

## APPENDIX 4D

### HALF YEAR REPORT

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

*This information, given under ASX listing rule 4.2A, should be read in conjunction with the most recent annual financial report.*

**Reporting period: Half year ended 31 December 2015**

**Previous corresponding period: Half year ended 31 December 2014**

#### RESULTS FOR ANNOUNCEMENT TO THE MARKET

	<b>2015</b>	<b>2014 restated</b>	<b>Change</b>	<b>Change</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
Revenue from operations	17,801,074	14,729,905	3,071,169	20.8
Profit after tax attributable to members	2,025,395	268,556	1,756,839	654.2
Total comprehensive income for the period attributable to members	1,890,925	80,472	1,810,453	2,249.8

#### DIVIDENDS

A fully franked final dividend of 1.5 (one and a half) cents per ordinary share for the financial year ended 30 June 2015 was paid on ordinary shares during the half year ended 31 December 2015 (2014: 1.5¢).

Proposed interim fully franked ordinary dividend of **2.0 (two) cents per share** with a franking percentage of 100% as follows:

- Record date: 11 March 2016
- Payment date: 25 March 2016

The conduit foreign income component of the dividend is \$nil.

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

#### EXPLANATION OF RESULTS

As reported in the last year's annual results, there was a correction of an error relating to revenue recognised in previous years (restated) which improved the overall finances of the Company in FY15— refer to Note 4 for details. The net effect on the 2014 half year comparable figures previously reported has been to increase TTV, Revenue, Gross profit and Net profit before tax by \$416,357, increase Income tax expense by \$124,907, and increase Net profit after tax by \$291,450.

In the latest half year reporting period, the Company reports a strong overall financial performance, mainly from the Australian internet lottery business segment which had a high level of jackpot activity during the half year and this was complemented by continued interactive marketing that has driven an increase in the customer account database and customer activity.

Please refer to the Directors' Report for a detailed explanation of the Result.

## DIRECTORS' REPORT

The Directors of Jumbo Interactive Limited 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 half year ended 31 December 2015.

### DIRECTORS

The following persons were Directors of Jumbo Interactive Limited during the whole of the half year and up to the date of this report, unless otherwise stated:

- David K Barwick (non-executive Chairman)
- Mike Veverka (Chief Executive Officer)
- Bill Lyne (non-executive Director)

### COMPANY SECRETARY

Mr Bill Lyne held the position of Company Secretary at the end of the half year.

### OPERATING RESULTS AND REVIEW OF OPERATIONS FOR THE HALF YEAR

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 inflow is advised as Total Transaction Value (TTV) for information purposes and is the gross amount received for the sale of goods and rendering of services.

A 22.5% increase in TTV to \$81,260,989 (2014: \$66,361,642 restated) has resulted in a 20.8% increase in Net reportable operating revenues to \$17,801,074 (2014: \$14,729,905 restated), due to a slightly reduced margin of 21.9% (2014: 22.2%). The consolidated profit of the Group amounted to \$2,025,395 (2014: \$268,556 restated), after providing for income tax \$1,475,633 (2014: \$943,179 restated).

Other revenue, being mainly interest on cash, decreased by 3.6% to \$648,482 (2014: \$672,855). During the half year, the lower average cash and cash equivalent balances and lower average interest rates resulted in lower interest income and a lesser weakening of the AUD foreign exchange rate resulted in a lower FX gain, compared to the 2014 half year, partially offset by an increase in other income in respect of portion of an export market development grant claim being received.

Expenses increased by 4.9% (a net \$634,310) to \$13,480,228 (2014: \$12,845,918), mainly from Corporate (+\$122,402) and the Australian internet lotteries business segment (+\$1,262,868), which was partially offset from a decrease mainly in the German internet lotteries business segment (-\$748,075).

Group earnings before interest, tax, depreciation and amortisation increased by 145.0% to \$5,073,945 (2014: \$2,071,098 restated).

The size and activity of the Company's customer account database and the number and level of large jackpots are significant drivers of sales. The sales trend over the last three half-year periods in the context of these factors is summarised as follows:

Australia	HY 2015	HY 2014 restated	HY 2013 restated
TTV	\$81.3 million	\$66.4 million	\$55.1 million
Reported Revenue	\$17.8 million	\$14.7 million	\$12.7 million
<b>OZ Lotto/ Powerball</b>			
Number of jackpots of \$15 million or more	24	18	22
Average Division 1 jackpot of \$15 million or more	\$30.4 million	\$26.9 million	\$28.6 million
Peak Division 1 jackpot during the half year period	\$70 million	\$70 million	\$70 million
Aggregate Division 1 jackpots on offer during the half year period	\$730 million	\$485 million	\$630 million
Additional new customer accounts	108,650	101,000	73,300

## Operating Results

TTV has increased by 22.5% mainly through an increase in the Australian lotteries business segment due to the higher level of large jackpot activity and growth in and activity level of its customer account database. The associated increase in Revenue is slightly lower at 20.8% due to a slightly lower margin in Australia through product mix, and the effect of the margins in Germany (10.6%) and the All Other business segment (100%). EBITDA and NPAT of core operations are higher due to the aforementioned, notwithstanding a net increase in operating expenses as explained in Review of Operations below.

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	
		HY Dec 2015	HY Dec 2014 restated	HY Dec 2015	HY Dec 2014 restated
		\$	\$	\$	\$
Internet lotteries					
Australia		17,799,354	14,835,676	5,847,238	4,398,752
Germany		123,244	71,664	(1,333,643)	(2,133,298)
Mexico		62	-	(38,114)	(154,074)
Internet lotteries segment	11	17,922,660	14,907,340	4,475,481	2,111,380
All other segments	11	434,470	310,810	215,538	75,757
		18,357,130	15,218,150	4,691,019	2,187,137

## Review of Operations

### (a) Online Lottery Segment

The Company was successful in growing the Internet lottery segment with revenue and other income increasing 20.2% to \$17,922,660 (2014: \$14,907,340 restated) from a 22.4% increase in TTV to \$80,825,796 (2014: \$66,050,872 restated). This was as a result of a strong performance in Australia through a higher level of large jackpots, and reasonable sales growth in Germany, notwithstanding a significantly lower marketing spend. Increases in employee and marketing expenses and continued investment in the Company's Internet intellectual properties, notably [www.ozlotteries.com](http://www.ozlotteries.com), in Australia, partially offset by a decrease in expenses in Germany, has led to an overall increased in operating costs of 4.6% (+\$527,827). The higher increase in revenue relative to operating costs has resulted in an increase of 112.0% in net profit before tax contribution to \$4,475,481 (2014: \$2,111,380 restated).

### Australia

TTV for the half year increased by 22.2% to \$79,902,844 (2014: \$65,376,249 restated) as a result of strong large jackpot levels and activity and an increase in the level of and activity in the customer account database.

Jumbo invests extensively in online marketing to grow and activate the customer database whom transact via its website ([www.ozlotteries.com](http://www.ozlotteries.com)) and associated mobile apps (iOS & Android). The Company will now report on KPIs for this online business which will have comparable period figures in the Annual Financial Reports. The following 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 the preceding 12 month 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 over the preceding 12 month period.

The following table summarizes the Marketing KPI's at 31 December 2015.

Number of new online accounts for the half year	108,650
CPL for the half year	\$19.06
Number of active online customers (12 months)	350,300
Average spend per active online customer (12 months)	\$340.35

The increased TTV resulted in a 20.2% increase in Revenue to \$17,267,942 (2014: \$14,366,935 restated), the slightly lower increase due to a change in the mix of products sold lowering the margin from 22.0% to 21.6%. This was partially offset by a higher level of sales directly to customers compared to affiliate channels which reduced the costs of sales margin from 9.4% to 8.5% (-\$123,192).

Other income increased to \$531,412 (2014: \$468,878) with interest income declining from comparatively lower average interest rates which was more than offset by an increase in foreign currency gains from a weaker AUD foreign exchange rate and other income in the form of part receipt of an Export Market Development Grant claim.

Operating expenses increased by 15.3% (+\$1,391,863) to \$10,483,816 (2014: \$9,091,953) due mainly to (i) Depreciation and Amortisation +\$658,215 as a result of 'run-off' of lower amortisation costs of investment in its own intellectual property from 3 years ago that has been replaced by higher levels of investment since July 2014, (ii) Marketing +\$215,374 to take advantage of the large jackpot levels and activity to increase both the number of and activity of the customer account database; (iii) Employee benefits +\$325,035 due to a combination of increased staff numbers and increased salaries; (iv) Merchant fees +\$139,888 with higher TTV; and (v) Recruitment -\$229,116 with fewer new staff employed.

As a result of the above, Net profit before tax increased by 32.9% to \$5,847,238 (2014: \$4,398,752 restated).

### **Germany**

The business was restructured in June 2015 to reduce ongoing costs and optimize marketing efforts. This involved a number of staff changes and a move of the office from Munich to Hamburg.

TTV for the half year increased by 36.8% to \$922,952 (2014: \$674,623) with an increasing customer account database and improved marketing.

KPIs for the German business will be reported as for the Australian online business once this business is more mature and there is meaningful comparable information to report to.

Revenue increased by 87.6% to \$97,938 (2014: \$52,200) mainly due to increased TTV and an improvement in the margin to 10.6% (2014: 7.7%) with the introduction of syndicates.

Other income increased to \$25,306 (2014: \$19,464) mainly through recovery of expenses relating to the previous financial year.

Operating expenses decreased by \$748,075 to \$1,456,887 (2014: \$2,204,962) mainly in marketing (\$852,677). This is after non-recurring expenses of approximately \$400,000 incurred during the period under review relating to the restructure of the business in June 2015.

As a result of the above, the Net loss before tax improved by 37.5% to \$1,333,643 loss (2014: loss \$2,133,298)

### **Mexico**

Activity in Mexico reduced in the half year period and minimal activity is expected as a review during the remaining financial of potential opportunities is undertaken.

The net loss before tax for Mexico was \$38,114 (2014: loss \$154,075).

**(b) All Other Segments**

This segment consists of the sale of non-lottery products and services. At present, there is only one product that is sold being a proprietary payroll software program. Revenue and other income increased to \$435,193 (2014: \$310,771) and net profit before tax increased to \$215,538 (2014: \$75,757).

**Corporate**

Corporate expenses increased by 22.0% to \$1,189,991 (2014: \$975,402) due mainly to increased share of losses of associate company Lotto Points Plus Inc, USA and a \$223,692 impairment of this investment to reduce the carrying value to \$0, which has been partially offset by a decrease in marketing expenses of \$147,620 which were non-recurring from the 2014 comparable period.

**AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is attached to this report.

This report is made in accordance with a resolution of directors.

A handwritten signature in black ink, appearing to be 'David Barwick', written over a large, faint oval shape.

**David Barwick**

**Chairman**

Brisbane

16 February 2016

## AUDITOR'S INDEPENDENCE DECLARATION



Tel: +61 7 3237 5999  
Fax: +61 7 3221 9227  
[www.bdo.com.au](http://www.bdo.com.au)

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

### DECLARATION OF INDEPENDENCE BY TIM KENDALL TO THE DIRECTORS OF JUMBO INTERACTIVE LIMITED

As lead auditor for the review of Jumbo Interactive Limited for the half-year ended 31 December 2015, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'T J Kendall', is written over a light blue horizontal line.

T J Kendall  
Director

**BDO Audit Pty Ltd**

Brisbane, 16 February 2016

**Jumbo Interactive Limited and its Controlled Subsidiaries**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the half year ended 31 December 2015

	Note	Consolidated Group Half Year	
		2015 \$	2014 restated \$
<b>Revenue</b>	2	17,801,074	14,729,905
Cost of sales		(1,468,300)	(1,345,107)
Gross profit		16,332,774	13,384,798
Other revenue/income	2	648,482	672,855
<b>Expenses</b>			
Distribution expenses		(17,236)	(10,446)
Marketing costs		(3,220,302)	(4,007,355)
Occupancy expenses		(539,154)	(501,949)
Administrative expenses	3	(9,252,000)	(8,147,568)
Finance costs		(2,910)	(1,577)
Impairment of investment	6	(223,692)	-
Share of losses of joint venture(s) accounted for using the equity method	6	(224,934)	(177,023)
<b>Profit before income tax expense</b>		3,501,028	1,211,735
Income tax expense		(1,475,633)	(943,179)
<b>Profit after income tax expense for the year attributable to the owners of Jumbo Interactive Limited</b>		2,025,395	268,556
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences		(134,470)	(182,535)
Change in fair value of available-for-sale financial assets		-	(5,549)
Other comprehensive income for the half year, net of tax		(134,470)	(188,084)
<b>Total comprehensive income for the half year attributable to the owners of Jumbo Interactive Limited</b>		1,890,925	80,472
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		4.58	0.61
Diluted earnings per share		4.58	0.61

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 31 December 2015

	Note	Consolidated Group		
		31 December 2015	30 June 2015	1 January 2015 restated
		\$	\$	\$
<b>Current Assets</b>				
Cash and cash equivalents	5	26,414,428	23,777,863	23,753,690
Trade and other receivables		638,335	493,921	495,256
Inventories		54,553	62,941	47,773
<b>Total current assets</b>		<u>27,107,316</u>	<u>24,334,725</u>	<u>24,296,719</u>
<b>Non-current assets</b>				
Receivables		-	-	412,352
Investments accounted for using the equity method	6	-	412,366	1
Available-for-sale financial assets	7	-	-	-
Property, plant and equipment		460,335	486,341	534,129
Intangible assets		9,876,324	9,361,983	8,559,005
Deferred tax assets		906,408	717,012	624,404
<b>Total non-current assets</b>		<u>11,243,067</u>	<u>10,977,702</u>	<u>10,129,891</u>
<b>Total assets</b>		<u>38,350,383</u>	<u>35,312,427</u>	<u>34,426,610</u>
<b>Current liabilities</b>				
Trade and other payables	8	14,229,214	11,739,062	10,969,027
Current tax liabilities		807,469	1,457,519	1,202,898
Provisions		238,720	196,106	197,144
<b>Total current liabilities</b>		<u>15,275,403</u>	<u>13,392,687</u>	<u>12,369,069</u>
<b>Non-current liabilities</b>				
Provisions		196,731	202,376	201,365
Deferred tax liabilities		22,791	36,611	26,915
<b>Total non-current liabilities</b>		<u>219,522</u>	<u>238,987</u>	<u>228,280</u>
<b>Total liabilities</b>		<u>15,494,925</u>	<u>13,631,674</u>	<u>12,597,349</u>
<b>Net assets</b>		<u>22,855,458</u>	<u>21,680,753</u>	<u>21,829,261</u>
<b>Equity</b>				
Contributed equity	9	29,851,328	29,969,572	29,969,572
Accumulated losses		(17,398,827)	(17,398,827)	(17,398,827)
Profits appropriation reserve		12,086,679	10,724,322	10,992,659
Other reserves		(1,683,722)	(1,614,314)	(1,734,143)
<b>Total equity</b>		<u>22,855,458</u>	<u>21,680,753</u>	<u>21,829,261</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 half year ended 31 December 2015

	Contributed equity	Accumulated losses	Profits appropriation reserve restated	Share-based payments reserve	Foreign currency translation reserve	Financial assets revaluation reserve	Total equity restated
	\$	\$	\$	\$	\$	\$	\$
<b>CONSOLIDATED GROUP</b>							
<b>Balance at 1 July 2014</b>	29,759,572	(17,398,827)	11,382,641	640,827	37,017	(2,296,679)	22,124,551
<b>Total comprehensive income for the half-year</b>							
Profit for the half-year - restated	-	-	268,556	-	-	-	268,556
<i>Other comprehensive income</i>			-				
Foreign currency translation reserve differences	-	-	-	-	(182,535)	-	(182,535)
Foreign exchange movement on Available-for-sale financial asset	-	-	-	-	-	(5,549)	(5,549)
Total comprehensive income for the half-year	-	-	268,556	-	(182,535)	(5,549)	80,472
<b>Transactions with owners in their capacity as owners</b>							
Issue of shares	210,000	-	-	-	-	-	210,000
Dividends paid	-	-	(658,538)	-	-	-	(658,538)
Share-based payments	-	-	-	72,776	-	-	72,776
	210,000	-	(658,538)	72,776	-	-	(375,762)
<b>Balance at 31 December 2014 - restated</b>	29,969,572	(17,398,827)	10,992,659	713,603	(145,518)	(2,302,228)	21,829,261

Refer to Note 4 for detailed information on restatement of comparatives

<b>Total comprehensive income for the half-year</b>							
Profit for the half-year	-	-	394,705	-	-	-	394,705
<i>Other comprehensive income</i>							
Foreign currency translation reserve differences	-	-	-	-	56,928	-	56,928
Total comprehensive income for the half-year	-	-	394,705	-	56,928	-	451,633

	Contributed equity	Accumulated losses	Profits appropriation reserve	Share-based payments reserve	Foreign currency translation reserve	Financial assets revaluation reserve	Total equity restated
	\$	\$	\$	\$	\$	\$	\$
<b>Transactions with owners in their capacity as owners</b>							
Dividends paid	-	-	(663,042)	-	-	-	(663,042)
Share-based payments	-	-	-	62,901	-	-	62,901
	-	-	(663,042)	62,901	-	-	(600,141)
<b>Balance at 30 June 2015</b>	29,969,572	(17,398,827)	10,724,322	776,504	(88,590)	(2,302,228)	21,680,753
<b>Total comprehensive income for the half-year</b>							
Profit for the half-year	-	-	2,025,395	-	-	-	2,025,395
<i>Other comprehensive income</i>							
Foreign currency translation reserve differences	-	-	-	-	(134,470)	-	(134,470)
Change in fair value of available-for-sale financial assets							
Total comprehensive income for the half-year	-	-	2,025,395	-	(134,470)	-	1,890,925
<b>Transactions with owners in their capacity as owners</b>							
Shares bought back	(118,244)	-	-	-	-	-	(118,244)
Dividends paid	-	-	(663,038)	-	-	-	(663,038)
Share-based payments	-	-	-	65,062	-	-	65,062
	(118,244)	-	(663,038)	65,062	-	-	(716,220)
<b>Balance at 31 December 2015</b>	29,851,328	(17,398,827)	12,086,679	841,566	(223,060)	(2,302,228)	22,855,458

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 half year ended 31 December 2015

	Note	Consolidated Group	
		Half Year	
		2015	2014
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		19,295,678	15,393,035
Payments to suppliers and employees		(11,467,274)	(12,641,109)
Interest received		295,415	399,875
Interest and other costs of finance paid		(2,910)	(1,577)
Income tax received		-	(1,498,591)
Income tax paid		(2,328,899)	-
Net cash provided by (used in) operating activities		5,792,010	1,651,633
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of financial assets		-	(5,549)
Loans to related parties – payments made		-	(353,447)
Payments for plant and equipment		(97,988)	(297,274)
Payments for intangibles		(2,286,734)	(2,160,060)
Proceeds from sale of plant and equipment		11,742	-
Net cash provided by (used in) investing activities		(2,372,980)	(2,816,330)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		-	210,000
Payments for buy-back of shares		(118,244)	-
Dividends paid	10	(663,038)	(658,538)
Net cash provided by (used in) financing activities		(781,282)	(448,538)
Net increase in cash and cash equivalents		2,637,748	(1,613,235)
Net foreign exchange differences		(1,183)	568
Cash and cash equivalents at beginning of half year		23,777,863	25,366,357
Cash and cash equivalents at end of half year		26,414,428	23,753,690

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 half year ended 31 December 2015

#### NOTE 1: BASIS FOR PREPARATION OF HALF YEAR FINANCIAL STATEMENTS

These general purpose financial statements for the half year reporting period ended 31 December 2015 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

These half year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated Group as the full financial statements. Accordingly, these half year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2015 and any public announcements made by Jumbo Interactive Limited during the half year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in these half year financial statements as compared with the most recent annual financial statements.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations did not have any material financial impact on the amounts recognised in the financial statements of the Group for the current or prior periods.

#### NOTE 2: REVENUE AND OTHER INCOME

	Consolidated Group	
	Half Year	
	2015	2014 restated
	\$	\$
Revenue		
— Revenue from sale of goods	1,328,331	1,060,752
— Revenue from rendering services	16,472,743	13,669,153
Revenue from continuing operations	17,801,074	14,729,905
Other income/ revenue		
— Interest received		
- Cash	311,737	415,607
— Other revenues		
- Foreign exchange gains	231,267	253,610
- Other	105,478	3,638
	648,482	672,855
Total	18,449,556	15,402,760

**NOTE 3: PROFIT FOR THE YEAR**

	Consolidated Group	
	Half Year	
	2015	2014
	\$	\$
Profit before income tax from operations includes the following specific expenses:		
Cost of sales		
— Sale of goods	612,891	513,393
— Rendering of services	855,409	831,714
Finance costs		
— Interest on financial liabilities not at fair value through profit and loss	9	15
— Fees arising from financial liabilities not at fair value through profit and loss	2,901	1,563
Depreciation of non-current assets <sup>1</sup>		
— Plant and equipment	78,951	73,581
Amortisation of non-current assets <sup>1</sup>		
— Leasehold improvements	33,301	6,746
— Intangibles	1,772,393	1,194,629
Other expenses		
— Operating lease rentals – minimum lease payments	539,154	501,949
— Employee benefits expense <sup>1</sup>	3,563,870	3,497,602
— Defined contribution superannuation expense <sup>1</sup>	456,885	387,300

<sup>1</sup> included in administration expense

**NOTE 4: CORRECTION OF ERROR****Correction of error relating to revenue recognised in previous years.**

An error was discovered in the consolidated entity's systemic processes whereby GST on commission received was incorrect. This was caused by an internal error in the systemic process where GST on commission received has been overstated since the 30 June 2008 financial year. This error resulted in revenue being understated by \$2,978,731 (cumulative impact from 2008 to 2014), creditors (as at 30 June 2014) overstated by \$3,156,543, GST expense (cumulative impact from 2008 to 2014) and current GST liability (as at 30 June 2014) being understated by \$177,812, and income tax expense (cumulative impact from 2008 to 2014) and current income tax liability (as at 30 June 2014) being understated by \$671,716, with a net impact on profit after tax being an understatement of \$2,307,015 (cumulative impact from 2008 to 2014). Extracts (being only those line items affected) are disclosed below.

The error has been corrected by entries to each of the affected financial statement line items for the current financial year.

The aggregate effect of the correction on the financial statements for the half year ended 31 December 2015 is as follows:

**NOTE 4: CORRECTION OF ERROR CONT'D****Statement of profit or loss and other comprehensive income – 31 December 2014**

<b>Extract</b>	<b>Consolidated Group</b>		
	<b>2014</b>	<b>Half Year</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<b>Reported</b>	<b>Adjustment</b>	<b>Restated</b>
Revenue	14,313,548	416,357	14,729,905
Gross profit	12,968,441	416,357	13,384,798
Profit before income tax expense	795,378	416,357	1,211,735
Income tax expense	(818,272)	(124,907)	(943,179)
<b>Profit after income tax expense for the year</b>	<b>(22,894)</b>	<b>291,450</b>	<b>268,556</b>
Other comprehensive income for the year, net of tax	(188,084)	-	(188,084)
<b>Total comprehensive income for the year</b>	<b>(210,978)</b>	<b>291,450</b>	<b>80,472</b>
	<b>Cents</b>	<b>Adjustment</b>	<b>Cents</b>
	<b>Reported</b>		<b>Restated</b>
<b>Earnings per share (cents per share)</b>			
Basic earnings per share (cents per share)	(0.05)	0.66	0.61
Diluted earnings per share (cents per share)	(0.05)	0.66	0.61

**Statement of financial position - 1 January 2015**

<b>Extract</b>	<b>Consolidated Group</b>		
	<b>December</b>		<b>December</b>
	<b>2014</b>	<b>\$</b>	<b>2014</b>
	<b>Reported</b>	<b>Adjustment</b>	<b>Restated</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	23,753,690	-	23,753,690
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14,364,114	(3,395,087)	10,969,027
Current tax liabilities	406,275	796,623	1,202,898
Total current liabilities	14,967,533	(2,598,464)	12,369,069
<b>Total liabilities</b>	<b>15,195,813</b>	<b>(2,598,464)</b>	<b>12,597,349</b>
<b>Net assets</b>	<b>19,230,797</b>	<b>2,598,464</b>	<b>21,829,261</b>

**NOTE 4: CORRECTION OF ERROR CONT'D**

	Consolidated Group		
	December 2014		December 2014
	\$		\$
	Reported	Adjustment	Restated
<b>Equity</b>			
Retained profits	8,394,195	2,598,464	10,922,659
<b>Total equity</b>	<u>19,230,797</u>	<u>2,598,464</u>	<u>21,829,261</u>

**Notes**

	Consolidated Group	
	Half Year	
	2015	2014
	\$	\$
	Reported	Restated
<b>Revenue and other income – sales revenue</b>		
Revenue from rendering of services	16,472,743	13,669,153
Total sales revenue	<u>17,801,074</u>	<u>14,729,905</u>

**Current assets – cash and cash equivalents**

	Consolidated Group		
	Half Year		
	December 2015	June 2015	1 January 2015
	\$	\$	\$
	Reported	Reported	Restated
General account balances	20,056,160	16,663,778	18,011,025
Customer account balances	6,358,268	7,114,085	5,742,665
	<u>26,414,428</u>	<u>23,777,863</u>	<u>23,753,690</u>

**Current liabilities – trade and other payables**

	Consolidated Group		
	Half Year		
	December 2015	June 2015	1 January 2015
	\$	\$	\$
	Reported	reported	Restated
Trade and other payables	7,870,946	4,624,977	5,226,362
Customer liability	6,358,268	7,114,085	5,742,665
	<u>14,229,214</u>	<u>11,739,062</u>	<u>10,969,027</u>

#### NOTE 4: CORRECTION OF ERROR CONT'D

##### Current liabilities – income tax

	Consolidated Group		
	Half Year		
	December 2015	June 2015	1 January 2015
	\$ Reported	\$ Reported	\$ Restated
Provision for income tax	807,469	1,457,519	1,202,898

#### NOTE 5: CASH AND CASH EQUIVALENTS

	Note	Consolidated Group	
		31 December 2015	30 June 2015
		\$	\$
Total cash and cash equivalents		26,414,428	23,777,863
<i>Current</i>			
General account balances		20,056,160	16,663,778
<i>Current</i>			
Online lottery customer account balances	8	6,358,268	7,114,085

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



**NOTE 6: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

The Company has a 41.2% interest (voting power 48.1%) in associate company 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 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 is therefore an associate company.

The interest in associate/joint venture entities is accounted for in the consolidated financial statements using the equity method of accounting.

<b>Interest in Associate – Lotto Points Plus Inc., USA</b>	<b>Place of business/ Country of incorporation</b>	<b>2015</b>	<b>2014</b>	<b>31 December 2015</b>	<b>30 June 2015</b>
		<b>%</b>	<b>%</b>	<b>\$</b>	<b>\$</b>
<i>Unlisted shares at cost</i>					
Lotto Points Plus Inc	New York, USA	41.2	50.0	1	1
<i>Series A Preferred Stock repayable by 10 February 2020</i>					
Opening Balance at cost				486,493	486,493
FX translation increment				23,848	-
				510,341	486,493
<i>Promissory Note repayable on 13 August 2016</i>					
Opening balance at cost				427,126	427,126
Accrued interest at 7.00% pa compounding monthly in arrears				20,661	-
FX translation increment				16,322	-
				464,109	427,126
<b>Total investment in associate company</b>				<b>974,451</b>	<b>913,620</b>
<b>Share of associate/partnership's revenues and expenses and results</b>					
Profit/(loss) brought forward				(501,254)	(257,746)
Revenues				1	163,451
Expenses				(224,935)	(373,140)
Profit/(loss) before income tax				(224,934)	(209,689)
Income tax expense				-	-
Profit/(loss) after income tax				(224,934)	(209,689)
Accumulated share of associate company profit/(losses)				(726,188)	(467,435)
Gain on dilution of shareholding recognised through profit and loss				-	33,573
Adjusted accumulated share of associate company profit/(losses)				(726,188)	(433,862)
FX translation increment				(24,571)	(67,392)
<b>Accumulated share of associate company profits/(losses)</b>				<b>(750,759)</b>	<b>(501,254)</b>
Impairment on investment recognised through profit and loss				(223,692)	-
<b>Net investment in associate company</b>				<b>-</b>	<b>412,366</b>

**NOTE 7: AVAILABLE-FOR-SALE FINANCIAL ASSETS (NON-CURRENT)**

		<b>Consolidated Group</b>	
		<b>31 December 2015</b>	<b>30 June 2015</b>
		<b>\$</b>	<b>\$</b>
<b>Unlisted securities</b>			
Equity securities at cost		-	-
Equity securities at fair value		-	-
		<u>-</u>	<u>-</u>

**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 (2014: \$nil).

## Reconciliation:

Opening value at cost	-	-
Additional cost	-	5,549
Foreign currency translation increment	-	-
Change in fair value of available-for-sale financial asset	-	(5,549)
	<u>-</u>	<u>-</u>

**Fair value**

Refer to Note 13 for more information about fair value of available-for-sale financial assets

**NOTE 8: TRADE AND OTHER PAYABLES**

		<b>Consolidated Group</b>	
	<b>Note</b>	<b>31 December 2015</b>	<b>30 June 2015</b>
		<b>\$</b>	<b>\$</b>
Total trade and other payables		<u>14,229,214</u>	<u>11,739,062</u>
<i>Current</i>			
Trade creditors and other payables		<u>7,870,946</u>	<u>4,624,977</u>
<i>Current</i>			
Customer funds payable	5	<u>6,358,268</u>	<u>7,114,085</u>

**NOTE 9: ISSUED CAPITAL**

	Half Year		Half Year	
	2015	2014	2015	2014
	Shares	Shares	\$	\$
At the beginning of the reporting period	44,202,560	43,902,560	29,969,572	29,759,572
Shares issued during the half year				
Exercise of options	-	300,000	-	210,000
Shares bought back during the half year <sup>1</sup>	(112,981)	-	(118,244)	-
	<u>44,089,579</u>	<u>44,202,560</u>	<u>29,851,328</u>	<u>29,969,572</u>

<sup>1</sup>as announced by the Company 18 September 2015, the Company intends to undertake an indefinite on-market buy-back of up to 4,390,256 shares until cancelled by further notice.

**NOTE 10: DIVIDENDS**

	Consolidated Group	
	Half Year	
	2015	2014
	\$	\$
<b>Ordinary shares</b>		
Dividends paid during the financial year	<u>663,038</u>	<u>658,538</u>
	<u>663,038</u>	<u>658,538</u>
Dividends paid in cash or satisfied by the issue of shares under the Dividend Reinvestment Plan during the half years ended 31 December 2015 and 31 December 2014 were as follows:		
– Paid in cash	<u>663,038</u>	<u>658,538</u>
	<u>663,038</u>	<u>658,538</u>

**NOTE 11: 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 2014 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 2014 are stated on this basis.

**(b) Segment information provided to the Board**

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

Half year ended 31 December 2015	Internet Lotteries Australia	Internet Lotteries Germany	Internet Lotteries Mexico	Total Internet Lotteries
	\$	\$	\$	\$
Total segment sales revenue	17,267,943	97,938	48,206	17,414,087
Intersegment revenue	-	-	(48,143)	(48,143)
Total sales revenue from external customers	17,267,943	97,938	62	17,365,943
Other revenue/income from external customers	531,411	25,306	-	556,717
<b>Total revenue and other income from external customers</b>	<b>17,799,354</b>	<b>123,244</b>	<b>62</b>	<b>17,922,660</b>
<b>Net profit before tax</b>	<b>5,847,238</b>	<b>(1,333,643)</b>	<b>(38,114)</b>	<b>4,475,481</b>
Interest revenue	239,212	-	-	239,212
Finance costs expense	-	9	-	9
Foreign exchange gain/(loss)	211,266	-	63	211,329
Depreciation and amortisation	1,796,009	12,817	88	1,808,914

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

**NOTE 11: SEGMENT REPORTING CONT'D**

Half year ended 31 December 2014	Internet Lotteries Australia restated	Internet Lotteries Germany	Internet Lotteries Mexico	Total Internet Lotteries restated
	\$	\$	\$	\$
Total segment sales revenue	14,351,110	52,200	174,135	14,577,445
Intersegment revenue	-	-	(174,135)	(174,135)
Total sales revenue from external customers	14,351,110	52,200	-	14,403,310
Other revenue/income from external customers	484,566	19,464	-	504,030
<b>Total revenue and other income from external customers</b>	<b>14,835,676</b>	<b>71,664</b>	<b>-</b>	<b>14,907,340</b>
<b>Net profit before tax (restated)</b>	<b>4,398,752</b>	<b>(2,133,298)</b>	<b>(154,074)</b>	<b>2,111,380</b>
Interest revenue	330,014	-	-	330,014
Finance costs expense	-	15	-	15
Foreign exchange gain/(loss)	154,552	-	-	154,552
Depreciation and amortisation	1,137,795	10,826	523	1,149,144

There was no impairment charge or other significant non-cash item recognised in the 2014 half year relating to the segments.

**(c) Other segment information***i. Segment revenue*

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

	<b>Consolidated Group</b>	
	<b>Half Year</b>	
	<b>2015</b>	<b>2014 restated</b>
	\$	\$
Total Internet Lotteries segment revenue and other income	17,922,660	14,907,340
Other Segments revenue and other income	434,470	310,810
All other interest revenue	72,488	85,553
Other	19,938	99,057
<b>Total revenue and other income from operations (note 2)</b>	<b>18,449,556</b>	<b>15,402,760</b>

*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).

**NOTE 11: SEGMENT REPORTING CONT'D**

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

	<b>Consolidated Group</b>	
	<b>Half Year</b>	
	<b>2015</b>	<b>2014 restated</b>
	<b>\$</b>	<b>\$</b>
<b>NPBT</b>	4,475,481	2,111,380
Inter-segment elimination	-	-
All other segments	215,538	75,757
Other	19,938	99,057
Interest revenue	72,488	85,553
Corporate expenses		
Finance costs expense	(2,901)	(1,563)
Share based payments expense	(65,062)	(72,776)
Directors' remuneration	(71,814)	(65,700)
Salaries and wages	(393,089)	(398,553)
Other	(300,925)	(444,397)
Impairment of investment	(223,692)	-
Share of gains/(losses) in joint ventures accounted for using the equity method	(224,934)	(177,023)
<b>Profit before income tax from operations (per P&amp;L)</b>	<b>3,501,028</b>	<b>1,211,735</b>

**NOTE 12: NET TANGIBLE ASSETS PER SECURITY**

	<b>Consolidated Group</b>	
	<b>Half Year</b>	
	<b>2015</b>	<b>2014 restated</b>
	<b>Cent</b>	<b>Cent</b>
Net Tangible Assets per ordinary share	27.4	28.7

**NOTE 13: 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.

**NOTE 13: FAIR VALUE MEASUREMENTS CONT'D****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 31 December 2015 \$	30 June 2015 \$
Financial assets at fair value through Other Comprehensive Income	7	-	-
Available-for-sale financial assets	7	-	-

**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 8 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.

	\$
Opening balance 1 July 2015	-
Other increases	-
Change in fair value of available-for-sale financial assets	-
Closing balance 31 December 2015	-

**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 14: CONTINGENT LIABILITIES**

	Consolidated Group Half Year 2015 \$	2014 \$
Estimates of the potential financial effect of contingent liabilities that may become payable:		
<b>Contingent Liabilities</b>		
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.	404,639	404,639
	<u>404,639</u>	<u>404,639</u>

**NOTE 15: SEASONALITY AND IRREGULAR TRENDS**

Sales in the internet lotteries segment for the half-year periods comprising sales of lottery tickets are affected by the timing of the annual New Year's Eve Megadraw and the extent of jackpots of the various games during the period. The New Year's Eve Megadraw for the December 2015 half year occurred outside the reportable period on 2 January 2016, as it did for the December 2014 half-year on 3 January 2015. There were 24 OZ Lotto/ Powerball jackpots of \$15 million or more during the December 2015 half-year period, with a peak \$70 million OZ Lotto jackpot in November 2015, compared to the December 2014 half-year period of 18 such jackpots with a peak \$70 million Powerball jackpot in August 2014.

The sales trend over the last three half-year periods in the context of large jackpots is summarised as follows:

	HY Dec 2015	HY Jun 2015	HY Dec 2014 restated
TTV	\$81.3 million	\$63.6 million	\$66.4 million
Reported Revenue	\$17.8 million	\$14.5 million	\$14.7 million
<b>OZ Lotto/ Powerball</b>			
Number of jackpots of \$15 million or more	24	16	18
Average Division 1 jackpot of \$15 million or more	\$30.4 million	\$23.4 million	\$26.9 million
Peak Division 1 jackpot during the half-year period	\$70 million	\$50 million	\$70 million

**NOTE 16: EVENTS AFTER THE REPORTING PERIOD**

As announced by the Company 15 January 2016, 500,000 Options exercisable at \$1.75 and expiring 14 January 2021 were granted to Mr Mike Veverka, CEO and Executive Director, as approved by shareholders at the Extraordinary General Meeting held 14 January 2016.

There were no other material events after the balance sheet date.