceptional performance. We recognise that having a diverse and inclusive workplace leads to better business outcomes and is essential for our long term sustainability.

Workplace Giving

The sense of charity and community is instilled into Jumbo and our people. There is a plethora of fund-raising activities and charities Jumbo provides contributions to, both financial and time. Our people have established an internal charity fund, 'Just Giving', which receives voluntary donations from both our people and Jumbo, and our people decide on which charities to support for the benefit of the local communities in which we live, work and play.

In FY 2019, the following charities were supported:

— RSPCA – fundraising through their RSPCA Cupcake Day

— Movember Foundation – fundraising

— Cancer Council – donation from Just Giving

— Fiver for a Farmer – donation from the Just Giving

— Share the Dignity – donation from the Just Giving

— National Breast Cancer Research Centre – donation from Just Giving

— Alzheimers Australia – donation Just Giving

- Big Aussie BBW – donation from Just Giving
- Aunties and Uncles QLD (Brisbane) - donation from Just Giving
- Mia Wilkinson Trust (Brisbane) - donation from Just Giving
- Children's Hospital Foundation (Brisbane) - donation from Just Giving

A selection of FY19 sponsorships include:

- Platinum sponsor of the World Lottery Association
- Gold sponsor of the Asia Pacific Lottery Association conferences
- Sponsor of the UK Lottery Council's – sponsor and presenter at their annual conference in March 2019
- Sponsor of Kedron Wavell Services Hockey – support of the Masters hockey division
- 24 Hours of Lemons
- World Youth
- Climb for Cancer
- Fiji Open Tennis tournament
- Fiji Sports Awards - annual

Women in Lottery Leadership

In addition to the above, Jumbo has provided an inaugural scholarship grant of US$50,000 over five years to the Women's Initiative in Lottery Leadership (**WILL**) womeninlotteryleadership.com.

Our relationship with our people is under pinned by our Code of Conduct which defines our workplace principles.

Workplace Culture

Jumbo is committed to providing a supportive and collaborative environment that fosters a positive and strong culture for our people to thrive. Our people are pivotal to our success and we encourage and nurture the development of employees through our professional learning pathways, and we have implemented strategies and activities to improve wellbeing. These initiatives include free breakfast and lunch, subsidised wellness activities, company sponsored participation in sporting and charity events, and a variety of social activities.

Our Gender Diversity Policy has an objective of 40% female employees by 2023. We continue our policy to source the best possible candidate for the position as and when it becomes available.

We have a good mix of youth, experience and 'grey hair' to ensure innovation, practicality and temperament.

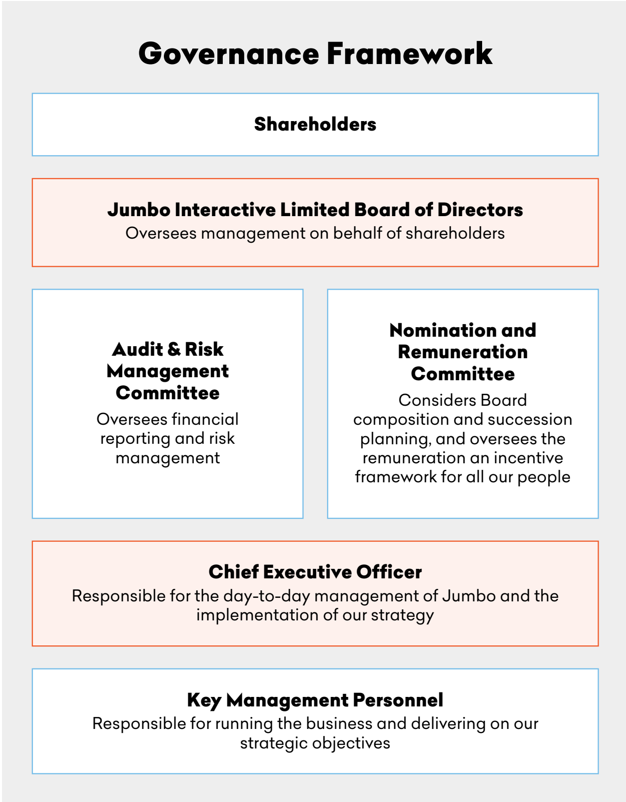
A monthly Company Pulse measures the level of happiness of staff between 1 and 5, with 5 being Very Happy, and the average for FY19 is 4.15 (2018: 4.15).

Further information can be found under the section "People of Jumbo".

Governance

Our Corporate Governance Statement in this Annual Report describes in full our approach to corporate governance and compliance with the third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. The CGS is also available on our website jumbointeractive.com/governance/corporate_governance_statement.pdf.

We have established a to support our business and help us deliver on our strategy.



Our Board

As at the date of this report, our Board comprises four Directors – three independent non-executive Directors and one executive Director being Jumbos' founder and CEO, Mike Veverka. Details of the Directors' qualifications and experience are in the Board of Directors section of the Directors' Report.

Jumbo has experienced rapid growth over the recent financial year. To meet the increasing demands of being a significantly larger company, we expanded the Board with the appointment of Giovanni Rizzo as an independent non-executive Director on 1 January 2019.

We are actively considering candidates to expand the Board by an additional independent non-executive Director, with an appointment expected in FY20.

The Board has two standing committees – the Audit and Risk Management committee and the Nominations and Remuneration Committee. The committees assist the Board by focusing in more detail on specific areas of our operations and governance framework.

Financial Report

FY 2019 in Review

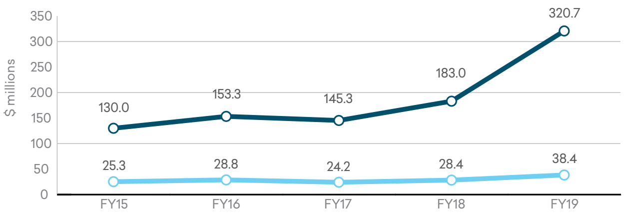
Financial Headlines

$'000	FY2019	FY2018	Variance %
Continuing operations			
TTV	320,659	183,146	75.1%
Revenue	65,212	39,775	64.0%
Revenue margin	20.3%	21.7%	(1.4ppt)
NPBT	38,219	17,101	123.5%
NPAT	26,420	11,753	124.8%
Discontinued operations	-	374	n/a
NPAT – overall operations	26,420	12,127	117.9%
EBITDA	40,188	19,415	107.0%
EBIT	36,755	16,241	126.3%
Cash at bank	84,583	47,919	76.5%
Net assets	77,378	47,211	63.9%
Net tangible assets	61,780	33,124	86.5%
Share price at year end (cps)	2015.0	500.0	303.0%
Dividends paid per share (cps)	34.0	35.5	(4.2%)
Total shareholder return (%)	309.8%	101.3%	208.5ppt
Earnings Per Share (cps)	43.9	23.4	87.6%
Return on capital employed (%)–overall operations	34.1%	25.7%	8.4ppt
Shares on issue (million)	62.1	54.4	14.1%
Market capitalisation (million)	1,251.8	271.9	360.4%
EBITDA margin (%)	61.6%	48.8%	12.8ppt
EBIT margin (%)	56.4%	40.8%	15.6ppt

Highlights

A significant increase in both customer activity and engagement (new and active numbers) as well as large jackpot activity (number and average value) has seen a substantial increase in Total Transaction Value (**TTV**) and Revenue, together with a continued focus on costs, has resulted in a considerable increase in Net Profit After Tax.

5 year Total Transaction Value and average large jackpots



- Revenue $65.212 million – 64% increase
- Net Profit After Tax – Continuing operations $26.420 million – 125% increase
- Net Profit After Tax – Overall operations $26.420 million – 118% increase
- Dividends paid 34.0 cents (fully franked) – 4% decrease
- Share Price $20.15 – 303% increase
- Total Shareholder Return 310% - 209ppt increase

FY2020 outlook

- There has been a strong start to the year from 5 large jackpots in July, including a record $110 million for Powerball, and the sale of the Set-for-Life product commencing on 15 August.
- The burgeoning SaaS business segment has received a boost by Endeavour Foundation signing an agreement on 16 August to licence the PBJ software

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 2019.

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

Giovanni Rizzo
Independent Non-Executive Director (appointed 1 January 2019)

Details of the experience, qualifications 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); member 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: None,

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 of 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: 9,656,848 ordinary shares and nil 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 three other publicly listed companies, is a former secretary and/or director of a number of other listed companies, and has a wealth of experience in corporate governance principles and practices.

Bill is a fellow of 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.

Giovanni Rizzo

Experience: Appointed as a board member on 1 January 2019. Giovanni Rizzo is a specialist in the gaming industry with over 20 years' experience in various management roles of large listed lottery, casino and electronic gaming machine businesses in South Africa, Canada and Australia. Most recently, Giovanni was Head of Investor relations at Tatts Group Limited, Australia's exclusive operator of licenced lotteries.

Qualifications: Bachelor of Commerce (Honours) in Finance and Audit; Chartered Accountant in Australia, New Zealand an South Africa.

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

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 19 October 2007.

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, is contained in the Operating and Financial Review as set out on pages 38 to 41 of this report.

Dividends

A fully franked final dividend of 11.0 cents per fully paid ordinary share for the year ended 30 June 2018 was paid on 21 September 2018, and a fully franked interim dividend of 15.0 cents per fully paid ordinary share for the year ended 30 June 2018 was paid on 22 March 2019.

A fully franked special dividend of 8.0 cents per fully paid ordinary share was paid on 22 May 2019.

On 16 August 2019, the Directors have declared to pay a fully franked final dividend for the financial year ended 30 June 2019 of 21.5 cents per fully paid ordinary share (2018: 11.0 cents per fully paid ordinary share), to be paid on 20 September 2019.

Further details of dividends provided for or paid are set out in note 14 to the Consolidated Financial Statements on page 79.

State of Affairs

Changes in the state of affairs are set out on page 41 and form part of the Directors' Report for the financial year ended 30 June 2019.

Events after the reporting date

Apart from (i) the licencing agreement signed with Endeavour Foundation, and (ii) the 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 2019.

The above items are not recognised in the financial statements 30 June 2019.

Likely developments, key business strategies and future prospects

The Company's historical long, strong relationship with Tatts continues with Tabcorp following the merger of the companies in December 2017. Tabcorp maintain their strategically important, substantial stake in the Company which is currently at 11.6%.

The following lottery agreements are held with Tabcorp:

- 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 (Fiji) - five years to 1 May 2022 and continuing thereafter with termination by either party giving 12 months written notice.

The changes to Powerball in April 2018 had the expected effect of increased large jackpot activity with 27 large Powerball jackpots and a peak of $100 million compared to FY2018 of 15 and $55 million respectively. In FY2019, we have already seen three and a record $110 million. The addition of Set-for-Life to the product range occurred on 15 August 2019.

The domestic internet market is currently estimated to be ~23% of the total domestic lottery market, and increasing at ~3% to ~4% p.a. (the five year CAGR to FY2019 is 21.5%). This compares to more mature overseas markets such as UK and Finland where the internet market is estimated to have reached ~21% and ~48% respectively.

The Company started selling Charity lottery tickets in July 2015 and added one charity during the financial year for a current total of six charities, and increased sales by 27% in FY2019. At least one further charity is expected to be added in FY2020, and good growth expected to continue.

The Company is well placed to continue with its medium to long term plans with confidence to grow the internet lottery business segment in Australia.

In November 2018, the Company signed its first customer for the new established Software-as-a-Service (SaaS) business segment to licence its lottery platform and services (PBJ - PoweredByJumbo), which went live in June 2019. A further customer was signed on 16 August 2019, and the company expects to sign at least one further customer during FY2020. The Company sees opportunities in both the national lottery and charity lottery markets and in both Australia and overseas, for the SaaS business segment.

The SaaS business segment is also well placed for expected strong growth over the medium to long term.

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 2019 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	16	16	5	5	7	7
Mike Veverka	16	16	-	-	-	-
Bill Lyne	16	15	5	5	7	7
Giovanni Rizzo	8	8	-	-	-	-

* Board meetings include Circulating Directors' Resolutions

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
18 November 2015	18 November 2020	$1.75	250,000
15 November 2017	15 November 2022	$3.50	775,000
			1,025,000

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

During or since the financial year ended 30 June 2019, 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
13 September 2013	$4.00	400,000
6 November 2013	$4.00	150,000
18 November 2015	$1.75	50,000
13 July 2017	$2.37	3,474,492
15 November 2017	$3.50	3,675,000
		7,749,492

No amounts are unpaid on these shares.

During or since the financial year ended 30 June 2019, there were no options 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.

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	
	2019	2018
	$	$
Taxation services		
Tax compliance services - tax returns	43,000	42,000
Transfer pricing	-	15,000
Other tax advice	6,000	7,000
Total taxation services	**49,000**	**64,000**
Other services		
Accounting advice	5,250	-
Accounting services	5,000	4,500
Total other services	**10,250**	**4,500**
Total fees for non-audit services	**59,250**	**68,500**

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 46 to 52, and forms part of the Directors' Report for the financial year ended 30 June 2019.

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 53.

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

David K Barwick
Chairman
Brisbane
22 August 2019

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	FY2019	FY2018	Variance %
TTV	320,659	183,146	75.1%
Revenue	65,212	39,775	64.0%
Cost of sales	(2,079)	(2,038)	2.0%
Gross profit	63,133	37,737	67.3%
Other income	1,936	1,203	60.9%
Expenses	(26,850)	(21,839)	22.9%
NPBT	38,219	17,101	123.5%
Income tax Expense	(11,799)	(5,348)	120.6%
NPAT continuing operations	26,420	11,753	124.8%
Discontinued operations	-	374	(>100.0%)
NPAT overall operations	26,420	12,127	117.9%
EBITDA	40,188	19,415	107.0%
EBIT	36,755	16,241	126.3%

The Company achieved a substantial increase in TTV and Revenue due mainly to increased customer activity stemming from the release of the new software platform together with increased large jackpot activity (both number and average value). During the financial year, the number of new online accounts increased by 106.6% to 444,004 (2018: 214,908) and number of active online customers increased by 74.1% to 761,863 (2018: 437,540), while the number of large jackpots increased by 53.1% to 49 (2018: 32) and average value increased by 35.2% to $38.4 million (2018: $28.4million). The increase in expenses is largely related directly to the increase in TTV and Revenue such as customer acquisitions, electronic ID verification, and merchant fees which accounted for ~$3,767,000 of the increase. The overall increase in Net profit after tax resulted from an increase in TTV and Revenue with continued management of costs.

The Company continues to invest in the three main pillars that support the ongoing growth of the Company with $4,839,000 (2018: $4,567,000) on its proprietary software platform (intangible assets), $6,956,000 (2018: $4,637,000) in marketing activities primarily to acquire new and retain existing customers, and $8,731,000 (2018: $8,119,000) on employees who provide the software development and marketing skills, customer support services, and management.

Comparative analysis

Compared to FY2018:

TTV increased $137,513,000 or 75.1% to $320,659,000, principally due to:

- $137,462,000 or 75.4% increase to $319,730,000 in Australia Lotteries mainly as a result of both increased customer activity and large jackpot activity.

Revenue increased $25,436,000 or 64.0% to $65,212,000 due mainly to:

- $25,385,000 or 65.3% increase to $64,282,000 in Australia Lotteries as a result of the increased TTV. The revenue margin is affected by product mix,driven by large jackpot activity, and was lower at 20.3% (2018: 21.7%).

Cost of sales increased by $41,000 or 2.0% to $2,079,000 mainly due to:

- a higher proportion of the TTV for Australia Lotteries being due to its own marketing activities and a lower proportion through affiliates - the margin decreased by 0.5ppt to 0.6% from 1.1%.

Other income, being mainly interest on cash and cash equivalents, increased by $733,000 or 60.9% to $1,936,000 largely as a result of:

- $604,000 or 70.1% increase in interest on cash and cash equivalents for Australia Lotteries and Corporate through higher average balances which outweighed the lower average interest rates (see note 17 (ii) for details); and
- $136,000 or 52.4% increase in foreign currency gains

Expenses increased by $5,011,000 or 22.9% to $26,850,000 mainly in relation to the (i) increase TTV and Revenue and (ii) increase in share activity:

- $4,421,000 or 23.5% increase in Australia Lotteries largely from an increase in marketing costs of $2,340,000 and merchant fees $1,321,000 in administrative expenses;
- $33,000 or 8.3% increase in All Other segments mainly from a decrease in administrative expenses of $36,000; and
- $597,000 or 22.9% increase in Corporate principally from an increase in employee benefits of $362,000 and an increase in share registry expenses of $125,000 included in administrative expenses

NPBT of continuing operations increased $21,118,000 or 123.5% to $38,219,000, principally due to:

- $21,455,000 or 113.2% increase in Australia Lotteries profits due to increased TTV and Revenue and costs which increased by 23.5%;

— an increase of $18,000 or 3.7% in All Other Segment profits from increased TTV/Revenue and increased expenses; and
— $355,000 or 15.3% increase in Corporate losses mainly as a result of increased Other revenue $242,000 and increased expenses $597,000.

Australia Lotteries NPBT increased 113.2% or $21,455,000 due to:
— increased TTV by 75.4% or $137,462,000 and Revenue and other income by 65.0% or $25,877,000 largely from improved customer activity and increased large jackpot activity;
— increased cost of sales by 2.0% or $41,000; and
— increased costs by 23.3% or $4,381,000 largely due to higher marketing expenses $2,340,000, merchant fees $1,321,000 and electronic ID verification $128,000 associated with increased TTV, and higher depreciation and amortisation of $253,000 due mainly to increased investment in the software platform.

All Other Segments NPBT increased 3.8% or $18,000 due to:
— increased revenue of 5.8% or $51,000; and increased costs by 8.2% or $33,000.

The level of customer activity, together with large jackpot activity, are an important driver of sales. The level over the last three financial year periods is summarised in the following table:

Large jackpot activity	FY 2019	FY 2018	FY 2017
TTV - Internet Lotteries Australia	$319.7 m	$183.0 m	$145.3 m
Reported Revenue - Internet Lotteries Australia	$64.3 m	$39.8 m	$32.4 m
Customer Activity			
Number of new online accounts	444,004	214,908	161,698
Number of active online customers	761,863	437,540	354,113
OzLotto/Powerball			
Number of jackpots[1]	49	32	31
Average Div 1 jackpot[1]	$38.4 m	$28.4 m	$24.2 m
Peak Div 1 jackpot[2]	$100 m	$55 m	$55 m
Aggregate Div 1 jackpots[2]	$1,880 m	$910 m	$750 m

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

The increased level of large jackpot activity (number and average value) in the current financial year has contributed to higher TTV and revenue. Although costs increased by 22.9%, this was largely related to the increased TTV and Revenue - costs continue to be closely managed. The higher TTV and revenue is the main reason for an increase in profits.

Segment review

(a) Online Lottery Segment

With the operation in Germany discontinued March 2017, this segment now consists 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

Improved customer activity (increased new customers and engagement with existing customers) together with the higher level of large jackpot activity combined to significantly increase revenue by 65.3% to $64,283,000 (2018: $38,897,000). Other income increased by $491,000 or 53.5% mainly due to increased interest revenue with higher average balances that outweighed lower average interest rates, and foreign exchange gains. Net profit before tax increased by 113.2% to $40,403,000 (2018: $18,948,000) due to the higher customer activity and jackpot activity notwithstanding an increase in expenses of 23.3% or $4,381,000, which mainly relate directly to the increase in TTV and revenue.

TTV for the financial year increased by 75.4% to $319,730,000 (2018: $182,268,000), which includes a 27.5% increase in charity lottery sales to $7,770,000 (2018: $6,092,000), 2.4% of TTV (2018: 3.3%).

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 (KPI's) are used to track the effectiveness of these campaigns:

1. Number of new online accounts defined by new customers creating an account in a given period.
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.
4. 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.

The following table summarizes the Marketing KPI's:

www.ozlotteries.com and mobile apps	FY 2019	FY 2018
Number of new online accounts	444,004	214,908
Number of active online customers	761,863	437,540
Average spend per active online customer	$385.44	$371.13
Cost per lead	$13.81	$17.28

The 106.6% increase in new online accounts and 74.1% increase in active online customers are due mainly to the release of the new software platform. This enabled increased marketing activity on the back of a substantial increase in large jackpot activity (53.1% higher in number and 35.2% higher in average value) and re-engagement of existing customers. The 3.9% increase in average spend is largely due to the increase in large jackpot activity charity lottery sales growth. The 20.1% decrease in CPL is mostly due to the marketing mix and increased interest generated by the higher large jackpot activity.

(b) All Other Segments

This segment consists of the sale of non-lottery products and services. TTV and Revenue and other income increased to $929,000 (2018: $878,000) and net profit before tax increased to $494,000 (2018: $476,000), due to increased revenue and lower expenses.

(c) Corporate

The net loss increased by 15.3% or $355,000 to NLBT $2,678,000 (2018: NLBT $2,323,000) mainly due to increased administration expenses $626,000 or 24.4% largely from increased employee benefits in salaries and share-based payments from the exercise of staff options during the financial year, increased share registry related expenses from increased share register activity and market capitalisation, and increased directors' remuneration with the appointment of a further director on 1 January 2019, partly offset by increased revenue of 84.7% or $242,000 from higher average balances that outweighed lower average interest rates.

Summary of results

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

Revenue/profits ($'000)	FY2019	FY2018	FY2017	FY2016	FY2015
TTV – continuing operations	320,659	183,146	145,322	153,302	128,464
Revenue – continuing operations	65,212	39,775	32,429	34,083	29,076
NPAT – overall operations	26,420	12,127	5,640	4,670	663
NPAT – continuing operations	26,420	11,753	7,597	7,323	4,274
NPAT – discontinued operations	-	374	(1,957)	(2,653)	(3,611)
EBITDA – continuing operations	40,188	19,415	14,094	13,717	8,314
EBIT – continuing operations	36,755	16,241	10,463	10,073	5,433

Assets	FY2019	FY2018	FY2017	FY2016	FY2015
Cash at bank[1] ($'000)	84,583	47,919	43,320	25,306	23,778
Net assets ($'000)	77,378	47,211	42,900	24,696	21,681
Net tangible assets ($'000)	61,780	33,124	30,484	12,949	11,639
Return on capital employed (%) – overall operations	34.1	25.7	13.1	18.9	3.1
Return on capital employed (%) – continuing operations	34.1	24.9	17.7	29.6	19.7
Return on capital employed (%) – discontinued operations	-	0.8	(4.6)	(10.7)	(16.6)

[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	FY2019	FY2018	FY2017	FY2016	FY2015
Earnings per share (cps)	43.9	23.4	12.6	10.6	1.5
Dividends paid per share (cps)	34.0	35.5	8.5	3.5	3.0
Share price at financial year end (cps)	2015.0	500.0	266.0	130.0	85.0
Total shareholder return (%)	309.8	101.3	111.2	57.1	(32.3)
Shares on issue (million)	62.1	54.4	50.7	44.1	44.2
Market capitalisation ($'million)	1,251.8	271.9	134.8	57.3	37.6

Financial position

The net assets of the Group have increased by $30,167,000 from 30 June 2018 to $77,378,000.

The Group's working capital, being current assets less current liabilities, has increased from $33,236,000 in 2018 to $61,870,000 in 2019 mainly as a result of increased cash and cash equivalents of $36,664,000. $23,385,000 of this increase came from share issues on exercise of options.

Non-current assets increased by $1,687,000 to $16,126,000 due mainly to the investment in the software platform.

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 $23,385,000 resulting from:

	$'000
– Issue of 7,749,492 shares as a result of an exercise of options (see note 15 for details)	23,385
	23,385

(b) Increase in cash of $36,664,000 resulting from:

	$'000
– Cash raised from the issue of contributed equity in (a) above	23,385
– Other activities (see Cash Flow Statement for details)	13,279
	36,664

(c) Increase in non-current assets of $1,687,000 resulting from:

	$'000
– investment in website development costs net of amortisation (see note 10 for details)	1,570
– Changes in other non-current assets (see notes 4, 9 and 10 for details)	117
	1,687

Remuneration Report

Letter from the Chairman of the Nomination and Remuneration Committee

Dear Shareholder,

On behalf of the Board of Directors and the Nomination and Remuneration Committee, I am pleased to present our Remuneration Report for the year ended 30 June 2019.

Jumbo has enjoyed a phenomenal year of growth in FY2019 with our market capitalisation growing to $1.2 billion at year end resulting in our admittance to the ASX300 index for the first time. We have successfully entered into a new business segment of offering software as a service (SaaS) to licenced lottery operators which will assist in delivering one of our strategic objectives of diversifying our revenue stream into the future, and we continue to explore opportunities in the USA, UK and Canada, all the while ensuring that our core business in Australia continues to deliver record growth.

This growth together with our admittance to the ASX300 index has resulted in the Board taking the decision to re-design our remuneration approach for FY2020 and beyond. The objectives of our new remuneration approach are:

- to make the remuneration approach and outcomes easier to understand and more transparent to shareholders;
- to strengthen alignment of remuneration with our strategic vision, with its unique challenges and opportunities, to create long-term shareholder value;
- to attract, motivate and retain the talent that we require to succeed in the long-term; and,
- to create a maximum remuneration opportunity for senior Executives that rewards them with both cash and locked-in equity that ensures strategic decisions are focused on delivering long-term value rather than short-term outcomes.

One of the key outcomes of this new remuneration framework is the abolition of discretionary options and the implementation of short-term and long-term awards directly linked to financial and operational performance of the business and the delivery of increased shareholder wealth over the medium to long-term. A further key outcome is the introduction of a formal clawback mechanism which enables the Board to make a determination to claw back equity issued to Executives in the event of material misstatement of financial information, fraud, misconduct or breach of duties.

We believe that our new remuneration approach will improve the alignment between strategic business objectives, shareholder returns and senior Executive remuneration. We are however acutely aware that this new remuneration approach may need to evolve as the business continues to grow and as such we will actively engage with shareholders, proxy advisors and remuneration consultants and consider their valued feedback.

Before providing a comprehensive overview of the new remuneration framework to be applied to Executives from 1 July 2019, below is a summary of the FY2019 remuneration outcomes for the Jumbo Executive team.

A: FY2019 executive remuneration outcomes

Fixed remuneration for Executives did not change during the financial year.

Short term cash incentives of $773,355 became payable to Executives based on the achievement of financial and non-financial KPIs set at the start of the financial year by the Nomination and Remuneration Committee which represents an average achievement of 86% of target for the year.

The Nomination and Remuneration Committee did not award any discretionary options to Executives as the Executives are being moved on to the new remuneration framework.

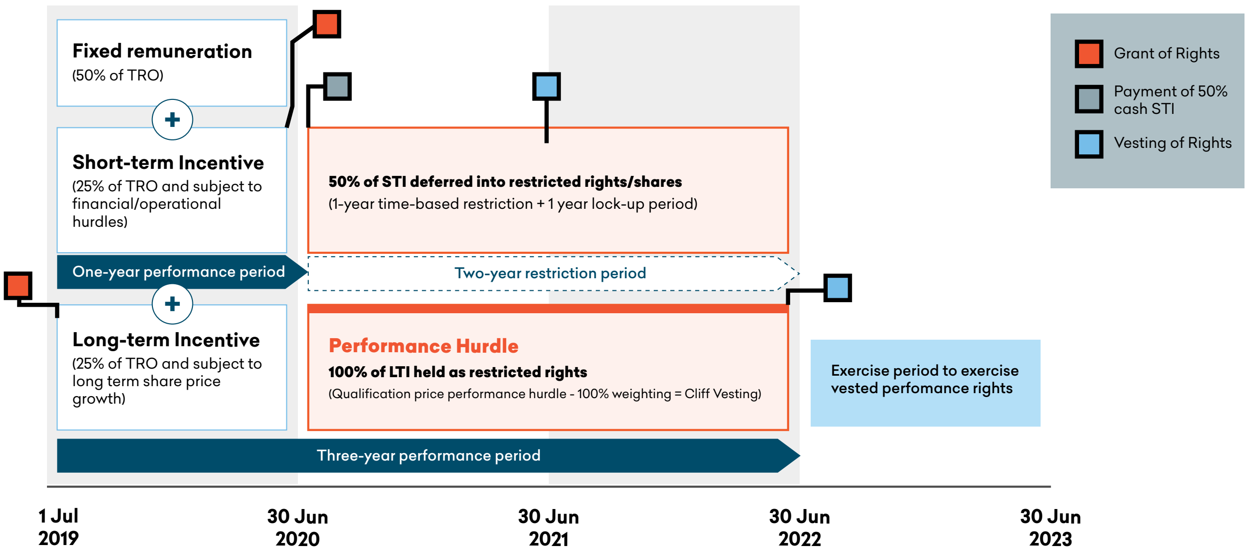
As at 30 June 2019, 800,000 options remain vested and exercisable to Executives as part of discretionary awards issued in prior financial years.

B: New Remuneration Framework

The new remuneration framework is made up of 4 key elements:

- 50% of Executive remuneration is paid as a Base Salary and Superannuation. The base salary is benchmarked at the 25th percentile of a group of peer companies based on market capitalisation which is reviewed annually;
- 25% of Executive remuneration is payable as a Short-Term Incentive (STI) made up of 50% cash and 50% restricted equity with a formal clawback mechanism;
- 25% of Executive remuneration is payable as a Long-Term Incentive (LTI) made up of 100% restricted equity with a formal clawback mechanism;
- Implementation of a formal minimum shareholding requirement for Executives based on 100% of the Total Potential Executive Remuneration Opportunity which reinforces the alignment between the Executive team and shareholders.

Total Remuneration Opportunity (TRO)



a. Benchmark Peer Group

The starting point of the remuneration review into Executives consisted of identifying a peer group of companies against which Jumbo could be benchmarked to set an applicable level of Total Remuneration Opportunity for Executives going forward.

The Nomination and Remuneration Committee's objective in remuneration is to support the delivery of business outcomes that grow shareholder value through protecting the core Australian national lottery business while continuing to explore value accretive business opportunities both domestically and internationally that will successfully diversify our revenue stream. To fulfil this objective, we need to ensure that we can attract and retain Executives who can execute on this strategy.

A peer group of 56 companies within the ASX300 index was selected as the benchmark group. This group is based on a 12-month average market capitalisation within 50% to 200% of Jumbo's market capitalisation of $960 million at 31 December 2018. At a market capitalisation of $960 million Jumbo falls in the 25th percentile of the peer group while at a market capitalisation at 30 June 2019 of $1.2 billion Jumbo falls at the median of the peer group.

Based on the data from this benchmark peer group together with referencing data from our independent remuneration consultants, role complexity, and scope and availability of similar qualified executives in the domestic market, the Total Remuneration Opportunity for each Executive will be targeted at the 25th percentile of executive remuneration of this benchmark group.

b. Guaranteed Base Salary and Superannuation

The fixed remuneration of Executives will consist of the cash salary, statutory superannuation contributions and other employee-elected salary sacrificed benefits.

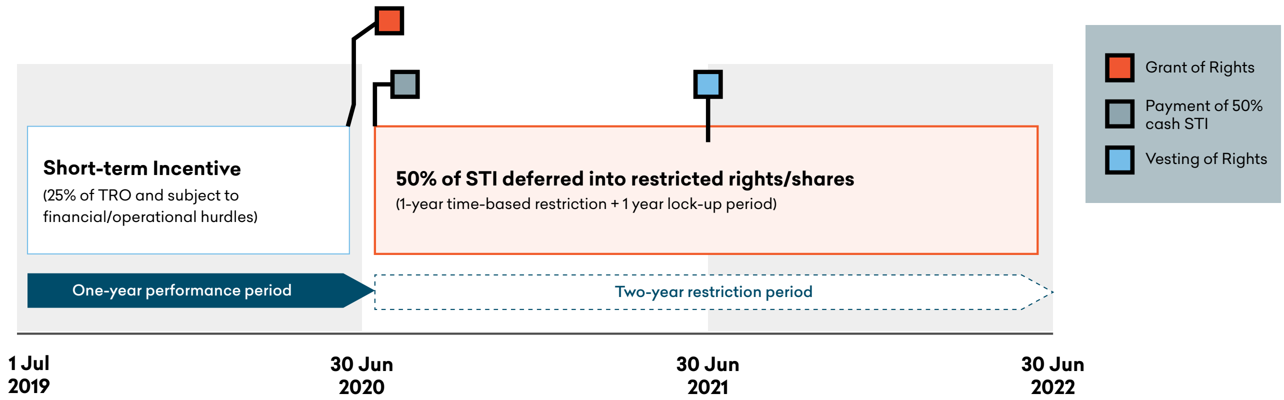
Fixed remuneration will be set with reference to the Executive's knowledge, experience and skills, the magnitude of the responsibilities and complexities associated with the role and peer benchmarks. Benchmarking will be set at the 25th percentile of the Jumbo benchmark peer group.

Fixed remuneration will always be considered in the context of the total remuneration package payable to an Executive to ensure that the entire remuneration package is fair and competitive.

c. Short-Term Incentive (STI)

Short-term awards made to Executives will comprise 25% of the Total Remuneration Opportunity and represents two elements:

- 50% of the total STI will be payable as a cash incentive payable as per the normal incentive payment cycle
- The remaining 50% of the total STI will be payable as restricted rights to shares payable on the achievement of a 2-year time-based hurdle and subject to formal claw back provisions



Two hurdle groups will be used to determine the achievement of the total STI opportunity. The first hurdle (which represents 50% of the total STI opportunity) will be tied to Jumbo's financial performance based on achievement of the STI Incentive Pool (refer below). This incentive is referred to as the **Financial STI**. The second hurdle (representing the remaining 50% of the total STI opportunity) will be based on the achievement of annually defined KPIs for the Executive. These KPIs will focus on areas such as business acquisitions, non-organic revenue growth and other critical business measures. This incentive is referred to as the **Operational STI.**

In terms of the STI awarded as rights, the Executive's rights vest and convert into shares after a 12-month time based qualifying period. The sale of these shares is restricted for a further 12 months, resulting in a total two-year lock-up period. Executives will have full entitlement to dividends and voting rights during the 12-month lock-up period.

The number of rights to be issued will be based on the 10-day VWAP of the Jumbo share price for the period up to 30 June of each year.

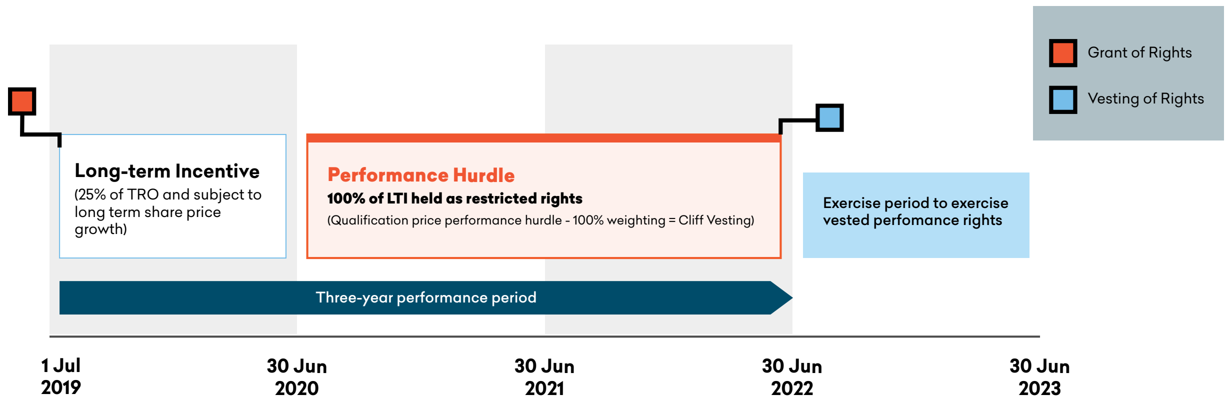
Setting the annual STI Pool:
The Nomination and Remuneration Committee will set an organisational total financial STI pool before the start of the financial year based on growth from the prior financial year. This financial STI pool will be formed as follows:

- For every 1% of NPAT growth between 5.0% to 10.0% NPAT growth over the prior financial year, 0.5% of NPAT will be allocated to the STI pool;
- For every 1% of NPAT growth between 10.0% to 20.0% NPAT growth over the prior financial year, 0.25% of NPAT will be allocated to the STI pool;
- Total organisational pool size will be capped at 5% of annual NPAT.

Each Executive's share of the total STI pool created will be based on a calculation schedule of receiving between 0% to 100% of their maximum potential Financial STI opportunity depending on the level of NPAT profit growth achieved between 6% to 20%. As an example, if the total NPAT growth for a financial year comes in at 12%, then the Executive will receive 60% of their maximum Financial STI potential.

d. Long-Term Incentive (LTI)
Long-term equity awards made to Executives will comprise 25% of total remuneration opportunity and represents the at-risk, long-term equity component of the Executives remuneration package.

Equity awards will take the form of rights granted at face value rather than options at fair value. This ensures that shareholders clearly understand the actual cost of remuneration of Executives on an annual basis rather than the opaque nature that options present.



Allocation of rights:
Each Executive will receive an annual grant of rights to a dollar value equal to 25% of their Total Remuneration Opportunity with the number of rights based on the 10-day VWAP period up to 30 June of each year.

The rights are exercisable into shares three years after grant and achievement of the price performance hurdle.

Qualification price performance hurdle:
To qualify for the LTI equity award, the Jumbo share price must outperform the historical growth rate of the ASX 'total return' All Ordinaries index (XAOA:ASX) in order for the rights award to vest. If the JIN share price does not outperform the ASX All Ordinaries growth hurdle set, no vesting occurs even if Jumbo has outperformed its peers. By avoiding relative hurdles, which often deliver returns to traditional LTI plan participants simply when poor performance exceeds even poorer performance within a peer group, wealth is created for both shareholders and Executives as a result of the increase in Jumbo's value as a company.

Using this methodology, Jumbo's share price performance hurdle will be determined in three steps:

— First, the 'total return' will be based on the 15-year average return of the ASX All Ordinaries Total Return Index (XAOA:ASX);
— Second, the 'return' will be multiplied over a 3-year performance period on a compound basis and applied to Jumbo's 90-day VWAP at the effective date to create the qualification price performance hurdle;
— Dividends declared by Jumbo over the three-year performance period will be added to the closing performance price to determine if the qualification price performance hurdle is achieved.

Using this LTI methodology, Jumbo's share price (inclusive of dividends paid or declared) must outperform the historical growth rate of the Australian share market, on a total return basis, in order for rights to vest. As such, Executives are rewarded for the creation of long-term wealth for Shareholders that exceeds the performance of both peer companies and the broader share market.

Furthermore, the concept of cliff-vesting, i.e. Executives receiving all or nothing relating to LTI awards, creates an environment where Executives are only rewarded if Shareholders experience capital growth and therefore wealth creation and aligns with the objective of ensuring that our remuneration framework is transparent and easy to understand which is not always evident in existing LTI schemes.

e. Minimum shareholding requirement (MSR)
Executives will also be required to maintain an MSR. This will further align Executives to shareholders and focus Executives decision making on creating long-term shareholder value.

The MSR will be set at 100% of total annual remuneration and Executives will be given a 5-year period to achieve this level if not already reached.

C: Non-Executive Director Remuneration
The final part of the review into the Jumbo remuneration framework related to the remuneration payable to Non-Executive Directors.

Our independent remuneration consultants (E&Y) provided the Nomination and Remuneration Committee with a comparative benchmarking analysis on non-executive director fees.

Based on this analysis using a peer group of 56 ASX listed companies with a 12-month average market capitalisation within 50% to 200% of Jumbo's market capitalisation of $960 million at 31 December 2018, Non-Executive Director fees currently paid to Director's were found to be significantly below the peer group.

At a market capitalisation of $960 million Jumbo falls in the 25th percentile of the peer group while at a market capitalisation at 30 June 2019 of $1.2 billion Jumbo falls at the median of the peer group.

The Nomination and Remuneration Committee recommended an increase in fees based on this benchmarking analysis together with the increased complexity and time required to fulfil director roles. The new fees will be benchmarked at the 25th percentile of the peer group and be subject to shareholder approval at the Annual General Meeting.

Due to the proposed increase in fees, and to allow for an increase in the size of the Board, the Nomination and Remuneration Committee has also recommended an increase in the aggregate Non-Executive Director pool fee limit to $750,000 per annum.

	$
Board Fees	
— Chairman	188,000
— Member	100,000
Audit and Risk Committee Fees:	
— Chairman	15,000
— Member	10,000
Nomination and Remuneration Committee:	
— Chairman	15,000
— Member	10,000

We look forward to engaging with Shareholders and Proxy Advisors in the next few months prior to our Annual General Meeting and will consider all valued feedback regarding the changes made to our Remuneration Framework. However, we remain confident that Shareholders and Proxy Advisors will recognise the benefits of our Remuneration Framework and understand the objectives we are aiming to achieve.

Giovanni Rizzo
Chair of the Nomination and Remuneration Committee
22 August 2019

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 2019 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 FY2019 for KMP is as follows:
Fixed remuneration - 100%
Short term incentive cash bonuses - 75% to 80% 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 11: 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	$96,360
Non-Executive Directors	$68,985
Chair of Audit and Risk Management Committee	$15,000
Chair of Nomination and Remuneration Committee	$12,500
Membership of Audit and Risk Management Committee	$10,000
Membership of Nomination and Remuneration Committee	$7,500

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 2019 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:

	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
TTV continuing operations ($'000s)	$320,659	$183,146	$145,322	$153,302	$128,404
Net profit after tax – continuing operations ($'000s)	$26,420	$11,753	$7,597	$7,323	$5,433
Net profit after tax – overall operations ($'000s)	$26,420	$12,127	$5,640	$4,670	$663
Share price at year end (cps)	2015	500	266	130	85
Dividends paid per share (cps)	34.0	35.5	8.5	3.5	3.0
Total shareholder return (%)	309.8%	101.3%	111.2%	57.1%	(32.3%)
Earnings per share (cps)	43.9	23.4	12.6	10.6	1.5
Return of capital employed (%)	34.1%	25.7%	13.1%	18.9%	3.1%
Market capitalisation ($'000s)	$1,251,794	$271,871	$134,793	$57,284	$37,572

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
Giovanni Rizzo	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

Details of Remuneration

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

2019

	Short term employee benefits			Post employment benefits	Long term benefits		Equity-settled 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	110,500	-	-	10,497	-	-	-	120,977	-
Mike Veverka	489,122	299,280	-	49,095	7,251	-	470,343	1,315,091	22.8
Bill Lyne	83,625	-	-	7,944	-	-	-	91,569	-
Bill Lyne – as Company Secretary	26,353	-	-	-	-	-	-	26,353	-
Giovanni Rizzo[2]	26,250	-	-	2,494	-	-	-	28,744	-
Other KMP									
David Todd	263,846	158,025	-	38,287	4,084	-	231,342	695,584	22.7
Xavier Bergade	260,075	158,025	-	38,287	4,084	-	145,572	606,043	26.1
Brad Board	262,976	158,025	-	37,213	3,896	-	87,626	549,736	28.7
Total KMP remuneration	1,522,747	773,355	-	183,817	19,315	-	934,883	3,434,117	

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

[2]appointed a non-executuve director on 1 January 2019

2018

	Short term employee benefits			Post employment benefits	Long term benefits		Equity-settled 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	88,000	-	-	8,360	-	-	-	96,360	-
Mike Veverka	521,354	257,520	-	25,000	18,829	-	150,145	972,848	26.5
Bill Lyne	63,000	-	-	5,985	-	-	-	68,895	-
Bill Lyne – as Company Secretary	29,432	-	-	-	-	-	-	29,432	-
Other KMP									
David Todd	265,462	135,975	-	36,193	8,132	-	82,164	527,926	25.8
Xavier Bergade	265,349	135,975	-	42,978	4,887	-	79,863	529,052	25.7
Brad Board	265,549	135,975	-	35,476	6,136	-	225,880	669,016	20.3
Total KMP remuneration	1,498,146	665,445	-	153,992	37,984	-	538,052	2,893,619	

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

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 22 August 2019.

Performace measures apply to all participants with slightly differenc 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	Total	Financial	Non-financial	Total
	$	$	$	$	$	$	$	$	$
Mike Veverka	278,400	69,600	348,000	271,440	27,840	299,280	6,960	41,760	48,720
David Todd	147,000	36,750	183,750	143,325	14,700	158,025	3,675	22,050	25,725
Xavier Bergade	147,000	36,750	183,750	143,325	14,700	158,025	3,675	22,050	25,725
Brad Board	147,000	36,750	183,750	143,325	14,700	158,025	3,675	22,050	25,725

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.

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

6. Equity instruments issued on exercise of remuneration options

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

2019	Number of shares issued on exercise of options	Number of options exercised	Amount paid per share	Amount unpaid per share
Directors				
Mike Veverka	1,950,000	1,950,000	$3.538	-
	1,950,000	1,950,000		
Other key management personnel				
David Todd	875,000	875,000	$3.50	-
Xavier Bergade	650,000	650,000	$3.769	-
Brad Board	325,000	325,000	$3.50	-
	1,850,000	1,850,000		

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

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

Name	Value of options at grant date [1] $	Value of options exercised at exercise date [2] $
Directors		
Mike Veverka	652,142	13,964,500
Other key management and personnel		
David Todd	292,668	3,710,250
Xavier Bergade	159,764	2,673,400
Brad Board	108,705	1,180,000

[1] The value of options granted during the period differs to the expense recognised as part of each key management persons' remuneration in 3. above because the value is the grant date fair value calculated in accordance with AASB 2 Share-based Payment. The total value of the rights granted in the table above is allocated to remuneration in 3. above over the vesting period.

[2] The value of options exercised has been determined as the intrinsic value of the options at exercise date i.e. the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the options.

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:

FY2019	Balance at 1 July 2018	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance at 30 June 2019	Vested at 30 June 2019	Total vested and exercisable at 30 June 2019	Total vested and unexercisable at 30 June 2019
Mike Veverka	1,950,000	-	(1,950,000)	-	-	-	-	-
David Todd	900,000	-	(875,000)	-	25,000	25,000	25,000	-
Xavier Bergade	1,400,000	-	(650,000)	-	750,000	750,000	750,000	-
Brad Board	350,000	-	(325,000)	-	25,000	25,000	25,000	-
	4,600,000	-	(3,800,000)	-	800,000	800,000	800,000	-

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:

FY2019	Balance at 1 July 2018	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year[1]	Balance at 30 June 2019
Mike Veverka	9,851,027	-	1,950,000	(2,144,179)	9,656,848
David Todd	20,000	-	875,000	(845,000)	50,000
Xavier Bergade	300,000	-	650,000	(800,000)	150,000
Brad Board	10,000	-	325,000	(325,000)	10,000
	10,181,027	-	3,800,000	(4,114,179)	9,866,848

[1]these were mainly on-market sale of the shares that were issued on exercise of options during the year

10. Other transactions and balances

Other related party transactions

	Consolidated Group 2019 $	Consolidated Group 2018 $
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.		
i. Mr Mike Rosch, the father of Mr Mike Veverka, the CEO and executive director of the Company. rented an office from the Group.		
- office rent received	7,865	8,580
- amounts owing to Group at year end	715	2,145
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	84,315	82,462

11. 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 FY2019[1]	Notice period[2]
Mike Veverka	Ongoing	$435,000	12 months
David Todd	Ongoing	$245,000	6 months
Xavier Bergade	Ongoing	$245,000	6 months
Brad Board	Ongoing	$245,000	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 2019, 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, 22 August 2019

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

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 3rd Edition (2014), 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 (CEO). This enables the Board to provide strategic guidance for the Company and effective oversight of management.

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

Jumbo provides new Directors with a letter on appointment which details the terms and conditions of their appointment, provides clear guidance on what input is required by them, and includes materials to assist with induction into the Company. Directors are also encouraged to undertake appropriate training and refresher courses which the Company facilitates as this assists in the performance of their roles.

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

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

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

This Diversity Policy outlines requirements for the Board to develop measurable objectives for achieving diversity, and annually assess both the objectives and the progress in achieving these objectives. Accordingly, the Board developed the following objectives in 2017 regarding gender diversity and aims to achieve these objectives over the next five years to 2022 as director and senior positions become vacant and appropriately qualified and experienced candidates become available:

Group Diversity	2019 Actual		2022 Objective
	No.	%	
Women on the board	-	-	To have at least one woman on the Board
Women in senior executive positions	1	20	Maintain at least the current number (one) of women
Women employees in the Group	41	31	Achieve the percentage of woman in excess of 45%
Total employees in the Group	133	100	

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

A **Workplace Gender Equality Report 2017-18** 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 three Non-Executive Directors (David Barwick, Chairman, having served 12 years since being appointed a Director 30 August 2006, Bill Lyne, also the Company Secretary, having served eight years since being appointed 30 October 2009), and Giovanni Rizzo, appointed 1 January 2019 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 more than 10 years, Bill Lyne, and Giovanni Rizzo 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. At the present time it has three members, being the Non-Executive Directors, Giovanni

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	2
Stakeholder relationships	2	3	1
Demographic background			
Gender			
Male	2	4	1
Female	2	0	2
Age			
25-40	1	0	1
41-55	2	2	2
56-75	3	2	1
Ethnicity			
Aboriginal or Torres Strait Islander	2	0	2
Asian	2	0	2
White/Caucasian	2	4	1

Rizzo (as the Chair), David Barwick and Bill Lyne, all of whom are independent and 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 this 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.

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 and Risk Management 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 (CFO) 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. Currently, it has only three members, being the non-executive Directors, Bill Lyne (as the Chair), David Barwick, and Giovanni Rizzo, all of whom are independent and 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 present 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 presently have a separate internal audit function due to its relatively less complex financial and organisational structures, but this is currently being reviewed. 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.

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

8. Remunerate fairly and responsibly

The Council's final Principle states that companies should *"pay director remuneration sufficient to attract and retain high quality directors and design executive remuneration to attract, retain and motivate high quality senior executives and align their interests with the creation of value for shareholders"*. To this end the Board has established 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. A proposal to change the non-executive Directors' remuneration will be submitted at the 2019 AGM.

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

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

Further information about the Jumbo remuneration policy, along with details of all emoluments of Directors and key management personnel can be found in the Remuneration Report section of the Directors' Report in the Company's Annual Report, including proposed changes to non-executive Director and KMP remuneration for the 2020 financial year period. There are no separate retirement benefits for non-executive Directors, other than statutory superannuation.

Approved by the Board – 22 August 2019

Financial Report

For the year ended 30 June 2019

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Jumbo Interactive Limited and its Controlled Subsidiaries

Consolidated Statement Of Profit Or Loss And Other Comprehensive Income

For the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Revenue from continuing operations	2	65,212	39,775
Cost of sales	3	(2,079)	(2,038)
Gross profit		63,133	37,737
Other revenue/income	2	1,936	1,203
Distribution expenses		(28)	(28)
Marketing costs		(6,956)	(4,637)
Occupancy expenses		(742)	(887)
Administrative expenses	3	(19,117)	(16,280)
Finance costs		(7)	(7)
Profit/(loss) before income tax expense		38,219	17,101
Income tax expense	4	(11,799)	(5,348)
Profit/(loss) after income tax from continuing operations		26,420	11,753
Profit/(loss) from discontinued operations	6	-	374
Profit/(loss) after income tax expense for the year attributable to the owners of Jumbo Interactive Limited		26,420	12,127
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(6)	(3)
Reclassification of foreign exchange differences on loss of control of subsidiary		-	(374)
Other comprehensive income for the year, net of tax		(6)	(377)
Total comprehensive income for the year attributable to the owners of Jumbo Interactive Limited		26,414	11,750

Earnings Per Share (cents per share)		¢	¢
From continuing and discontinued operations			
Basic earnings per share (cents per share)	5	43.9	23.4
Diluted earnings per share (cents per share)	5	42.5	22.6
From continuing operations			
Basic earnings per share (cents per share)	5	43.9	22.7
Diluted earnings per share (cents per share)	5	42.5	21.9
From discontinued operations			
Basic earnings per share (cents per share)	5	-	0.7
Diluted earnings per share (cents per share)	5	-	0.7

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 2019

	Note	2019 $'000	2018 $'000
CURRENT ASSETS			
Cash and cash equivalents	7	84,583	47,919
Trade and other receivables	8	922	509
Inventories		31	57
TOTAL CURRENT ASSETS		85,536	48,485
NON-CURRENT ASSETS			
Property, plant and equipment	9	451	280
Intangible assets	10	14,683	13,113
Deferred tax assets	4	992	1,046
TOTAL NON-CURRENT ASSETS		16,126	14,439
TOTAL ASSETS		101,662	62,924
CURRENT LIABILITIES			
Trade and other payables	11	22,070	14,346
Current tax liabilities	4	1,258	594
Employee benefit obligations	12	338	309
TOTAL CURRENT LIABILITIES		23,666	15,249
NON-CURRENT LIABILITIES			
Employee benefit obligations	12	517	368
Make good provision		24	24
Deferred tax liabilities	4	77	72
TOTAL NON-CURRENT LIABILITIES		618	464
TOTAL LIABILITIES		24,284	15,713
NET ASSETS		77,378	47,211
EQUITY			
Contributed equity	15	79,302	55,917
Accumulated losses		(17,399)	(17,399)
Profits Appropriation Reserve		15,103	9,364
Reserves		372	(671)
TOTAL EQUITY		77,378	47,211

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 2019

	Contributed equity	Accumulated losses	Profits appropriation reserve
CONSOLIDATED GROUP	$'000	$'000	$'000
Balance at 1 July 2017	**45,492**	**(17,399)**	**15,745**
Total comprehensive income for the year			
Profit/(loss) for the year	-	-	12,127
Other comprehensive income, net of tax	-	-	-
Total comprehensive income for the year	-	-	12,127
Transactions with owners in their capacity as owners			
Issue of shares	10,425	-	-
Dividends paid	-	-	(18,508)
Share-based payments	-	-	-
Total transactions with owners in their capacity as owners	10,425	-	(18,508)
Balance at 30 June 2018	**55,917**	**(17,399)**	**9,364**
Total comprehensive income for the year			
Profit/(loss) for the year	-	-	26,420
Other comprehensive income, net of tax	-	-	-
Total comprehensive income for the year	-	-	26,420
Transactions with owners in their capacity as owners			
Issue of shares	23,385	-	-
Dividends paid	-	-	(20,681)
Share-based payments	-	-	-
Total transactions with owners in their capacity as owners	23,385	-	(20,681)
Balance at 30 June 2019	**79,302**	**(17,399)**	**15,103**

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	Financial assets at fair value through other comprehensive income reserve	Total equity
$'000	$'000	$'000	$'000
1,060	**304**	**(2,302)**	**42,900**
–	–	–	12,127
–	(377)	–	(377)
–	(377)	–	11,750
–	–	–	10,425
–	–	–	(18,508)
644	–	–	644
644	–	–	(7,439)
1,704	**(73)**	**(2,302)**	**47,211**
–	–	–	26,420
–	(6)	–	(6)
–	(6)	–	26,414
–	–	–	23,385
–	–	–	(20,681)
1,049	–	–	1,049
1,049	–	–	3,753
2,753	**(79)**	**(2,302)**	**77,378**

Jumbo Interactive Limited and its Controlled Subsidiaries

Consolidated Statement Of Cash Flows

For the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		71,556	43,666
Payments to suppliers and employees		(22,800)	(22,200)
Interest received		1,463	860
Interest and other costs of finance paid		(7)	(7)
Income tax received		85	242
Income tax paid		(11,161)	(5,312)
Net cash inflows/(outflows) from operating activities	7(b)	39,136	17,249
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from repayment of loan to related party		-	100
Payments for property, plant and equipment		(353)	(96)
Payments for intangibles		(4,824)	(4,571)
Proceeds from sale of property, plant and equipment		3	1
Net cash inflows/(outflows) from investing activities		(5,174)	(4,566)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	15	23,385	10,425
Dividends paid	14	(20,681)	(18,508)
Net cash inflows/(outflows) from financing activities		2,704	(8,083)
Net increase/(decrease) in cash and cash equivalents		36,666	4,600
Net foreign exchange differences		(2)	(1)
Cash and cash equivalents at beginning of year		47,919	43,320
Cash and cash equivalents at end of year	7(a)	84,583	47,919

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 2019

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 22 August 2019. 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 2018
- Adopts AASB15 *Revenue from Contracts with Customers* in the year beginning 1 July 2017

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	75
Goodwill and other intangible assets	10	75

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. Higher levels of customer and large jackpot activity (see Directors' Report for details);
2. Exercise of options and resultant increase in cash (see note 15 for details); and
3. Payment of dividends (see Directors' Report and note 14 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 2018 are stated on this basis.

(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:

2019	Internet Lotteries Australia $'000	Other $'000	Corporate $'000	Eliminations $'000	Total continuing operations $'000
External revenue	64,283	929	-	-	65,212
Internal revenue	-	-	-	-	-
Total revenue	64,283	929	-	-	65,212
Cost of Sales	(2,079)	-	-	-	(2,079)
Gross Profit	62,204	929	-	-	63,133
Other revenue/income from external customers	1,409	-	527	-	1,936
Distribution expenses	(28)	-	-	-	(28)
Marketing costs	(6,867)	(80)	(9)	-	(6,956)
Occupancy expenses	(711)	(31)	-	-	(742)
Administrative expenses	(15,597)	(324)	(3,196)	-	(19,117)
Finance costs	(7)	-	-	-	(7)
NPBT continuing operations	40,403	494	(2,678)	-	38,219
Income tax expense					(11,799)
NPAT continuing operations					26,420
Discontinued operations					-
NPAT overall operations (per P&L)					26,420

Interest revenue	936	-	527	-	1,463
Depreciation and amortisation	(3,342)	(91)	-	-	(3,433)
Foreign exchange gain	398	-	-	-	398

2018	Internet Lotteries Australia $'000	Other $'000	Corporate $'000	Eliminations $'000	Total continuing operations $'000
External revenue	38,897	878	-	-	39,775
Internal revenue	-	-	-	-	-
Total revenue	38,897	878	-	-	39,775
Cost of Sales	(2,038)	-	-	-	(2,038)
Gross Profit	36,859	878	-	-	37,737
Other revenue/income from external customers	918	-	285	-	1,203
Distribution expenses	(28)	-	-	-	(28)
Marketing costs	(4,527)	(81)	(29)	-	(4,637)
Occupancy expenses	(856)	(31)	-	-	(887)
Administrative expenses	(13,417)	(290)	(2,573)	-	(16,280)
Finance costs	(1)	-	(6)	-	(7)
NPBT continuing operations	18,948	476	(2,323)	-	17,101
Income tax expense					(5,348)
NPAT continuing operations					11,753
Discontinued operations					374
NPAT overall operations (per P&L)					12,127

Interest revenue	575	-	285	-	860
Depreciation and amortisation	(3,089)	(85)	-	-	(3,174)
Impairment of assets	(10)	-	-	-	(10)
Foreign exchange gain	261	-	-	-	261

(c) Other segment information

Geographical information

The entity is domiciled in Australia. The amount of its revenue from external customers in Australia is $60,989,000 (2018: $36,399,000), and the total revenue from external customers in other countries is $6,159,000 (2018: $4,579,000). Revenues of $1,628,000 (2018: $1,543,000) 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 $15,123,000 (2018: $13,376,000). Non-current assets in other countries are (i) Fiji $11,000 (2018: $17,000).

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 2019 $'000	Consolidated Group 2018 $'000
Sales revenue		
– Revenue from sale of goods	2,324	2,293
– Revenue from rendering of services	62,888	37,482
	65,212	39,775
Other revenue/income		
– Interest	1,463	860
– Other income		
– Foreign exchange gains	398	261
– Export market development grants	67	70
– Other	8	12
	1,936	1,203
	67,148	40,978

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 and/or Rendering of Services
Revenue from sale of goods and/or rendering of services is recognised when control of the goods or services is transferred to the buyer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods and/or services. Control is the ability of the customer to direct the use of, and obtain substantially all of the remaining benefits from, an asset. Indicators that control has passed includes that the customer has (i) a present obligation to pay, (ii) physical possession of the asset(s), (iii) legal title, (iv) risk and rewards of ownership, and (v) accepted the asset(s).

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	
	2019	2018
	$'000	$'000
Cost of sales		
– Sale of goods	870	889
– Rendering of services	1,209	1,149
Administration expenses		
Depreciation of non-current assets		
– Plant and equipment	139	116
Amortisation of non-current assets		
– Leasehold improvements	40	40
– Intangibles	3,254	3,018
Other administration expenses		
– Employee benefit expense	7,842	7,268
– Defined contribution superannuation expense	889	851
– Bank merchant fees and charges	2,987	1,667
– Other administration expenses	3,966	3,310
Occupancy expenses		
– Operating lease rentals minimum lease payments	742	887
Impairment of assets – domain names	-	10

Note 4: Income tax

Current tax

		Consolidated	
		2019	2018
CURRENT	Note	$'000	$'000
Income tax liability		1,258	594

(a) Income tax expense

		Consolidated	
		2019	2018
	Note	$'000	$'000
The components of tax expense comprise:			
– Current tax		11,732	5,472
– Deferred tax	4(b)	59	(132)
– Current tax overseas operations		8	8
Total income tax expense/(benefit) in profit and loss		11,799	5,348
Reconciliation			
Profit before income tax expense		38,219	17,475
– Tax at the Australian tax rate 30% (2018:30%)		11,466	5,243
– Income tax effect of overseas tax rates		30	(96)
– Share options expensed during year		314	193
– Other		(11)	8
Total income tax expense in profit or loss attributable to continuing operations		11,799	5,348

(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	-	-	-
Accruals	66	6	72
Other	-	-	-
Balance at 30 June 2018	**66**	**6**	**72**
Property, plant and equipment			
– Depreciation	-	-	-
Accruals	72	5	77
Other	-	-	-
Balance as at 30 June 2019	**72**	**5**	**77**

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	119	(4)	115
– Amortisation	159	7	166
Accruals	202	109	311
Provisions	416	28	444
Other	12	(2)	10
Balance at 30 June 2018	**908**	**138**	**1,046**
Property, plant and equipment			
– Depreciation	115	(5)	110
– Amortisation	166	(152)	14
Accruals	311	29	340
Provisions	444	58	502
Other	10	16	26
Balance as at 30 June 2019	**1,046**	**(54)**	**992**

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	
	2019 $'000	2018 $'000
Profit from continuing operations	26,420	11,753
Profit from discontinued operation	-	374
Profit attributable to the owners of the Company	26,420	12,127

(d) Weighted average number of shares used as denominator

	Consolidated	
	2019	2018
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic EPS	60,231,699	51,851,806
Adjustments for calculation of diluted EPS: — options	1,981,119	1,819,000
Weighted average number of ordinary shares used as the denominator in calculating diluted EPS	62,212,818	53,670,806

All outstanding options were included in the number of weighted average number of ordinary shares used to calculate diluted earnings per share because they are currently in-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 is set out below.

	2019	2018
	$'000	$'000
Revenue	-	-
Expenses	-	-
Loss before income tax	-	-
Income tax (expense)/benefit	-	-
Loss after income tax	-	-
Loss on loss of control of subsidiary in voluntary administration	-	-
Reclassification of foreign currency translation reserves to the income statement[1]	-	374
Loss on loss of control before income tax	-	-
Income tax (expense)/benefit	-	-
Loss on loss of control after income tax	-	-
Profit/(loss) for the year from discontinued operation	-	374
Profit attributable to owners of the parent entity relates to:		
Profit/(loss) from continuing operations	26,420	11,753
Profit/(loss) from discontinued operations	-	374
	26,420	12,127

[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.

	2019	2018
	$'000	$'000
Net cash inflow/(outflow) from operating activities	-	-
Net cash inflow/(outflow) from investing activities	-	-
Net cash inflow/(outflow) from financing activities	-	-
Net cash increase/(decrease) in cash generated from discontinued operations	-	-

Note 6: Discontinued operations (cont)

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 2019 $'000	Consolidated 2018 $'000
(a) Cash and cash equivalents			
Total cash and cash equivalents		84,583	47,919
Included in the above balance:			
General account balances		73,799	40,085
Online lottery customer account balances	11	10,784	7,834
		84,583	47,919

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 2019 $'000	Consolidated 2018 $'000
(b) Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit/(loss) for the year after income tax	26,420	12,127
Non-cash flows		
Amortisation	3,294	3,058
Depreciation	139	116
Impairment losses on assets	-	10
Share option expense	1,049	644
Other	2	5
Changes in operating assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
Decrease/(increase) in trade receivables	(138)	43
Decrease/(increase) in other receivables	(275)	(104)
Decrease/(increase) in inventories	26	5
Decrease/(increase) in DTA	54	(138)
Decrease/(increase) in foreign exchange reserve	(6)	(377)
Increase/(decrease) in trade payables	6,026	205
Increase/(decrease) in other payables	1,698	1,143
Increase/(decrease) in other provisions	178	96
Increase/(decrease) in DTL	5	6
Increase/(decrease) in provision for income tax	664	410
Cash flow from operations	39,136	17,249

Note 8: Trade and other receivables

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000
CURRENT			
Trade receivables		190	52
Allowance for doubtful debts		-	-
		190	52
Other receivables		232	228
Prepayments		500	229
		922	509

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 2019 $'000	Consolidated 2018 $'000
Up to one month	-	-
One month to two months	-	1
Two months to three months	36	12
Over three months	-	-
	36	13

As at 30 June 2019 the Group had current trade receivables of $0 (2018: $0) that were impaired.

Recognition and measurement

Trade receivables are recognised at original invoice amounts less an allowance for uncollectible amounts, and generally have repayment terms ranging from seven to 31 days.

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which requires the use of the lifetime expected loss provision for all trade receivables. Trade receivables had not had a significant increase in credit risk since they were originated.

Note 9: Property, plant and equipment

	Consolidated 2019 $'000	Consolidated 2018 $'000
Plant and equipment–at cost	1,741	1,511
Accumulated depreciation	(1,430)	(1,292)
	311	219
Leasehold improvements–at cost	661	542
Accumulated amortisation	(521)	(481)
	140	61
Total property, plant and equipment	451	280

Movements in Carrying Amounts

Consolidated Group	Plant and equipment $'000	Leasehold Improvements $'000	Total $'000
2018			
Balance at the beginning of year	240	101	341
Additions	96	-	96
Disposals	(1)	-	(1)
Depreciation/amortisation expense	(116)	(40)	(156)
Carrying amount at the end of year	219	61	280
2019			
Balance at the beginning of year	219	61	280
Additions	234	119	353
Disposals	(3)	-	(3)
Depreciation/amortisation expense	(139)	(40)	(179)
Carrying amount at the end of year	311	140	451

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	
	2019	2018
	$'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	32,364	27,524
Accumulated amortisation	(21,390)	(18,128)
Net carrying value	10,974	9,396
Software costs	133	133
Accumulated amortisation	(133)	(133)
Net carrying value	-	-
Domain names – cost	914	914
Accumulated impairment losses	(72)	(72)
Net carrying value	842	842
Other	63	63
Accumulated amortisation	(58)	(50)
Net carrying value	5	13
Total intangibles	14,683	13,113

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 $'000	Intellectual property $'000	Website development costs $'000	Software $'000	Domain names $'000	Other $'000	Total $'000
2018							
Balance at the beginning of the year	2,832	30	7,843	-	848	21	11,574
Additions acquired	-	-	-	-	4	-	4
Additions internally developed	-	-	4,567	-	-	-	4,567
Impairments	-	-	-	-	(10)	-	(10)
Amortisation charge	-	-	(3,010)	-	-	(8)	3(,018)
Effects of movements in foreign exchange	-	-	(4)	-	-	-	-
Closing value at 30 June 2018	2,832	30	9,396	-	842	13	13,113
2019							
Balance at the beginning of the year	2,832	30	9,396	-	842	13	13,110
Additions internally developed	-	-	4,839	-	-	-	4,839
Amortisation charge	-	-	(3,246)	-	-	(8)	(3,254)
Effects of movements in foreign exchange	-	-	(15)	-	-	-	(15)
Closing value at 30 June 2019	2,832	30	10,974	-	842	5	14,683

(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% (2018: 3%);
— Terminal growth rate of 3% (2018: 3%);
— Discount rate of 14% being the calculated weighted average cost of capital based on the capital asset pricing model (2018: 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 $334,054,000 which exceeds the carrying amount of goodwill, domain names and other intangible assets by $319,704,000. If a discount rate of 15% and growth rate of 0% was used instead of 14% 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 $14,350,000.

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 and financial feasibility studies identify that we have the resources to complete the development and the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a straight-line basis matched to the future economic benefits over the useful life of the project of 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	
		2019	2018
	Note	$'000	$'000
Total trade and other payables		22,070	14,346
Included in the above:			
Trade creditors		7,260	1,234
GST payable		742	523
Sundry creditors and accrued expenses		2,462	3,971
Employee benefits		822	784
		11,286	6,512
Customer funds payable	7(a)	10,784	7,834
		22,070	14,346

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 31 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	
	2019	2018
	$'000	$'000
CURRENT		
Long service leave	338	309
NON-CURRENT		
Long service leave	517	368
	855	677

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	
		2019	20168
	Note	$'000	$000
Total borrowings	16	-	-
Less: cash and cash equivalents	7(a)	(84,583)	(40,085)
Net debt		-	-
Total equity	15	79,302	55,917
Total capital		79,302	55,917
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	
	2019	2018
	$'000	$'000
Final fully franked ordinary dividend of 11.0 (2018: 5.0) cents per share franked at the tax rate of 30% (2018: 30%)	6,438	2,564
Interim fully franked ordinary dividend of 15.0 (2018: 7.5) cents per share franked at the tax rate of 30% (2018: 30%)	9,273	3,917
Special fully franked ordinary dividend of 8.0 (2018: 8.0 and 15.0) cents per share franked at the tax rate of 30% (2018: 30%)	4,970	12,027
Total dividends paid or provided for	20,681	18,508

Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2019 and 30 June 2018 were as follows:		
Paid in cash	20,681	18,508
Satisfied by issue of shares	-	-
	20,681	18,508

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

	Consolidated	
	2019	2018
	$'000	$'000
Since year end, the Directors have recommended the payment of a final 2019 fully franked ordinary dividend of 21.5 (2018: 11.0) cents per share franked at the rate of 30% (2018: 30%). The aggregate amount of the proposed dividend expected to be paid on 22 September 2019 (2018: 21 September 2018), but not recognised as a liability at year end, is:	13,357	6,382

(c) Franked dividends

	Consolidated	
	2019	2018
	$'000	$'000
The franked portions of dividends paid and recommended after 30 June 2019 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 2019.		
Franking credits available for subsequent financial years based on a tax rate of 30% (2018: 30%):	11,509	9,303

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 $5,724,000 (2018: $2,421,000).

Note 15: Equity and reserves

(a) Contributed equity

Issued shares

	Consolidated		Consolidated	
	2019	2019	2018	2018
	Shares	$'000	Shares	$'000
Ordinary shares – fully paid	62,123,757	79,302	54,374,265	55,917

Movements in ordinary share capital

	Consolidated	
Details	Shares	$'000
Opening balance 1 July 2017	50,674,265	45,492
Shares issued during the year		
14 Jul 2017-Exercise of options	50,000	87
18 Jul 2017-Exercise of options	500,000	875
20 Jul 2017-Exercise of options	50,000	87
30 Oct 2017-Exercise of options	50,000	87
7 Mar 2018-Exercise of options	900,000	1,575
16 Mar 2018-Exercise of options	50,000	88
23 Apr 2018-Exercise of options	1,150,000	4,375
9 May 2018-Exercise of options	25,000	88
15 May 2018-Exercise of options	100,000	350
21 May 2018-Exercise of options	50,000	88
8 Jun 2018-Exercise of options	50,000	175
11 Jun 2018-Exercise of options	400,000	1,262
13 Jun 2018-Exercise of options	150,000	600
18 Jun 2018-Exercise of options	150,000	600
21 Jun 2018-Exercise of options	25,000	88
Balance 30 June 2018	**54,374,265**	**55,917**
Opening balance 1 July 2018	**54,374,265**	**55,917**
2 Jul 2018-Exercise of options	50,000	200
3 Jul 2018-Exercise of options	3,474,492	8,234
5 Jul 2018-Exercise of options	30,000	120
9 July 2018-Exercise of options	15,000	60
13 Jul 2018-Exercise of options	20,000	80
16 Jul 2018-Exercise of options	25,000	100
18 Jul 2018-Exercise of options	25,000	100
20 Aug 2018-Exercise of options	115,000	460
22 Aug 2018-Exercise of options	50,000	200
24 Aug 2018-Exercise of options	170,000	630
28 Aug 2018-Exercise of options	25,000	87
29 Aug 2018-Exercise of options	150,000	600
13 Sep 2018-Exercise of options	125,000	437
17 Sep 2018-Exercise of options	250,000	788
18 Sep 2018-Exercise of options	150,000	525
19 Sep 2018-Exercise of options	25,000	87
20 Sep 2018-Exercise of options	225,000	788
24 Sep 2018-Exercise of options	150,000	525

	Consolidated	
Details	Shares	$'000
24 Sep 2018-Exercise of options	100,000	350
26 Sep 2018-Exercise of options	100,000	350
10 Oct 2018-Exercise of options	150,000	525
7 Dec 2018-Exercise of options	150,000	525
11 Dec 2018-Exercise of options	150,000	525
11 Jan 2019-Exercise of options	150,000	525
21 Jan 2019-Exercise of options	150,000	525
15 Feb 2019-Exercise of options	125,000	438
20 Feb 2019-Exercise of options	100,000	350
27 Feb 2019-Exercise of options	100,000	350
1 Mar 2019-Exercise of options	200,000	700
4 Mar 2019-Exercise of options	50,000	175
5 Mar 2019-Exercise of options	100,000	350
6 Mar 2019-Exercise of options	250,000	875
8 Mar 2019-Exerciee of options	500,000	1,750
11 Apr 2019-Exercise of options	50,000	175
30 Apr 2019-Exercise of options	250,000	875
Balance 20 June 2019	**62,123,757**	**79,302**

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.

Financial assets at fair value through other comprehensive income (FVOCI) reserve

The financial assets at fair value reserve comprises changes in the fair value of FVOCI investments which are recognised in other comprehensive income including when investments are sold or reclassified.

Note 16: Borrowings

(a) Facilities with Banks

		Consolidated	
		2019	2018
	Note	$'000	$'000
Credit facility			
Bank guarantees		550	550
Commercial card		300	300
Facilities utilised			
Bank guarantees	27	(478)	(478)
Commercial credit card		(295)	(295)
Amount available		77	77

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 30 June 2019 (2018: 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 2019.

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			
	2019		2018	
	Rate[1]		Rate[1]	
	%	$'000	%	$'000
Deposits	1.64	84,583	2.31	47,919
Net exposure to interest rate risk		84,583		47,919

[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 31 days (2018: 41 days). Term deposits currently in place cover approximately 66% (2018: 82%) 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 2019:

	Consolidated			
	Effect on profit (before tax)		Effect on equity (before tax)	
	2019	2018	2019	2018
200 bps movement in interest rates				
200 bps increase in interest rates	1,692	958	1,692	958
200 bps decrease in interest rates	(1,692)	(958)	(1,692)	(958)

(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:

2019	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	84,583	-	-	-	84,583
Trade and other receivables	922	-	-	-	922
	85,505	-	-	-	85,505
Financial liabilities					
Trade and other payables	22,070	-	-	-	22,070
	22,070	-	-	-	22,070

2018	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	47,919	-	-	-	47,919
Trade and other receivables	509	-	-	-	509
	48,428	-	-	-	48,428
Financial liabilities					
Trade and other payables	14,346	-	-	-	14,346
	14,346	-	-	-	14,346

(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:

— Financial assets at fair value

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 2019 %	2018 %
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
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[1]	Germany	-	-

[1]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 North America, Inc.	United States of America	100	100

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:

	2019 $'000	2018 $'000
Current assets	32,946	13,684
Non-current assets	34,043	28,031
Total assets	66,989	41,715
Current liabilities	1,986	1,243
Non-current liabilities	198	778
Total liabilities	2,184	2,021
Net assets	64,805	39,694
Issued capital	79,302	55,917
Retained earnings/(accumulated losses)	(26,037)	(26,037)
Profits appropriation reserve	11,090	10,413
Other reserves	450	(599)
Total shareholders' equity	64,805	39,694
Profit for the year	21,359	13,184
Total comprehensive income for the year	21,359	13,184

(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 2019 (2018: $Nil).

(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	2019	2018	2019	2018
		%	%	$'000	$'000
Unlisted shares					
Lotto Points Plus Inc	New York, USA	30.9	30.9	-	-
Net investment in associate company				-	-

Lotto Plus Inc is an investment company, with its only investment being a 16.9% (2018: 16.9%) 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: Financial assets at fair value through other comprehensive income (FVOCI)

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 (2018: $nil).

(b) Lottery Rewards Inc., USA. The Company owns 5.4% of the issued share capital of Lottery Rewards Inc – 0.2% directly and 5.2% indirectly (through Lotto Points Plus Inc – see note 20 for details). Shares in Lottery Rewards Inc are carried at fair value of $nil (2018: $nil).

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 (FVOCI reserve), until the investment is disposed of, at which time the cumulative gain or loss previously recognised in the FVOCI 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	
	2019	2018
	$	$
Mr Mike Rosch, the father of Mr Mike Veverka, the CEO and executive director of the Company, rented an office from the Group		
- office rent received	7,865	8,580

	Consolidated	
	2019	2018
	$	$
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	84,315	82,462

Receivables from related parties

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

	Consolidated	
	2019	2018
	$	$
Trade receivables from Mr Mike Rosch (director-related party of Mike Veverka)	715	2,145

Note 23: Key Management Personnel compensation

	Consolidated	
	2019	2018
	$	$
Short term employee benefits	2,296,102	2,163,591
Post employment benefits	183,817	153,992
Other long term benefits	19,315	37,984
Termination benefits	-	-
Share based payments	934,883	538,052
	3,434,117	2,893,619

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	2019 $	2018 $
Options issued under employee option plan	1,048,690	622,093
Options issued to third parties for services received	-	22,207
	1,048,690	644,300

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. This was subsequently extended to 30 June 2018, and finally to 30 June 2019 with 150,000 options being lapsed, unexercised, with no effect on the fair value. The remaining 50,000 options subsequently lapsed, unexercised, on 30 June 2019.

Fair value of options granted

Employees

There were no options granted during the 2019 financial year. The weighted average fair value of options granted during the 2018 financial year was 33.4 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 2018 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 a share market price of $4.00	
	2018
Grant date	26 Oct 2017
Share price at grant date	$2.840
Exercise price	$3.500
Expected volatility	50.660%
Expected dividend yield	2.99%
Risk free rate	2.30%

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.

Third parties

There were no options granted during the 2019 financial year. 3,474,492 options were granted to Tattersalls Online Pty Ltd (Tatts) on 13 July 2017 at an exercise price of $2.37 per share for 12 months to 13 July 2018 pursuant to approval by shareholders at an Extraordinary General Meeting held 12 July 2018, and formed part of the securities subscription agreement dated 12 May 2017 which provided for the issue of 6,609,686 fully paid ordinary shares in the Company at $2.37 per share. The issue price and exercise price of $2.37 per share was set at the closing price of the Company's shares on 28 April 2017. The options were issued to Tatts for $10.00.

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

2019

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	400,000	-	-	(400,000)	-	-	-
6 Nov 2013	$4.00	6 Nov 2018	150,000	-	-	(150,000)	-	-	-
18 Nov 2015	$1.75	18 Nov 2020	300,000	-	-	(50,000)	-	250,000	250,000
26 Oct 2017	$3.50	15 Nov 2022	4,450,000	-	-	(3,675,000)	-	775,000	775,000
Third party options									
2 Feb 2017	$2.25	2 Feb 2022	200,000	-	(200,000)	-	-	-	-
13 Jul 2017	$2.37	13 Jul 2018	3,474,492	-	-	(3,474,492)	-	-	-
Total			8,974,492	-	(200,000)	(7,749,492)	-	1,025,000	1,025,000
Weighted average exercise price			$3.01	-	$2.25	$3.02	-	$3.01	$3.02

2018

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	1,400,000	-	-	(1,000,000)	-	400,000	400,000
6 Nov 2013	$4.00	6 Nov 2018	400,000	-	-	(250,000)	-	150,000	150,000
18 Nov 2015	$1.75	18 Nov 2020	1,600,000	-	-	(1,300,000)	-	300,000	300,000
14 Jan 2016	$1.75	14 Jan 2021	500,000			(500,000)	-	-	-
26 Oct 2017	$3.50	15 Nov 2022	-	5,100,000	-	(650,000)	-	4,450,000	4,450,000
Third party options									
2 Feb 2017	$2.25	2 Feb 2022	200,000	-	-	-	-	200,000	-
13 Jul 2017	$2.37	13 Jul 2018	-	3,474,492	-	-	-	3,474,492	3,474,492
Total			4,100,000	8,574,492	-	(3,700,000)	-	8,974,492	8,774,492
Weighted average exercise price			$2.76	$3.04	-	$2.82	-	$3.01	$3.02

Options were exercised regularly throughout the year and the weighted average share price at date of exercise for the year ended 30 June 2019 was $7.02 (2018: $4.05).

The weighted average exercise price for the year ended 30 June 2019 was $3.33 (2018: $2.94).

The weighted average remaining contractual life of share options outstanding at 30 June 2019 was 2 years 11 months (2018: 2 years 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 auditor

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	
	2019	2018
	$	$
Audit services		
Amounts paid/payable to BDO for audit or review of the financial statements for the entity or any entity in the Group	105,532	114,438
	105,532	114,438
Taxation services		
Amounts paid/payable to BDO for taxation services for the entity or any entity in the Group:		
Review of income tax return	43,000	42,000
Transfer pricing consulting	-	15,000
Other taxation advice	6,000	7,000
	49,000	64,000
Other services		
Amounts paid/payable to BDO for other services for the entity or any entity in the Group:		
Accounting advice	5,250	-
Export grant services	5,000	4,500
	10,250	4,500
	164,782	182,938

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

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2018 materially affect the amounts recognised in the current period or any other prior period and are not likely to affect future periods.

(ii) New Accounting Standards and Interpretations not yet adopted

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 assessed the impact of this amendment had it been early adopted for the 30 June 2019 financial year; a right-of-use asset and lease liability of $4,516,000 would be recognised and $826,000 rent expense would be replaced by $208,000 interest expense and $618,000 amortisation expense. There would be no impact on NPBT but EBIT and EBITDA would increase accordingly..

(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	
	2019	2018
	$'000	$'000
Guarantees provided by the Group's bankers	478	478

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	
	2019	2018
	$'000	$'000
Non-cancellable operating leases contracted for but not capitalised in the consolidated financial statements		
Payable		
Not later than one year	1,096	784
Later than one year but not later than five years	4,044	3,663
Later than five years	892	628
	6,032	5,075

The property leases are non-cancellable leases for occupied premises at various locations ranging from month-to-month to seven year terms, with rent payable monthly in advance. Options to renew leases at the end of the term range from terms of none to five years. Rent and outgoings are paid on a monthly basis with periodic pricing reviews. The main lease runs for seven years with the ability to cancel for no penalty from June 2022 with 12 months written notice, in line with the Tabcorp lottery reseller agreements.

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) the licencing agreement signed with Endeavour Foundation, and (ii) the final dividend declared of 21.5 cents per share, that have all been communicated to shareholders in separate ASX announcements on 16 August 2019, 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 2019.

The above items are not recognised in the financial statements 30 June 2019.

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 2019 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 46 to 52 of the Directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2019, 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

22 August 2019

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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 2019, 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 2019 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.

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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 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 amount of its assets • Assessing the historical accuracy of forecasting of the Group by comparing the current year actual results with FY19 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.

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Revenue recognition and measurement

Key audit matter	*How the matter was addressed in our audit*
• The assessment of revenue recognition was significant to our audit because revenue is a material balance in the financial statements for the year ended 30 June 2019 • The assessment of revenue recognition and measurement required significant auditor effort.	Our procedures included, amongst others: • Assessing the revenue recognition policy for compliance with AASB 15 *Revenue from Contracts with Customers* • Documenting the processes and assessing the internal controls relating to revenue processing and recognition • Tracing a sample of revenue transactions to supporting documentation • Developing expectations of monthly trends taking into account of seasonality and timing of major prize monies for each lotto draw and comparing with actual revenue recognised each month • Assessing the adequacy of the Group's disclosures within the financial statements

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 2019, 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.

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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 in pages 46 to 52 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Jumbo Interactive Limited, for the year ended 30 June 2019, 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

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K L Colyer
Director

Brisbane, 22 August 2019

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Shareholder Information

The Company has 62,123,757 ordinary shares on issue, each fully paid. There are 5,350 holders of these ordinary shares as at 31 July 2019. 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 1,025,000 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 2019

Range	Total Holders	Units	% of issued capital
1 – 1,000	3,063	1,228,439	1.98
1,001 – 5,000	1,635	4,020,446	6.47
5,001 – 10,000	352	2,655,179	4.27
10,001 – 100,000	272	6,499,876	10.46
100,001 – and over	28	47,719,817	76.81
Rounding			0.01
Total	**5,350**	**62,123,757**	**100.00**

(b) Unmarketable parcels

	Minimum parcel size	Holders	Units
Minimum $500.00 parcel at $19.42 per unit	26	112	831

The number of shareholders holding less than the marketable parcel of shares is 112 (shares 831)

(c) Substantial holders of 5% or more fully paid ordinary shares as at 31 July 2019[1]:

Name	Notice date	Ordinary Shares	Percentage Held
Vesteon Pty Ltd and associates	15 October 2018	9,436,955	15.8
Tatts Online Pty Ltd	5 July 2018	7,234,178	12.5

[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 2019

Name		Units	% of Units
1.	JP MORGAN NOMINEES AUSTRALIA PTY LTD	9,508,065	15.31
2.	VESTEON PTY LTD	8,890,057	14.31
3.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,028,079	12.92
4.	TATTS ONLINE PTY LTD	7,234,178	11.64
5.	CITICORP NOMINEES LIMITED	3,303,301	5.32
6.	NATIONAL NOMINEES LIMITED	2,043,256	3.29
7.	SEYMOUR GROUP PTY LTD	1,288,404	2.07
8.	MR BARNABY COLMAN CADDICK	1,125,000	1.81
9.	BNP PARIBAS NOMS PTY LTD <DRP>	1,031,093	1.66
10.	BNP PARIBAS NOMINEES PTY LTD <BP2S MILAN BPAA DRP>	1,002,848	1.61
11.	MR MIKE VEVERKA <VEVERKA S/F A/C>	666,791	1.07
12.	UBS NOMINEES PTY LTD	638,008	1.03
13.	HSBC CUSTODY NOMINEES (AUSTRALIA) PTY LTD	381,642	0.61
14.	MR JOHN WILDE + MRS ELIZABETH WILDE <UTOPIA A/C>	234,996	0.38
15.	MR JOHN ROSAIA	219,551	0.35
16.	ECAPITAL NOMINEES PTY LIMITED <ACCUMULATION A/C>	218,140	0.35
17.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	213,748	0.34
18.	BRIAN ROBERTS	211,509	0.34
19.	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	200,834	0.32
20.	ICS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	182,641	0.29
Total Top 20 shareholders of ordinary fully paid shares		**46,622,141**	**75.05**
Total remaining holders balance		**15,501,616**	**24.95**

(f) Unquoted securities as at 31 July 2019
Options over Unissued Shares

A total of 1,025,000 options are on issue to employees and a third party for services rendered.

Exercise price	Expiry date	Number on issue	Number of holders
$1.75	18 November 2020	250,000	2
$3.50	15 November 2022	775,000	6

(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

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Auditor
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Share Registrar
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