



JUMBO INTERACTIVE LIMITED AND ITS CONTROLLED SUBSIDIARIES

(ABN 66 009 189 128)

APPENDIX 4E PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

Current period:	1 July 2015 to 30 June 2016
Prior corresponding period:	1 July 2014 to 30 June 2015

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 Appendix 4E Preliminary Final Report in accordance with that Legislative Instrument.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	2016	2015	Change	Change
	\$'000	\$'000	\$'000	%
Revenue from operations	34,341	29,200	5,141	17.6
Profit after tax attributable to members	4,670	663	4,007	604.4
Total comprehensive income for the period attributable to members	4,568	532	4,036	758.6

DIVIDENDS

As part of the Company's ongoing capital management, it is currently considering some investment opportunities of both an internal and external nature, to be funded from existing available cash. The outcome of these investment considerations is expected in 1H FY2017 and if none of these proceed, the Company will be reviewing its current Dividend Policy of 20% of NPAT to consider increasing this payout ratio as a way of returning profits (and reducing cash) to the benefit of both current and future shareholders, whilst still funding the Company's planned growth.

In the meantime, Directors are pleased to declare a proposed final fully franked ordinary dividend of 5.0 **(five) cents per share** making a total fully franked ordinary dividend of 7.0 **(seven) cents per share** (2015: 3.0), which is a payout ratio of approximately 65% of NPAT, with a franking percentage of 100% (2015: 100%) as follows:

- Record date: 2 September 2016
- Payment date: 23 September 2016

The conduit foreign income component of the dividend is nil.

The Dividend Reinvestment Plan will be suspended for the proposed final fully franked dividend.

ANNUAL GENERAL MEETING

Date: Thursday, 3 November 2016
Time: 5:00pm
Venue: The River Room
Customs House
399 Queen Street
Brisbane, QLD, 4000

EXPLANATION OF RESULTS

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

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

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

Other revenue, being mainly interest on cash, increased by 2.8% to \$1,239,000 (2015: \$1,205,000). During the financial year, the lower average interest rates resulted in lower interest income and an average

weakening of the AUD foreign exchange rate resulted in a higher FX gain, compared to the 2015 financial year.

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

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

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

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

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

A summary of the consolidated revenues and results of operations by reportable segment is as follows:

	Note	Segment Revenue and Other Income		Segment Results - NPBT	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Internet lotteries					
Australia		34,192	29,345	12,368	8,120
Germany		296	172	(2,653)	(3,591)
Mexico		-	-	-	(299)
Internet lotteries segment	15	34,488	29,517	9,715	4,230
All other segments	15	843	708	392	229
		<u>35,331</u>	<u>30,225</u>	<u>10,107</u>	<u>4,459</u>

Mexico was removed as a reportable segment in the 2016 financial year as it effectively became dormant in July 2015. The NLBT of \$45,000 for the 2016 financial year is included in the Australia results.

Review of Operations

(a) Online Lottery Segment

The Company was successful in growing the Internet lottery segment with revenue and other income increasing 16.8% to \$34,488,000 (2015: \$29,517,000) from a 19.8% increase in TTV to \$154,861,000 (2015:

\$129,291,000). This was as a result of an increase in customer database size as well as an increase in customer activity due to a better player experience. A higher level of jackpot activity for the 2016 financial year compared to 2015 also contributed to the improved result. The increased TTV and revenue together with better management of operating costs has resulted in an increase of 129.7% in net profit before tax contribution to \$9,715,000 (2015: \$4,230,000).

Australia

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

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

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

1. CPL: Cost per Lead (new online accounts) defined as total cost to acquire these new accounts divided by the number of new accounts in a given period. New accounts potentially become active customers after the account has been established.
2. Number of Active Online Customers defined as customers who have spent money on tickets in a given period.
3. Average spend per active online customer defined as the total spent by active online customers divided by the number of active online customers in a given period.

The following table summarizes the Marketing KPI's:

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

Germany

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

Mexico

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

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

(b) All Other Segments

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

Other

The information provided in this report contains all the information required by ASX Listing Rule 4.3A.

Status of Audit

The accounts are in the process of being audited.

Jumbo Interactive Limited and its Controlled Subsidiaries

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 30 June 2016

	Note	Consolidated Group	
		2016 \$'000	2015 \$'000
Revenue	3	34,341	29,200
Cost of sales		(2,803)	(2,656)
Gross profit		31,538	25,544
Other revenue/income	3	1,239	1,205
Expenses			
Distribution expenses		(34)	(22)
Marketing costs		(5,269)	(7,676)
Occupancy expenses		(1,199)	(993)
Administrative expenses	4	(17,578)	(16,292)
Impairment of investments	9	(454)	-
Finance costs		(6)	(6)
Share of losses of associates/joint venture(s) accounted for using the equity method	9	(173)	(176)
Profit before income tax expense		8,064	2,584
Income tax expense	5	(3,394)	(1,921)
Profit after income tax expense for the year attributable to the owners of Jumbo Interactive Limited		4,670	663
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences		(102)	(126)
Change in fair value of available-for-sale financial assets		-	(5)
Other comprehensive income for the half year, net of tax		(102)	(131)
Total comprehensive income for the half year attributable to the owners of Jumbo Interactive Limited		4,568	532
		Cents	Cents
Basic earnings per share	6	10.6	1.5
Diluted earnings per share	6	10.6	1.5

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

Jumbo Interactive Limited and its Controlled Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	2016 \$'000	2015 \$'000
Current Assets			
Cash and cash equivalents	7	25,306	23,778
Trade and other receivables		568	494
Inventories		62	63
Total current assets		<u>25,936</u>	<u>24,335</u>
Non-current assets			
Receivables		100	-
Investments accounted for using the equity method	9	-	413
Available-for-sale financial assets	10	-	-
Property, plant and equipment		401	486
Intangible assets		10,719	9,362
Deferred tax assets		1,076	717
Total non-current assets		<u>12,296</u>	<u>10,978</u>
Total assets		<u>38,232</u>	<u>35,313</u>
Current liabilities			
Trade and other payables	11	12,239	11,739
Current tax liabilities		697	1,458
Provisions		281	196
Total current liabilities		<u>13,217</u>	<u>13,393</u>
Non-current liabilities			
Provisions		271	202
Deferred tax liabilities		48	37
Total non-current liabilities		<u>319</u>	<u>239</u>
Total liabilities		<u>13,536</u>	<u>13,632</u>
Net assets		<u>24,696</u>	<u>21,681</u>
Equity			
Contributed equity	12	29,827	29,970
Accumulated losses		(17,399)	(17,399)
Profits appropriation reserve		13,850	10,724
Other reserves		(1,582)	1,614
Total equity		<u>24,696</u>	<u>21,681</u>

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

Jumbo Interactive Limited and its Controlled Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Contributed equity	Accumulated losses	Profits appropriati on reserve restated	Share- based payments reserve	Foreign currency translatio n reserve	Financial assets revaluation reserve	Total equity restated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CONSOLIDATED GROUP							
Balance at 1 July 2014	29,760	(17,399)	11,383	641	37	(2,297)	22,125
Total comprehensive income for the year							
Profit for the year	-	-	663	-	-	-	663
<i>Other comprehensive income</i>							
Foreign currency translation reserve differences	-	-	-	-	(126)	-	(126)
Foreign exchange movement on Available-for-sale financial asset	-	-	-	-	-	(5)	(5)
Total comprehensive income for the year	-	-	663	-	(126)	(5)	532
Transactions with owners in their capacity as owners							
Issue of shares	210	-	-	-	-	-	210
Dividends paid	-	-	(1,322)	-	-	-	(1,322)
Share-based payments	-	-	-	136	-	-	136
	210	-	(1,322)	136	-	-	(976)
Balance at 30 June 2015	29,970	(17,399)	10,724	777	(89)	(2,302)	21,681
Total comprehensive income for the year							
Profit for the year	-	-	4,670	-	-	-	4,670
<i>Other comprehensive income</i>							
Foreign currency translation reserve differences	-	-	-	-	(102)	-	(102)
Total comprehensive income for the half year	-	-	4,670	-	(102)	-	4,568

	Contributed equity	Accumulated losses	Profits appropriati on reserve restated	Share- based payments reserve	Foreign currency translatio n reserve	Financial assets revaluation reserve	Total equity restated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CONSOLIDATED GROUP							
Transactions with owners in their capacity as owners							
Share buyback	(143)	-	-	-	-	-	(143)
Dividends paid	-	-	(1,544)	-	-	-	(1,544)
Share-based payments	-	-	-	134	-	-	134
	(143)	-	(1,544)	134	-	-	(1,553)
Balance at 30 June 2016	29,827	(17,399)	13,850	911	(191)	(2,302)	24,696

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

Jumbo Interactive Limited and its Controlled Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Note	Consolidated Group	
		2016 \$'000	2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		37,220	32,132
Payments to suppliers and employees		(24,976)	(25,814)
Interest received		611	735
Interest and other costs of finance paid		(6)	(6)
Income tax paid		(4,502)	(2,304)
Net cash provided by (used in) operating activities	16(a)	8,347	4,743
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets		(84)	(5)
Loan to associate company		-	(368)
Loan to related party		(100)	-
Payments for plant and equipment		(164)	(367)
Payments for intangibles		(4,791)	(4,475)
Proceeds from sale of plant and equipment		8	2
Net cash provided by (used in) investing activities		(5,131)	(5,213)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	210
Payments for share buybacks		(143)	-
Dividends paid	13	(1,544)	(1,322)
Net cash provided by (used in) financing activities		(1,687)	(1,112)
Net increase in cash and cash equivalents		1,529	(1,582)
Net foreign exchange differences		(1)	(6)
Cash and cash equivalents at beginning of half year		23,778	25,366
Cash and cash equivalents at end of half year		25,306	23,778

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

Jumbo Interactive Limited and its Controlled Subsidiaries

NOTES TO THE PRELIMINARY FINAL REPORT

For the year ended 30 June 2016

NOTE 1: BASIS FOR PREPARATION OF PRELIMINARY FINAL REPORT

The Preliminary Final Report has been prepared in accordance with ASX Listing Rule 4.3A and has been based on the Annual Financial Report which is in the process of being audited. There are no known likely disputes or qualifications at this time. The Financial Report has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The Preliminary Final Report has been prepared on an accruals basis and is based on historical costs, including available-for-sale financial assets.

(a) Revision of Accounting Estimates

Intangible Assets – website development costs

Website development costs have a finite life and are amortised on a straight-line basis matched to the future economic benefits over the useful life of the project. This useful life was previously recognised by the Group over three years in accordance with AASB 138: *Intangible Assets*. The Group has now estimated a useful life of five years with effect from 1 July 2015. This change in estimate has been implemented as management are of the opinion that the longer useful life is more relevant now, results in a more accurate carrying amount of intangible assets (website development costs) at the end of each reporting period, and is in line with the Draft Taxation Ruling TR2016/D1 of 6 April 2016.

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

CONSOLIDATED GROUP

Effect of change in estimate on statement of financial position

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

NOTE 1: BASIS FOR PREPARATION OF PRELIMINARY FINAL REPORT CONT'D

CONSOLIDATED GROUP

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

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

NOTE 2: SEGMENT REPORTING

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

Accounting policies

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

Segment information

(a) Description of segments

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

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

Internet Lotteries segment consists of the retail of lottery tickets sold both in Australia and eligible international jurisdictions, and internet database management/marketing. The Board monitors the performance of the regions on a separate basis. Accordingly, there are two operating segments: internet lotteries Australia and internet lotteries Germany. Mexico was removed as a reportable segment in the 2016 financial year as it effectively became dormant in July 2015. The NLBT of \$45,000 for the 2016 financial year is included in the Australia results.

All other segments include operating segments of non-lottery business activities that are not reportable in terms of AASB 8 and revenues from external customers are derived from the sale of software products. Comparative figures for 2015 are stated on this basis.

NOTE 2: SEGMENT REPORTING CONT'D

(b) Segment information provided to the Board

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

2016	Internet Lotteries Australia \$'000	Internet Lotteries Germany \$'000	Internet Lotteries Mexico \$'000	Total Internet Lotteries \$'000
Total segment sales revenue	33,239	258	-	33,545
Intersegment revenue	-	-	-	-
Total sales revenue from external customers	33,239	258	-	33,545
Other revenue/income from external customers	953	38	-	991
Total revenue and other income from external customers	34,192	296	-	34,488
Net profit before tax	12,368	(2,653)	-	9,715
Interest revenue	496	-	-	496
Depreciation and amortisation	3,493	24	-	3,517
Foreign exchange (gain)/loss	(243)	-	-	(243)

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

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

2015	Internet Lotteries Australia \$'000	Internet Lotteries Germany \$'000	Internet Lotteries Mexico \$'000	Total Internet Lotteries \$'000
Total segment sales revenue	28,388	123	318	28,829
Intersegment revenue	(20)	-	(318)	(338)
Total sales revenue from external customers	28,368	123	-	28,491
Other revenue/income from external customers	977	49	-	1,026
Total revenue and other income from external customers	29,345	172	-	29,517
Net profit before tax	8,120	(3,591)	(299)	4,230
Interest revenue	599	-	-	599
Depreciation and amortisation	2,623	21	1	2,645
Foreign exchange (gain)/loss	(138)	-	-	(138)

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

NOTE 2: SEGMENT REPORTING CONT'D

(c) Other segment information

i. Segment revenue

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

Revenues from external customers are derived from the sale of lottery tickets and provision of related services. A breakdown of revenue and results is provided in the tables above.

Segment revenue and other income reconciles to total revenue and other income as follows:

	Consolidated Group	
	2016	2015
	\$'000	\$'000
Total segment revenue and other income	34,488	29,517
All other segments revenue	843	708
All other segments interest revenue	147	162
All other segments other	102	18
Total revenue and other income from operations (note 3)	35,580	30,405

ii. Net profit before tax (NPBT)

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

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

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

NOTE 3: REVENUE AND OTHER INCOME

	Consolidated Group	
	2016 \$'000	2015 \$'000
Revenue		
— Revenue from sale of goods	2,575	2,232
— Revenue from rendering services	31,766	26,968
Revenue from continuing operations	<u>34,341</u>	<u>29,200</u>
Other income/ revenue		
— Interest received		
- Cash	644	762
— Other revenues		
- Foreign exchange gains	267	225
- Other	328	218
	<u>1,239</u>	<u>1,205</u>
Total	<u>35,580</u>	<u>30,405</u>

NOTE 4: PROFIT FOR THE YEAR

	Consolidated Group	
	2016 \$'000	2015 \$'000
Profit before income tax from operations includes the following specific expenses:		
Cost of sales		
— Sale of goods	1,201	1,068
— Rendering of services	1,602	1,588
Finance costs		
— Fees arising from financial liabilities not at fair value through profit and loss	6	6
Impairment of investment	454	-
Depreciation of non-current assets ¹		
— Plant and equipment	167	158
Amortisation of non-current assets ¹		
— Leasehold improvements	66	39
— Intangibles	3,435	2,705
Other expenses		
— Operating lease rentals – minimum lease payments	1,199	993
— Employee benefits expense ¹	6,941	6,756
— Defined contribution superannuation expense ¹	898	815

¹ included in administration expense

NOTE 5: INCOME TAX EXPENSE

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

NOTE 6: EARNINGS PER SHARE

Reconciliation of earnings used in calculating earnings per share

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

NOTE 7: CASH AND CASH EQUIVALENTS

	Note	Consolidated Group	
		2016 \$'000	2015 \$'000
Total cash and cash equivalents		25,306	23,778
<i>Current</i>			
General account balances		18,251	16,664
<i>Current</i>			
Online lottery customer account balances	11	7,055	7,114

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

NOTE 8: RECEIVABLES (NON-CURRENT)

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

NOTE 9: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

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

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

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

Interest in Associate – Lotto Points Plus Inc., USA	Place of business/ Country of incorporation	2016 %	2015 %	2016 \$'000	2015 \$'000
<i>Unlisted shares at cost</i>					
Lotto Points Plus Inc	New York, USA	34.8	41.2	-	-
Series A Preferred Stock repayable by 10 February 2020				575	486
Promissory Note repayable on 13 August 2016				472	427
Series D Preferred Stock				66	-
Bridging loan				13	-
Total investment in associate company				1,126	913

NOTE 9: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD CONT'D

	2016 \$'000	2015 \$'000
Share of associate's revenues and expenses and results		
Profit/(loss) brought forward	(500)	(257)
Revenues	-	163
Expenses	(225)	(373)
Profit/(loss) after income tax	(225)	(210)
Accumulated share of associate company profit/(losses)	(725)	(467)
Gain on dilution of shareholding recognised through profit and loss	51	34
Adjusted accumulated share of associate company profit/(losses)	(674)	(433)
FX translation increment	18	(67)
Accumulated share of associate company profits/(losses)	(656)	(500)
Impairment of investment through profit/(loss)	(454)	-
FX translation increment	(16)	-
Net investment in associate company	-	413

Unrecognised share of losses

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

NOTE 10: AVAILABLE-FOR-SALE FINANCIAL ASSETS (NON-CURRENT)

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

Fair value

Refer to Note 15 for more information about fair value of available-for-sale financial assets

NOTE 11: TRADE AND OTHER PAYABLES

Consolidated Group			
	Note	2016 \$'000	2015 \$'000
Total trade and other payables		12,239	11,739
<i>Current</i>			
Trade creditors and other payables		5,184	4,625
<i>Current</i>			
Customer funds payable	7	7,055	7,114

NOTE 12: ISSUED CAPITAL

	2016 Shares	2016 \$'000	2015 Shares	2015 \$'000
At the beginning of the reporting period	44,202,560	29,970	43,902,560	29,760
Shares issued during the year				
Exercise of options	-	-	300,000	210
Shares bought back during the year				
On-market share buy-back plan	(137,981)	(143)	-	-
	44,064,579	29,827	44,202,560	29,970

NOTE 13: DIVIDENDS

Consolidated Group			
	2016 \$'000	2015 \$'000	
Ordinary shares			
Dividends paid during the financial year	1,544	1,322	
	1,544	1,322	

Dividends paid in cash or satisfied by the issue of shares under the Dividend Reinvestment Plan during the financial years ended 30 June 2016 and 30 June 2015 were as follows:

- Paid in cash	1,544	1,322
	1,544	1,322

NOTE 14: NET TANGIBLE ASSETS PER SECURITY

Consolidated Group		
	2016 Cent	2015 Cent
Net Tangible Assets per ordinary share	29.4	26.3

NOTE 15: FAIR VALUE MEASUREMENTS

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

Fair value hierarchy

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

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

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

Recognised fair value measurements

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

	Note	Consolidated Group	
		2016	2015
		\$'000	\$'000
Financial assets at fair value through Other Comprehensive Income	10	-	-
Available-for-sale financial assets	10	-	-

Disclosed fair values

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

Due to their short-term nature, the carrying amount of trade receivables and payables are assumed to approximate their fair values.

The carrying amount of current trade and other payables disclosed in Note 10 are assumed to approximate their fair values because the impact of discounting is not significant.

Valuation techniques used to derive level 3 fair values

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

Reconciliation of level 3 movements

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

	\$'000
Opening balance 1 July 2015	-
Other increases	-
Change in fair value of available-for-sale financial assets	-
Closing balance 30 June 2016	-

NOTE 15: FAIR VALUE MEASUREMENTS CONT'D

Valuation process for level 3 fair values

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

NOTE 16: CASH FLOW INFORMATION

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

NOTE 16: CASH FLOW INFORMATION CONT'D

	2016 \$'000	2015 \$'000
b. Facilities with Banks		
Credit facility	1,050	1,050
Facilities utilised		
- Bank guarantees	<u>(405)</u>	<u>(405)</u>
Amount available	<u>645</u>	<u>645</u>

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.

NOTE 17: EVENTS AFTER THE REPORTING PERIOD

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