APPENDIX 4E
PRELIMINARY FINAL REPORT

JUMBO INTERACTIVE LIMITED
ABN 66 009 189 128
And its Controlled Subsidiaries

Reporting period: Financial year ended 30 June 2014
Previous corresponding period: Financial year ended 30 June 2013

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	2014 $	2013 $	Change $	Change %
Revenue from operations	24,133,876	25,191,215	(1,057,339)	(4.2)
Profit after tax attributable to members	2,784,958	2,982,157	(197,199)	(6.6)
Total comprehensive income for the period attributable to members	297,375	3,233,506	(2,936,131)	(90.8)

DIVIDENDS

Proposed final fully franked ordinary dividend of 1.5 **(one and a half) cents per share** making a total fully franked ordinary dividend of 3.0 cents per share (2013: 3.0) with a franking percentage of 100% (2013: 100%) as follows:

- Record date: 5 September 2014
- Payment date: 26 September 2014

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, 30 October 2014
Time: 5:00pm
Venue: Lady Thiess 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 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 reports a slight decline in overall revenue and profit as a result of an 18% decrease in major prizes and jackpot activity in Australia (aggregate Division 1 OZ Lotto and Powerball jackpots of $15 million or more) compared to the previous year during which time there was relatively higher activity.

The consolidated profit of the Group amounted to $2,784,958 (2013: $2,982,157), after providing for income tax $1,781,676 (2013: $2,333,761) – refer Note 4 for tax expense details, which is a 6.6% decrease on the results reported for the year ended 30 June 2013. Net reportable operating revenues decreased 4.2% to $24,133,876 (2013: $25,191,215) and TTV decreased by 2.6% to $106,295,739 (2013: $109,086,062).

Other revenue, being mainly interest on cash, decreased by 3.4% to $1,070,897 (2013: $1,108,744) due to lower average cash and cash equivalent balances and lower average interest rates and an easing in the strengthening of the AUD foreign exchange rate during the financial year compared to the 2013 financial year. There was a once-off increase in other income of approximately $150,000 relating to a make-good provision that was subsequently reversed.

Group earnings before interest, tax, depreciation and amortisation decreased by $711,228 from $6,681,262 to $5,970,034.

Although there was a small contribution to TTV and revenue from Germany, the decline in overall TTV and revenue was due to lower large jackpot activity in Australia and slight reduction in margin. A small increase in the gross profit margin in Australia resulted from more direct sales than affiliate sourced sales compared to 2013. The commencement of business in Germany and ongoing efforts in Mexico exceeded the reduced expenses in Australia, leading to an overall reduction in profits.

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

	FY 2014	**FY 2013**
TTV	$106.2 million	$109.1 million
Reported Revenue	$24.1 million	$25.2 million
OZ Lotto/ Powerball		
Number of jackpots of $15 million or more	36	39
Average Division 1 jackpot of $15 million or more	$25.7 million	$29.0 million
Peak Division 1 jackpot during the financial year period	$70 million	$100 million
Aggregate Division 1 jackpots of $15 million or more during the financial year period	$925million	$1,130 million

Like-for-Like Underlying Financial Forecasts of Core Operations

Below is a summary of the financial results, and to provide the user a like-for-like comparison of core operating activities, including adjustments for non-core activities.

The lower level of large jackpot activity in the current financial year compared to 2013 led to a small reduction in TTV. This, together with a small decline in margin, lowered revenue slightly and has had a reducing effect on like-for-like NPAT of core operations of approximately $750,000. A relative increase in customer acquisition spending resulted in increased marketing expenses with a reducing effect of approximately $150,000 on like-for-like NPAT of core operations.

	FY 2014	**FY 2013**	**YoY change**
$ Million	**$**	**$**	**%**
TTV	106.2	109.1	(2.6)
Reported Revenue	24.1	25.2	(4.2)
International revenue	Nominal	-	-
Like-for-like Revenue	24.1	25.2	(4.2)
EBITDA	6.0	6.7	(10.4)
International expansion costs[1]	3.2	3.5	(8.6)
Like-for-like EBITDA of core operations	9.2	10.2	(9.8)
Reported Profit After Tax	2.8	3.0	(6.6)
International expansion costs[1]	3.0	2.5	20.0
Changed treatment customer acquisition costs[2]	0.1	0.8	(87.5)
Tax concession overclaim[3]	-	0.5	(100.0)
Like-for-like NPAT of core operations	5.9	6.8	(13.2)

[1]these costs relate to international expansion activities including depreciation on international website development costs. As noted previously, the Company continues to focus on securing offshore expansion opportunities.

These expenses relate to general marketing costs to find target jurisdictions as well as increased employee costs and establishment costs in jurisdictions that have been signed. To date, the Company has been successful in expanding into Germany and has plans to enter more international markets in the future.

All these expenses have been fully recognised in the Group's consolidated profit and loss and funded from operating cash flows with significant payback opportunities expected in the years ahead.

[2] previously, customer acquisition costs were capitalized and amortised over an 18 month period. From 1 July 2012, these costs are expensed as they are incurred. This changed treatment does not affect Net Cash Flows and has reduced the variance between reported Net Profit After Tax and Operating Cash Flows.

[3] the Company undertakes a large R&D program with regards to its proprietary website developments. When the 2012 income tax return was just finalised, some R&D costs were identified that are non-deductible for tax purposes that were incorrectly claimed over the past 4 years. This had the effect of carried forward income tax losses being fully utilised earlier than previous with a consequential adjusted tax payable in the 2013 financial year of $6,065 for the period to 2011 and $552,033 for 2012.

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

		Segment Revenues		**Segment Results - NPBT**	
		2014	**2013**	**2014**	**2013**
	Note	**$**	**$**	**$**	**$**
Internet lotteries					
Australia		23,836,781	24,403,335	6,765,422	6,354,472
Germany		8,621	-	(1,114,642)	-
Mexico		-	-	(349,077)	-
Internet lotteries segment	13	23,845,402	24,403,335	5,301,703	6,354,472
All other segments	13	508,749	866,480	12,883	(84,962)
		24,354,151	25,269,815	5,314,586	6,269,510

Germany and Mexico became reportable segments in the 2014 financial year.

Refer to Note 13 for details and reconciliation of above Segment Revenues and NPBT to Group Revenue and Profit before income tax.

Review of Operations

(a) Internet Lotteries Segment

The Company continues to make significant investment in its internet intellectual properties, notably www.ozlotteries.com and during the current financial year www.jumbolotto.de, as well as its customer database and management of same. The 2.2% decline in net reportable operating revenues to $23,845,402 (2013: $24,403,335) was due to the 2.2% lower TTV of $105,795,770 (2013: $108,267,254) which in turn was as a result of lower jackpot activity this financial year compared to 2013.

These investments, investments in staff and improvements to underlying technology, as well as ongoing efforts to expand into overseas markets have increased the operating costs. This has resulted in a decrease of 16.6% in operating profit contribution to $5,301,703 (2013: $6,354,472).

Australia

Lower large jackpot activity reduced TTV and revenues, and reduced expenses led to an improved operating profit.

TTV for the financial year was $105,706,982 (2013: $108,267,952), Revenues $23,836,781 (2013: $24,403,335) and operating profit $6,765,422 (2013: $6,354,472), whilst still bearing costs of approximately $2.6 million relating to international expansion activities (2013: approximately $3.5 million)

Germany

The German website www.jumbolotto.de went live 23 December 2013. Since then, efforts have been concentrated on optimising the website, recruiting staff with appropriate expertise and skills, and testing and identifying marketing channels.

The business is now well placed for growth with planned significant investment in customer acquisitions and the website over the next few years.

TTV for the financial year was $88,788 (2013: $nil) generating revenue of $8,621 and an operating loss of $1,114,642 (2013: $nil).

Mexico

Although the website www.jumbolotto.mx was delivered, it did not become operation as expected due to events beyond the Company's control relating to its business partner. Expectations are that the website will be operational in the current financial year. The fair value of the approximate $2.5 million investment in Sorteo Games Inc., USA was reduced to $nil due to uncertainty with regards to future cash flows of that company. Refer Notes 9 and 15 for further details.

The operating loss for Mexico was $349,077 (2013: $nil)

(b) All Other Segments

This segment consists of the sale of non-lottery products and services and is primarily an exploration in leveraging off the current lottery customer database. Revenues decreased to $508,749 (2013: $866,480) following rationalisation of the product range with a resulting operating profit of $12,883 (2013: loss $84,962).

Other

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

NOTE: The accounts are in the process of being audited.

Jumbo Interactive Limited and its Controlled Subsidiaries

CONSOLIDATEDSTATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 30 June 2014

	Note	Consolidated Group	
		2014	**2013**
		$	**$**
Revenue	2	24,133,876	25,191,215
Cost of sales		(2,665,999)	(3,290,679)
Gross profit		21,467,877	21,900,536
Other revenue/income	2	1,070,897	1,108,744
Expenses			
Distribution expenses		(26,201)	(26,029)
Marketing costs		(4,721,395)	(3,599,335)
Occupancy expenses		(765,311)	(762,743)
Administrative expenses	3	(12,287,967)	(13,208,145)
Finance costs		(1,130)	(9,500)
Share of losses of joint venture(s) accounted for using the equity method	7	(170,136)	(87,610)
Profit before income tax expense		4,566,634	5,315,918
Income tax expense	4	(1,781,676)	(2,333,761)
Profit after income tax expense for the year attributable to the owners of Jumbo Interactive Limited		2,784,958	2,982,157
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences		43,085	17,360
Change in fair value of available-for-sale financial assets		-	233,989
Items that will not be reclassified to profit or loss			
Change in fair value of financial assets at fair value through other comprehensive income		(2,530,668)	-
Other comprehensive income for the half year, net of tax		(2,487,583)	251,349
Total comprehensive income for the half year attributable to the owners of Jumbo Interactive Limited		297,375	3,233,506

		Cents	**Cents**
Basic earnings per share	5	6.4	6.9
Diluted earnings per share	5	6.3	6.8

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 2014

	Note	Consolidated Group	
		2014	**2013**
		$	**$**
Current Assets			
Cash and cash equivalents	6	25,366,357	24,460,703
Trade and other receivables		639,734	418,917
Inventories		49,404	55,098
Total current assets		26,055,495	24,934,718
Non-current assets			
Receivables	7	121,945	193,688
Investments accounted for using the equity method	8	1	1
Available-for-sale financial assets	9	-	2,530,054
Financial assets at fair value through other comprehensive income	9	-	-
Property, plant and equipment		318,062	366,059
Intangible assets		7,592,694	6,314,304
Deferred tax assets		514,785	395,562
Total non-current assets		8,547,487	9,799,668
Total assets		34,602,982	34,734,386
Current liabilities			
Trade and other payables	10	13,417,446	12,496,899
Current tax liabilities		884,185	752,946
Provisions		200,159	369,816
Total current liabilities		14,501,790	13,619,661
Non-current liabilities			
Provisions		163,950	133,857
Deferred tax liabilities		119,705	471,643
Total non-current liabilities		283,655	605,500
Total liabilities		14,785,445	14,225,161
Net assets		19,817,537	20,509,225
Equity			
Contributed equity	11	29,759,572	29,544,572
Accumulated losses		(17,398,827)	(17,398,827)
Profits appropriation reserve		9,075,627	7,602,499
Other reserves		(1,618,835)	760,981
Total equity		19,817,537	20,509,225

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 2014

	Contributed equity	Accumulated losses	Profits appropriation reserve	Share-based payments reserve	Foreign currency translation reserve	Financial assets revaluation reserve	Total equity
	$	$		$	$		$
CONSOLIDATED GROUP							
Balance at 1 July 2013	28,876,572	(17,398,827)	6,129,682	499,710	(23,428)	-	18,083,709
Total comprehensive income for the year							
Profit for the year	-	-	2,982,157	-	-	-	2,982,157
Other comprehensive income							
Foreign currency translation reserve differences	-	-	-	-	17,360	-	17,360
Foreign exchange movement on Available-for-sale financial asset	-	-		-	-	233,989	233,989
Total comprehensive income for the year	-	-	2,982,157	-	17,360	233,989	3,233,506
Transactions with owners in their capacity as owners							
Issue of shares	668,000	-	-	-	-	-	668,000
Dividends paid	-	-	(1,509,340)	-	-	-	(1,509,340)
Share-based payments	-	-	-	33,350	-	-	33,350
	668,000	-	(1,509,340)	33,350	-	-	(807,990)
Balance at 30 June 2013	29,544,572	(17,398,827)	7,602,499	533,060	(6,068)	233,989	20,509,225
Total comprehensive income for the year							
Profit for the year	-	-	2,784,958	-	-	-	2,784,958
Other comprehensive income							
Foreign currency translation reserve differences	-	-	-	-	43,085	-	43,085
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	(2,530,668)	(2,530,668)
Total comprehensive income for the half year	-	-	2,784,958	-	43,085	(2,530,668)	297,375
Transactions with owners in their capacity as owners							
Issue of shares	215,000	-	-	-	-	-	215,000
Dividends paid	-	-	(1,311,830)	-	-	-	(1,311,830)
Share-based payments	-	-	-	107,767	-	-	107,767
	215,000	-	(1,311,830)	107,767	-	-	(989,063)
Balance at 30 June 2014	29,759,572	(17,398,827)	9,075,627	640,827	37,017	(2,296,679)	19,817,537

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 2014

	Note	Consolidated Group	
		2014	**2013**
		$	**$**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		26,107,856	27,822,996
Payments to suppliers and employees		(19,279,766)	(18,833,903)
Interest received		827,507	918,060
Interest and other costs of finance paid		(1,130)	(9,500)
Income tax received		29,326	87,249
Income tax paid		(2,150,923)	(1,216,734)
Net cash provided by (used in) operating activities	16(a)	5,532,870	8,768,168
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets		(614)	(2,296,066)
Loans to related parties – payments made		(55,494)	(241,080)
Payments for plant and equipment		(218,376)	(209,863)
Payments for intangibles		(3,265,980)	(2,011,160)
Proceeds from sale of plant and equipment		2,884	17,813
Net cash provided by (used in) investing activities		(3,537,580)	(4,740,356)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		215,000	668,000
Repayment of borrowings		-	(444,771)
Dividends paid	12	(1,311,830)	(1,509,340)
Net cash provided by (used in) financing activities		(1,096,830)	(1,286,111)
Net increase in cash and cash equivalents		898,460	2,741,701
Net foreign exchange differences		7,194	32,205
Cash and cash equivalents at beginning of half year		24,460,703	21,686,797
Cash and cash equivalents at end of half year		25,366,357	24,460,703

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

Jumbo Interactive Limited and its Controlled Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2014

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) Change in accounting policy

AASB 9 *Financial Instruments*

AASB9 introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align risk management activities undertaken by entities when hedging financial and non-financial risks.

While AASB9 does not need to be applied until 1 January 2017, the Group has decided to adopt it from 1 July 2013. The main effects resulting from the adoption were:

- The group elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as available-for-sale, because the business model is to hold these equity investments for long-term strategic investment and not for trading. As a result, assets with a fair value of $2,530,054 were reclassified from available-for-sale to financial assets at fair value through other comprehensive income.
- There was no difference between the previous carrying amount and the revised carrying amount of the financial assets at 1 July 2013 to be recognised in opening retained earnings.

The impact of these changes in the entity's accounting policy on individual line items in the financial statements can be summarised as follows:

Statement of profit or loss and other comprehensive income	**Previous policy $**	**Adjustment $**	**Revised policy $**
2014			
Impairment of available-for-sale financial assets	(2,296,679)	2,296,679	-
Profit before income tax expense	2,269,955	2,296,679	4,566,634
Profit after income tax expense for the year attributable to the owners of Jumbo Interactive Limited	488,279	2,296,679	2,784,958
Other Comprehensive Income			
Items that may be reclassified to profit or loss			
Change in fair value of available-for-sale financial assets	(233,989)	233,989	-
Items that will not be reclassified to profit or loss			
Change in fair value of financial assets at fair value through other comprehensive income	-	(2,530,668)	(2,530,668)
Other comprehensive income for the year, net of tax	(190,904)	(2,296,679)	(2,487,583)
Total comprehensive income for the year attributable to the owners of Jumbo Interactive Limited	297,375	-	297,375

Statement of profit or loss and other comprehensive income cont'd	Previous policy ¢	Adjustment ¢	Revised policy ¢
2014			
Basic earnings per share (cents)	1.1	5.3	6.4
Diluted earnings per share (cents)	1.1	5.2	6.3

Statement of financial position	Previous policy $	Adjustment $	Revised policy $
2014			
Profits appropriation reserve	6,778,948	2,296,679	9,075,627
Financial assets revaluation reserve	-	(2,296,679)	(2,296,679)
Total equity	19,817,537	-	19,817,537

There is no effect of the change in accounting policy in the annual financial statements for the year ended 30 June 2013.

This changed accounting policy has no effect on the Consolidated Statement of Financial Position, other than the changes in equity per above, or on net change in cash.

NOTE 2: REVENUE AND OTHER INCOME

	Consolidated Group	
	2014 $	2013
Revenue		
— Revenue from sale of goods	2,008,256	2,356,860
— Revenue from rendering services	22,125,620	22,834,355
Revenue from continuing operations	24,133,876	25,191,215
Other income/ revenue		
— Interest received		
- Cash	848,917	918,060
— Other revenues		
- Foreign exchange gains	24,869	112,084
- Other	197,111	78,600
	1,070,897	1,108,744
Total	25,204,773	26,299,959

NOTE 3: PROFIT FOR THE YEAR

	Consolidated Group	
	2014	2013
	$	$
Profit before income tax from operations includes the following specific expenses:		
Cost of sales		
— Sale of goods	1,051,733	1,258,899
— Rendering of services	1,614,266	2,031,780
Finance costs		
— Interest on financial liabilities not at fair value through profit and loss	1,130	1,477
— Fees arising from financial liabilities not at fair value through profit and loss	-	8,023
Depreciation of non-current assets[1]		
— Plant and equipment	198,708	118,291
Amortisation of non-current assets[1]		
— Leasehold improvements	64,781	68,067
— Intangibles	1,987,589	2,095,563
Other expenses		
— Operating lease rentals – minimum lease payments	765,311	762,743
— Employee benefits expense[1]	4,911,352	5,255,959
— Defined contribution superannuation expense[1]	589,559	511,377
— Bad debts written off[1]	-	346,446

[1] included in administration expense

NOTE 4: INCOME TAX EXPENSE

	Consolidated Group	
	2014	2013
	$	$
a. The components of tax expense comprise:		
— *Current tax*	2,280,434	1,985,168
— Deferred tax arising from origination and reversal of temporary differences	(471,161)	68,084
— Under/over provision deferred tax prior years	(3,285)	4,326
— Under/over provision tax prior years	(31,383)	276,183
— Under/over provision overseas tax prior years	7,071	-
Total income tax expense/(benefit) in profit and loss	1,781,676	2,333,761

NOTE 4: INCOME TAX EXPENSE CONT'D

	2014 $	2013 $
b. Reconciliation:		
— Tax at the Australian tax rate of 30% (2013: 30%)	1,369,990	1,594,776
— Income tax effect of overseas tax rates	414,670	50,578
— R&D expense	(27,725)	146,235
— Share options expensed during year	32,330	10,005
— Other	3,000	688,251
— Under/over provision for income tax in prior year	(31,383)	276,178
— R&D concession/credit	20,794	(432,262)
Total income tax expense/(benefit) in profit and loss	1,781,676	2,333,761

NOTE 5: EARNINGS PER SHARE

Reconciliation of earnings used in calculating earnings per share

	Consolidated Group	
	2014	2013
Basic earnings per share	$	$
Profit after tax attributable to owners of Jumbo Interactive Limited used to calculate basic earnings per share	2,784,958	2,982,157
	Number	**Number**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	43,758,055	43,050,857
Diluted earnings per share	$	$
Profit after tax attributable to owners of Jumbo Interactive Limited used to calculate diluted earnings per share	2,784,958	2,982,157
	Number	**Number**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share per share	43,758,055	43,050,857
Adjustments for calculation of diluted earnings per share: — options	326,434	1,027,309
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	44,084,489	44,078,166

NOTE 6: CASH AND CASH EQUIVALENTS

	Note	Consolidated Group 2014 $	Consolidated Group 2013 $
Total cash and cash equivalents		25,366,357	24,460,703
Current			
General account balances		16,417,661	16,863,970
Current			
Online lottery customer account balances	10	8,948,696	7,596,733

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

NOTE 7: RECEIVABLES – NON-CURRENT

	2014 $	2013 $
Opening balance at cost	241,080	241,080
Loan advance	55,494	-
Capitalised expenses	63,209	-
Foreign currency translation increment	19,908	40,218
	379,691	281,298
Share of joint entity's profit/(loss) brought forward	(87,610)	-
Add share of joint entity's results for the half-year period:		
Revenues	327,166	25,022
Expenses	(497,302)	(112,632)
Loss before income tax	(170,136)	(87,610)
Income tax benefit	-	-
Profit after income tax	(170,136)	(87,610)
Net interest in joint venture	121,945	193,688

The receivable is due to be repaid by 4 December 2017 and the effect of discounting is considered not to be material. This receivable is not past due nor impaired.

NOTE 8: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated Group	
	2014	2013
	$	$
Interest in Joint Venture		
The Company has a 50% interest in the joint venture 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.		
The voting power held by the Company is 50%.		
The interest in joint venture entities is accounted for in the consolidated financial statements using the equity method of accounting.		
Unlisted shares at cost	1	1

NOTE 9: EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND AVAILABLE-FOR-SALE FINANCIAL ASSETS (NON-CURRENT)

	Consolidated Group	
	2014	2013
	$	$
Unlisted securities		
Equity investments		
Available-for-sale financial assets - at cost	-	2,530,054
Financial assets at fair value through other comprehensive income - 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 (2013: at cost of $2,530,054).

Available-for-sale financial assets reconciliation:

Opening value at cost at 1 July 2012	2,296,065
Foreign currency translation increment	233,989
Closing value at cost 30 June 2013	2,530,054
Reclassification to financial assets at fair value through other comprehensive income on 1 July 2013	(2,530,054)
Closing value at 30 June 2014	-

NOTE 9: EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND AVAILABLE-FOR-SALE FINANCIAL ASSETS (NON-CURRENT) CONT'D

Financial assets at fair value through other comprehensive income reconciliation:	
Opening balance at 1 July 2013	-
Fair value of financial assets reclassified from available-for-sale assets	2,530,054
Additional cost	614
Change in fair value of financial assets at fair value through other comprehensive income	(2,530,668)
Fair value at 30 June 2014	-

Fair value

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

NOTE 10: TRADE AND OTHER PAYABLES

		Consolidated Group	
	Note	**2014**	**2013**
		$	**$**
Total trade and other payables		13,417,446	12,496,899
Current			
Trade creditors and other payables		4,468,750	4,900,166
Current			
Customer funds payable	6	8,948,696	7,596,733

NOTE 11: ISSUED CAPITAL

	2014	**2013**	**2014**	**2013**
	Shares	**Shares**	**$**	**$**
At the beginning of the reporting period	43,552,560	42,412,560	29,544,572	28,876,572
Shares issued during the year				
Exercise of options	350,000	1,140,000	215,000	668,000
	43,902,560	43,552,560	29,759,572	29,544,572

NOTE 12: DIVIDENDS

	Consolidated Group	
	2014	**2013**
Ordinary shares	**$**	**$**
Dividends paid during the financial year	1,311,830	1,509,340
	1,311,830	1,509,340

Dividends paid in cash or satisfied by the issue of shares under the Dividend Reinvestment Plan during the financial years ended 30 June 2014 and 30 June 2013 were as follows:

Paid in cash	1,311,830	1,509,340
	1,311,830	1,509,340

NOTE 13: 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 2013 were stated on this basis.

Accounting policies

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

Segment information

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the 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 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 three operating segments: internet lotteries Australia, internet lotteries Germany and internet lotteries Mexico.

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 2013 are stated on this basis.

NOTE 13: SEGMENT REPORTING CONT'D

(b) Segment information provided to the Board

The segment information provided to the Board for the reportable segments for the half year is as follows:

Germany and Mexico became reportable segments in the 2014 financial year.

2014

	Australia	Germany	Mexico	Total Internet Lotteries
	$	$	$	$
Total segment revenue/income	23,836,781	8,621	308,450	24,153,852
Intra-segment revenue	-	-	(308,450)	(308,450)
Revenue from external customers	**23,836,781**	**8,621**	**-**	**23,845,402**
Net profit before tax	**6,765,422**	**(1,114,642)**	**(349,077)**	**5,301,703**
Interest revenue	714,491	-	3	714,494
Finance costs expense	41	1,087	-	1,128
Depreciation and amortisation	2,017,408	28,779	855	2,047,042

There was no impairment charge or other significant non-cash item recognised in2014 relating to the segments.

2013

	Internet Lotteries
	$
Total segment revenue/income	24,403,335
Intra-segment revenue	-
Revenue from external customers	**24,403,335**
Net profit before tax	**6,354,472**
Interest revenue	810,150
Finance costs expense	978
Depreciation and amortisation	2,168,753
Bad debt written off	346,446

There was no impairment charge or other significant non-cash item recognised in 2013 relating to the segments.

NOTE 13: 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 reconciles to total revenue as follows:

	Consolidated Group	
	2014	**2013**
	$	**$**
Total segment revenue	23,845,402	24,403,335
All other segments	508,749	866,480
Interest revenue	848,917	918,060
Other	1,705	112,084
Total revenue from operations (note 2)	25,204,773	26,299,959

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	
	2014	**2013**
	$	**$**
NPBT	5,301,703	6,354,472
All other segments	12,883	(84,962)
Interest revenue	848,917	918,060
Other	1,705	-
Corporate expenses		
Finance costs expense	(2)	(8,522)
Share based payments expense	(107,767)	(33,350)
Directors' remuneration	(131,100)	(130,800)
Salaries and wages	(687,848)	(807,977)
Other	(671,857)	(891,003)
Profit before income tax from operations (per P&L)	4,566,634	5,315,918

NOTE 14: NET TANGIBLE ASSETS PER SECURITY

	Consolidated Group	
	2014	**2013**
	Cent	**Cent**
Net Tangible Assets per ordinary share	26.9	32.8

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

		Consolidated Group	
	Note	**2014**	**2013**
		$	**$**
Financial assets at fair value through Other Comprehensive Income	9	-	-
Available-for-sale financial assets	9	-	2,530,054

Disclosed fair values

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

Due to their short-term nature, the carrying amount of trade receivables and payables are assumed to approximate their fair values. The fair value of non-current receivables disclosed in note 7 are based on cash flows discounted using the current lending rate of 7.00% (2013: 7.00%) for loans to joint venture parties (Level 3).

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
		Future free cash flow	Uncertain	Decreased long-term profit growth rate and a higher WACC would decrease the fair value
		Long term profit growth rate	Uncertain	

NOTE 15: FAIR VALUE MEASUREMENTS CONT'D

Reconciliation of level 3 movements

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

	$
Opening balance 1 July 2013	2,530,054
Other increases	614
Change in fair value of available-for-sale financial assets	(2,530,668)
Closing balance 30 June 2014	-

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	
	2013	2012
	$	$
a. Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit for the year after income tax	2,784,958	2,982,157
Non-cash flows		
Amortisation	2,052,370	2,163,630
Depreciation	198,708	118,291
Unrealised foreign currency (gains)/losses	20,311	(62,326)
Share of losses of joint ventures accounted for using the equity method	170,136	87,610
Capitalised expenses of joint venture	(63,209)	
Share option expense	107,767	33,350
Other	35,891	17,360
Changes in operating assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
Decrease/(Increase) in trade receivables	68,963	(31,077)
Decrease/(Increase) in other receivables	(289,780)	13,878
Decrease/(Increase) in inventories	5,694	43,526
Decrease/(increase) in DTA	(119,223)	(1,228)
Increase/(decrease) in trade creditors	(329,440)	856,040
Increase/(decrease) in other creditors	1,249,987	1,276,173
Increase/(decrease) in other provisions	(139,564)	65,281
Increase/(decrease) in DTL	(351,938)	69,312
Increase/(decrease) in provision for income tax	131,239	1,136,191
Cash flow from operations	5,532,870	8,768,168

NOTE 16: CASH FLOW INFORMATION CONT'D

		2014	2013
(b)	**Facilities with Banks**		
Credit facility		1,550,000	1,211,000
Facilities utilised			
-	Overdraft	-	-
-	Multi Option/Chattel mortgages	-	-
-	Loans	-	-
-	Bank guarantees	(385,710)	(160,763)
Amount available		1,164,290	1,050,237

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

NOTE 17: EVENTS AFTER THE REPORTING PERIOD

There were no material events after the balance sheet date.