



**Jackpotjoy plc**

Unaudited Interim Condensed Consolidated Financial Statements  
*[in pounds sterling, except where otherwise noted]*

For the Three Months Ended 31 March 2017

# Jackpotjoy plc

## Unaudited Interim Condensed Consolidated Statements of Comprehensive Income

For the three months ended 31 March 2017

		Three months ended 31 March 2017	Three months ended 31 March 2016
	Note	(£000's)	(£000's)
<b>Revenue and other income</b>			
Gaming revenue		71,376	64,231
Other income earned from revenue guarantee		–	1,181
<b>Total revenue and other income</b>		<b>71,376</b>	<b>65,412</b>
<b>Costs and expenses</b>			
Distribution costs	4, 5	31,244	29,858
Administrative costs	5	25,213	22,477
Transaction related costs	4, 5	1,315	1,298
Foreign exchange loss	4	2,133	521
<b>Total costs and expenses</b>		<b>59,905</b>	<b>54,154</b>
<b>Gain on sale of intangible assets</b>		<b>(1,002)</b>	<b>–</b>
Fair value adjustments on contingent consideration	15	12,856	1,673
Realised/unrealised loss/(gain) on cross currency swap	10	3,534	(4,030)
Interest income	6	(38)	(29)
Interest expense	6	11,336	8,378
<b>Financing expenses</b>		<b>27,688</b>	<b>5,992</b>
<b>Net (loss)/income for the period before taxes</b>		<b>(15,215)</b>	<b>5,266</b>
Current tax provision		191	281
Deferred tax recovery		(105)	(82)
<b>Net (loss)/income for the period</b>		<b>(15,301)</b>	<b>5,067</b>
<b>Other comprehensive income/(loss): Items that will or may be reclassified to profit or loss in subsequent periods</b>			
Foreign currency translation gain		5,555	2,470
Unrealised loss on cross currency hedge reserve		(813)	–
<b>Total comprehensive (loss)/income for the period</b>		<b>(10,559)</b>	<b>7,537</b>
<b>Net (loss)/income for the period per share</b>			
Basic	7	£(0.21)	£0.07
Diluted	7	£(0.21)	£0.07
<i>See accompanying notes</i>			

**Jackpotjoy plc****Unaudited Interim Condensed Consolidated Balance Sheets**

31 March 2017

	Note	As at 31 March 2017 (£000's)	As at 31 December 2016 (£000's)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	8	112,297	68,485
Restricted cash	8	282	253
Customer deposits		8,296	8,573
Trade and other receivables	9	16,472	16,763
Current portion of cross currency swap	10, 15	–	38,171
Taxes receivable		7,681	6,832
<b>Total current assets</b>		<b>145,028</b>	<b>139,077</b>
<b>Non-current assets</b>			
Tangible assets		1,284	852
Intangible assets	11	339,274	352,473
Goodwill	11	296,041	296,352
Other long-term receivables		2,651	2,624
<b>Total non-current assets</b>		<b>639,250</b>	<b>652,301</b>
<b>Total assets</b>		<b>784,278</b>	<b>791,378</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	12	10,007	8,992
Current portion of cross currency swap payable	10, 15	286	–
Other short-term payables	13	11,649	15,321
Interest payable		681	633
Payable to customers		8,296	8,573
Current portion of long-term debt	14	26,270	26,695
Current portion of contingent consideration	15	93,635	86,903
Provision for taxes		8,847	7,743
<b>Total current liabilities</b>		<b>159,671</b>	<b>154,860</b>
<b>Non-current liabilities</b>			
Contingent consideration	15	41,511	33,284
Other long-term payables	16	12,964	14,505
Cross currency swap payable	10, 15	527	–
Deferred tax liability		1,428	1,897
Convertible debentures	17	1,188	3,266
Long-term debt	14	335,230	344,098
<b>Total non-current liabilities</b>		<b>392,848</b>	<b>397,050</b>
<b>Total liabilities</b>		<b>552,519</b>	<b>551,910</b>
<b>Equity</b>			
Retained earnings		(186,038)	(170,737)
Share capital		7,372	7,298
Other reserves		410,425	402,907
<b>Total equity</b>		<b>231,759</b>	<b>239,468</b>
<b>Total liabilities and equity</b>		<b>784,278</b>	<b>791,378</b>
<i>See accompanying notes</i>			

On behalf of the Board

*(signed) "Andrew Mclver"*

Andrew Mclver, CEO

*(signed) "Keith Laslop"*

Keith Laslop, CFO

**Jackpotjoy plc**  
**Unaudited Interim Condensed Consolidated Statements of Changes in Equity**  
**For the period ended 31 March 2017**

	Note	Share Capital (£000's)	Other Reserves (£000's)	Redeemable Shares (£000's)	Share-Based Payment Reserve (£000's)	Translation Reserve (£000's)	Cross Currency Hedge Reserve (£000's)	Retained Earnings/ (Deficit) (£000's)	Total (£000's)
<b>Balance at 1 January 2016</b>		<b>7,051</b>	<b>390,481</b>	<b>-</b>	<b>6,779</b>	<b>14,816</b>	<b>-</b>	<b>(130,094)</b>	<b>289,033</b>
<b>Comprehensive income for the period:</b>									
Net income for the period		-	-	-	-	-	-	5,067	5,067
Other comprehensive income		-	-	-	-	2,470	-	-	2,470
<b>Total comprehensive income for the period:</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,470</b>	<b>-</b>	<b>5,067</b>	<b>7,537</b>
<b>Contributions by and distributions to shareholders:</b>									
Conversion of debentures	17	2	42	-	-	-	-	-	44
Exercise of common share warrants	17	4	187	-	-	-	-	-	191
Share-based compensation	17	-	-	-	298	-	-	-	298
<b>Total contributions by and distributions to shareholders:</b>		<b>6</b>	<b>229</b>	<b>-</b>	<b>298</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>533</b>
<b>Balance at 31 March 2016</b>		<b>7,057</b>	<b>390,710</b>	<b>-</b>	<b>7,077</b>	<b>17,286</b>	<b>-</b>	<b>(125,027)</b>	<b>297,103</b>
<b>Balance at 1 January 2017</b>		<b>7,298</b>	<b>397,772</b>	<b>50</b>	<b>8,598</b>	<b>(3,513)</b>	<b>-</b>	<b>(170,737)</b>	<b>239,468</b>
<b>Comprehensive income (loss) for the period:</b>									
Net loss for the period		-	-	-	-	-	-	(15,301)	(15,301)
Other comprehensive income		-	-	-	-	5,555	-	-	5,555
Loss on cross currency hedge reserve		-	-	-	-	-	(813)	-	(813)
<b>Total comprehensive income (loss) for the period:</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,555</b>	<b>(813)</b>	<b>(15,301)</b>	<b>(10,559)</b>
<b>Contributions by and distributions to shareholders:</b>									
Conversion of debentures	17	63	2,049	-	-	-	-	-	2,112
Exercise of options	17	11	329	-	(77)	-	-	-	263
Cancellation of redeemable shares		-	-	(50)	-	-	-	-	(50)
Share-based compensation	17	-	-	-	525	-	-	-	525
<b>Total contributions by and distributions to shareholders:</b>		<b>74</b>	<b>2,378</b>	<b>(50)</b>	<b>448</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,850</b>
<b>Balance at 31 March 2017</b>		<b>7,372</b>	<b>400,150</b>	<b>-</b>	<b>9,046</b>	<b>2,042</b>	<b>(813)</b>	<b>(186,038)</b>	<b>231,759</b>

See accompanying notes

# Jackpotjoy plc

## Unaudited Interim Condensed Consolidated Statements of Cash Flows For the three months ended 31 March 2017

		Three months ended 31 March 2017 (£000's)	Three months ended 31 March 2016 (£000's)
	Note		
<b>Operating activities</b>			
Net (loss)/income for the period		(15,301)	5,067
Add (deduct) items not involving cash			
Amortisation		13,749	12,977
Share-based compensation expense	17	525	298
Current tax provision		191	281
Deferred tax recovery		(105)	(82)
Interest expense, net	6	11,298	8,349
Gain on sale of intangible assets		(1,002)	–
Fair value adjustments on contingent consideration	15	12,856	1,673
Realised/unrealised loss/(gain) on cross currency swap	10	3,534	(4,030)
Foreign exchange loss		2,133	521
		<b>27,878</b>	<b>25,054</b>
Change in non-cash operating items			
Trade and other receivables		487	237
Other long-term receivables		(16)	67
Accounts payable and accrued liabilities		(1,429)	617
Other short-term payables		(3,672)	600
<b>Cash provided by operating activities</b>		<b>23,248</b>	<b>26,575</b>
Income taxes paid		(28)	–
Income taxes received		102	–
<b>Total cash provided by operating activities</b>		<b>23,322</b>	<b>26,575</b>
<b>Financing activities</b>			
Restriction of cash balances		21	–
Proceeds from exercise of warrants		–	191
Proceeds from exercise of options		263	–
Proceeds from cross currency swap settlement	10	34,373	–
Interest repayment		(7,550)	(4,232)
Principal payments made on long-term debt	14	(6,296)	(5,923)
<b>Total cash provided by/(used in) financing activities</b>		<b>20,811</b>	<b>(9,964)</b>
<b>Investing activities</b>			
Purchase of tangible assets		(511)	(21)
Purchase of intangible assets		(549)	(332)
Proceeds from sale of intangible assets		1,002	–
<b>Total cash used in investing activities</b>		<b>(58)</b>	<b>(353)</b>
<b>Net increase in cash during the period</b>		<b>44,075</b>	<b>16,258</b>
Cash, beginning of period		68,485	31,762
Exchange loss on cash and cash equivalents		(263)	2,601
<b>Cash, end of period</b>		<b>112,297</b>	<b>50,621</b>

See accompanying notes

## 1. Corporate Information

Jackpotjoy plc is an online gaming holding company and the parent company of The Intertain Group Limited (“Intertain”). Jackpotjoy plc was incorporated pursuant to the *Companies Act 2006* (England and Wales) on 29 July 2016. Jackpotjoy plc’s registered office is located at 35 Great St. Helen’s, London, United Kingdom. Jackpotjoy plc became the parent company of Intertain on 25 January 2017, following a plan of arrangement transaction involving a one-for-one share exchange of all and the then outstanding common shares of Intertain shares for ordinary shares of Jackpotjoy plc. Unless the context requires otherwise, use of the “Company” in these accompanying notes means Jackpotjoy plc and its subsidiaries, as applicable.

The Company currently offers bingo, casino and other games to its customers using the Jackpotjoy, Starspins, Botemania, Vera&John, Costa Bingo, InterCasino, and other brands. The Jackpotjoy, Starspins, and Botemania brands operate off proprietary software owned by the Gamesys group (“Gamesys”), the Company’s B2B software and support provider. The Vera&John and InterCasino brands operate off proprietary software owned by the Company. The Mandalay segment’s bingo offerings operate off the Dragonfish platform, a software service provided by the 888 group. Additionally, the Company receives fees for marketing services provided by its affiliate portal business.

These Unaudited Interim Condensed Consolidated Financial Statements were authorized for issue by the Board of Directors of Jackpotjoy plc (the “Board of Directors”) on 15 May 2017.

## 2. Basis of Preparation

### Basis of presentation

These Unaudited Interim Condensed Consolidated Financial Statements have been prepared by management on a going concern basis, are presented in compliance with International Accounting Standard 34 – *Interim Financial Reporting*, and have been prepared on a basis consistent with the accounting policies and methods used and disclosed in Intertain’s 2016 annual consolidated financial statements for the year ended 31 December 2016 (the “Annual Financial Statements”). Certain information and disclosures normally included in the Annual Financial Statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union, which also complies with IFRS as issued by the International Accounting Standards Board, have been omitted or condensed.

These Unaudited Interim Condensed Consolidated Financial Statements should be read in conjunction with the Annual Financial Statements. All defined terms used herein are consistent with those terms as defined in the Annual Financial Statements.

These Unaudited Interim Condensed Consolidated Financial Statements have been prepared under the historical cost convention, other than for the measurement at fair value of the Company’s cross currency swap and contingent consideration.

This is the first set of Unaudited Interim Condensed Consolidated Financial Statements of Jackpotjoy plc. Following Jackpotjoy plc becoming the parent company of the group (as detailed in note 1), these Unaudited Interim Condensed Consolidated Financial Statements have been prepared under the merger method of accounting as a continuation of the Intertain business. The result of the application is to present the Unaudited Interim Condensed Consolidated Financial Statements as if Jackpotjoy plc has always been the parent company and owned all of the subsidiaries, and the comparatives have also been prepared on that basis. The adoption of the merger method of accounting had no impact on reported earnings per share.

The comparative financial information for the year ended 31 December 2016 in these Unaudited Interim Condensed Consolidated Financial Statements does not constitute statutory accounts for that year. The auditors' report on the statutory accounts for the period ended 31 December 2016 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under sections 498(2) or 498(3) of the *Companies Act 2006*.

As at 31 March 2017, the Company has consolidated current assets and current liabilities of £145.0 million and £159.7 million, respectively, giving rise to a net current liability of £14.7 million. Cash generated through future operating activities in the next quarter is sufficient to cover the net current liability.

### Basis of consolidation

Jackpotjoy plc's Unaudited Interim Condensed Consolidated Financial Statements consolidate the parent company and all of its subsidiaries. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All transactions and balances between companies are eliminated on consolidation.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which Jackpotjoy plc obtains control, and continue to be consolidated until the date that such control ceases.

Intercompany transactions, balances, income and expenses on transactions between Jackpotjoy plc's subsidiaries are eliminated. Profit and losses resulting from intercompany transactions that are recognised in assets are also eliminated.

## 3. Summary of Significant Accounting Policies

### Change in presentation currency

Effective from 1 January 2017, the Company changed its presentation currency from Canadian dollars ("CAD" or "\$") to pounds sterling ("GBP" or "£"). Comparative information has been restated in pounds sterling in accordance with the guidance defined in IAS 21 – *The Effects of Changes in Foreign Exchange Rates*. The Q1 2016 Unaudited Interim Condensed Consolidated Financial Statements have been retranslated from Canadian dollars to pounds sterling using the procedures outlined below:

- assets and liabilities were translated into pounds sterling at closing rates of exchange as at 31 December 2016 (\$:£ – 0.6037). Income and expenses were translated into pounds sterling at average rates of exchange (\$:£ – 0.5090). Differences resulting from the retranslation on the opening net assets and the results for the year have been taken to reserves;
- share capital and other reserves were translated at historic rates prevailing at the dates of transactions.

The balances in the Unaudited Interim Condensed Consolidated Statements of Cash Flows have been translated from CAD to GBP in accordance with IFRS, using a combination of quarterly average and spot rates in effect during the period ended 31 March 2016. Quarterly average exchange rates were used to convert changes in items not involving cash and cash provided by/(used in) operating activities, financing activities, and investing activities. Spot rates were used to convert cash balances, beginning of period and cash balances, end of period.

As a result of this change, no retranslation movement will be recorded in the Statements of Comprehensive Income for subsidiaries, whose functional currency is GBP.

## 4. Segment Information

The following tables present selected financial results for each segment and the unallocated corporate costs:

### Three months ended 31 March 2017:

	Jackpotjoy (£000's)	Vera&John (£000's)	Mandalay (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
<b>Total revenue</b>	<b>50,666</b>	<b>15,691</b>	<b>5,019</b>	<b>—</b>	<b>71,376</b>
Distribution costs	20,543	7,648	3,011	42	31,244
Amortisation and depreciation	9,690	2,368	1,593	98	13,749
Compensation, professional, and general and administrative expenses	4,161	3,660	285	3,358	11,464
Transaction related costs	—	—	—	1,315	1,315
Foreign exchange	(18)	59	(2)	2,094	2,133
Gain on sale of intangible assets	—	(1,002)	—	—	(1,002)
Financing, net	—	(34)	1	27,721	27,688
<b>Income/(loss) for the period before taxes</b>	<b>16,290</b>	<b>2,992</b>	<b>131</b>	<b>(34,628)</b>	<b>(15,215)</b>
Taxes	—	86	—	—	86
<b>Net income/(loss) for the period</b>	<b>16,290</b>	<b>2,906</b>	<b>131</b>	<b>(34,628)</b>	<b>(15,301)</b>
<b>Net income/(loss) for the period</b>	<b>16,290</b>	<b>2,906</b>	<b>131</b>	<b>(34,628)</b>	<b>(15,301)</b>
Interest expense, net	—	(34)	1	11,331	11,298
Taxes	—	86	—	—	86
Amortisation and depreciation	9,690	2,368	1,593	98	13,749
<b>EBITDA</b>	<b>25,980</b>	<b>5,326</b>	<b>1,725</b>	<b>(23,199)</b>	<b>9,832</b>
Share-based compensation	—	—	—	525	525
Fair value adjustment on contingent consideration	—	—	—	12,856	12,856
Loss on cross currency swap	—	—	—	3,534	3,534
Transaction related costs	—	—	—	1,315	1,315
Gain on sale of intangible assets	—	(1,002)	—	—	(1,002)
Foreign exchange	(18)	59	(2)	2,094	2,133
<b>Adjusted EBITDA</b>	<b>25,962</b>	<b>4,383</b>	<b>1,723</b>	<b>(2,875)</b>	<b>29,193</b>
<b>Net income/(loss) for the period</b>	<b>16,290</b>	<b>2,906</b>	<b>131</b>	<b>(34,628)</b>	<b>(15,301)</b>
Share-based compensation	—	—	—	525	525
Fair value adjustment on contingent consideration	—	—	—	12,856	12,856
Loss on cross currency swap	—	—	—	3,534	3,534
Transaction related costs	—	—	—	1,315	1,315
Gain on sale of intangible assets	—	(1,002)	—	—	(1,002)
Foreign exchange	(18)	59	(2)	2,094	2,133
Amortisation of acquisition related purchase price intangibles	9,690	2,107	1,593	—	13,390
Accretion	—	—	—	3,389	3,389
<b>Adjusted net income/(loss)</b>	<b>25,962</b>	<b>4,070</b>	<b>1,722</b>	<b>(10,915)</b>	<b>20,839</b>



**Three months ended 31 March 2016:**

	Jackpotjoy (£000's)	Vera&John (£000's)	Mandalay (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
<b>Total revenue and other income</b>	<b>44,456</b>	<b>15,135</b>	<b>5,821</b>	<b>—</b>	<b>65,412</b>
Distribution costs	18,820	7,430	3,481	127	29,858
Amortisation and depreciation	10,056	1,753	1,162	6	12,977
Compensation, professional, and general and administrative expenses	3,643	2,465	298	3,094	9,500
Transaction related costs	—	81	—	1,217	1,298
Foreign exchange	(149)	337	(31)	364	521
Financing, net	—	(22)	2	6,012	5,992
<b>Income/(loss) for the period before taxes</b>	<b>12,086</b>	<b>3,091</b>	<b>909</b>	<b>(10,820)</b>	<b>5,266</b>
Taxes	—	199	—	—	199
<b>Net income/(loss) for the period</b>	<b>12,086</b>	<b>2,892</b>	<b>909</b>	<b>(10,820)</b>	<b>5,067</b>
<b>Net income/(loss) for the period</b>	<b>12,086</b>	<b>2,892</b>	<b>909</b>	<b>(10,820)</b>	<b>5,067</b>
Interest expense, net	—	(22)	2	8,369	8,349
Taxes	—	199	—	—	199
Amortisation and depreciation	10,056	1,753	1,162	6	12,977
<b>EBITDA</b>	<b>22,142</b>	<b>4,822</b>	<b>2,073</b>	<b>(2,445)</b>	<b>26,592</b>
Share-based compensation	—	—	—	298	298
Independent Committee related expenses	—	—	—	1,693	1,693
Fair value adjustment on contingent consideration	—	—	—	1,673	1,673
Gain on cross currency swap	—	—	—	(4,030)	(4,030)
Transaction related costs	—	81	—	1,217	1,298
Foreign exchange	(149)	337	(31)	364	521
<b>Adjusted EBITDA</b>	<b>21,993</b>	<b>5,240</b>	<b>2,042</b>	<b>(1,230)</b>	<b>28,045</b>
<b>Net income/(loss) for the period</b>	<b>12,086</b>	<b>2,892</b>	<b>909</b>	<b>(10,820)</b>	<b>5,067</b>
Share-based compensation	—	—	—	298	298
Independent Committee related expenses	—	—	—	1,693	1,693
Fair value adjustment on contingent consideration	—	—	—	1,673	1,673
Gain on cross currency swap	—	—	—	(4,030)	(4,030)
Transaction related costs	—	81	—	1,217	1,298
Foreign exchange	(149)	337	(31)	364	521
Amortisation of acquisition related purchase price intangibles	10,056	1,655	1,162	—	12,873
Accretion	—	—	—	4,036	4,036
<b>Adjusted net income/(loss)</b>	<b>21,993</b>	<b>4,965</b>	<b>2,040</b>	<b>(5,569)</b>	<b>23,429</b>

The following table presents net assets per segment and unallocated corporate costs as at 31 March 2017:

	Jackpotjoy (£000's)	Vera&John (£000's)	Mandalay (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Current assets	15,751	44,453	6,656	78,168	145,028
Goodwill	224,348	55,081	16,612	—	296,041
Long-term assets	268,013	36,537	16,427	22,232	343,209
Total assets	508,112	136,071	39,695	100,400	784,278
Current liabilities	5,922	17,431	1,441	134,877	159,671
Long-term liabilities	—	1,428	—	391,420	392,848
Total liabilities	5,922	18,859	1,441	526,297	552,519
Net assets	502,190	117,212	38,254	(425,897)	231,759

The following table presents net assets per segment and unallocated corporate costs as at 31 December 2016:

	Jackpotjoy (£000's)	Vera&John (£000's)	Mandalay (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Current assets	15,033	38,870	6,509	78,665	139,077
Goodwill	224,348	55,392	16,612	—	296,352
Long-term assets	277,702	38,163	18,020	22,064	355,949
Total assets	517,083	132,425	41,141	100,729	791,378
Current liabilities	5,790	16,711	1,483	130,876	154,860
Long-term liabilities	—	1,897	—	395,153	397,050
Total liabilities	5,790	18,608	1,483	526,029	551,910
Net assets	511,293	113,817	39,658	(425,300)	239,468

During the three months ended 31 March 2017 and 2016, substantially all of the revenue earned by the Company was in Europe. Non-current assets by geographical location as at 31 March 2017 were as follows: Europe £91.6 million (31 December 2016 – £93.6 million) and Americas £547.6 million (31 December 2016 – £558.7 million).

## 5. Costs and Expenses

	Three Months Ended 31 March 2017 (£000's)	Three Months Ended 31 March 2016 (£000's)
Distribution costs:		
Selling and marketing	9,603	9,232
Licensing fees	11,086	10,468
Gaming taxes	7,992	7,116
Processing fees	2,563	3,042
	<u>31,244</u>	<u>29,858</u>
Administrative costs:		
Compensation and benefits	8,075	5,885
Professional fees	1,208	2,293
General and administrative	2,181	1,322
Tangible asset amortisation	73	28
Intangible asset amortisation	13,676	12,949
	<u>25,213</u>	<u>22,477</u>

Transaction related costs consist of legal, professional, due diligence, and special committee fees; other direct costs/fees associated with transactions and acquisitions contemplated or completed; and costs associated with the UK strategic review undertaken by the board of directors of Intertain and implementing Intertain's UK-centered strategic initiatives.

## 6. Interest Expense/Income

	Three Months Ended 31 March 2017 (£000's)	Three Months Ended 31 March 2016 (£000's)
Interest earned on cash held during the period	38	29
Total interest income	<u>38</u>	<u>29</u>
Interest paid and accrued on long-term debt	7,925	4,232
Accretion of discount recognised on contingent consideration	2,103	3,547
Interest paid and accrued on convertible debentures	22	110
Interest accretion recognised on convertible debentures	18	88
Interest accretion recognised on long-term debt	783	401
Interest accretion recognised on other long-term liabilities	485	—
Total interest expense	<u>11,336</u>	<u>8,378</u>

## 7. Earnings per Share

The following table presents the calculation of basic and diluted earnings per share:

	Three Months Ended 31 March 2017 (£000's)	Three Months Ended 31 March 2016 (£000's)
Numerator:		
Net (loss)/income – basic	(15,301)	5,067
Net (loss)/income – diluted	(15,301)	5,173
Denominator:		
Weighted average number of shares outstanding – basic	73,573	70,555
Instruments, which are anti-dilutive:		
Weighted average effect of dilutive share options	454	815
Weighted average effect of convertible debentures <sup>2</sup>	487	2,828
Net (loss)/earnings per share <sup>3,4</sup>		
Basic	£(0.21)	£0.07
Diluted <sup>1</sup>	£(0.21)	£0.07

<sup>1</sup> In the case of a net loss, the effect of share options potentially exercisable on diluted loss per share will be anti-dilutive; therefore, basic and diluted net loss per share will be the same.

<sup>2</sup> An assumed conversion of convertible debentures had an anti-dilutive effect on loss per share for the three months ended 31 March 2017. For the three months ended 31 March 2016, an assumed conversion of convertible debentures had a dilutive effect on income per share and was included in the calculation of diluted earnings per share for that period.

<sup>3</sup> Basic (loss)/earnings per share is calculated by dividing the net (loss)/income attributable to common shareholders by the weighted average number of shares outstanding during the year.

<sup>4</sup> Diluted (loss)/earnings per share is calculated by dividing the net (loss)/income attributable to ordinary shareholders by the weighted average number of shares outstanding during the period and adjusted for the number of potentially dilutive share options and contingently issuable instruments.

## 8. Cash and Restricted Cash

	31 March 2017 (£000's)	31 December 2016 (£000's)
Cash	77,374	33,558
Segregated cash*	34,923	34,927
Cash and cash equivalents	112,297	68,485
Restricted cash – other	282	253
Total cash balances	112,579	68,738

\* This balance consists of cash on deposit with payment service providers, as well as segregated funds held in accordance with the terms of the Jackpotjoy earn-out payment, where the Company is required

to segregate 90% (April 2015 – March 2016 – 65%) of its excess cash flow, less mandatory repayments of the Company’s long-term debt and earn-out payments, in a non-operational bank account. £34.7 million was held in this account as at 31 March 2017 (£34.7 million as at 31 December 2016). Segregated cash does not qualify as restricted cash and, as such, it is included in cash.

The restricted cash balance as at 31 March 2017 totalled £0.3 million and consisted of cash held as collateral on the Company’s leased premises.

## 9. Trade and Other Receivables

Receivables consist of the following items:

	31 March 2017 (£000's)	31 December 2016 (£000's)
Due from the Gamesys group	9,829	9,242
Due from the 888 group	1,615	1,625
Affiliate revenue receivable	1,294	1,766
Short-term loans receivable	611	572
Swap-related receivable	–	1,948
Prepaid expenses	2,409	967
Other	714	643
	16,472	16,763

## 10. Cross Currency Swap

On 23 November 2015, the Company entered into a cross currency swap agreement (the “Currency Swap”) in order to minimize the Company’s exposure to exchange rate fluctuations between GBP and the US dollar (“USD”) as cash generated from the Company’s operations is largely in GBP, while a portion of the principal and interest payments on the Company’s Credit Facilities (as defined below) are in USD. Under the Currency Swap, 90% of the Company’s USD Term Loan (as defined below) interest and principal payments were swapped into GBP. The Company paid a fixed 7.81% interest in place of floating USD interest payments of LIBOR plus 6.5% (LIBOR floor of 1%). The interest and principal payments were made at a GBP/USD foreign exchange rate of 1.5135 on a USD notional amount of \$293,962,500.

On 28 March 2017, the Company terminated the Currency Swap and realised total proceeds of approximately USD 42.6 million and subsequently entered into a new cross currency swap agreement (the “New Currency Swap”). Under the New Currency Swap, 50% of the Company’s Term Loan interest and principal payments will be swapped into GBP. The Company will pay a fixed 7.4% interest in place of floating USD interest payments of LIBOR plus 6.5% (LIBOR floor of 1%). The interest and principal payments will be made at a GBP/USD foreign exchange rate of 1.2584 on a USD notional amount of \$136,768,333. The New Currency Swap expires on 30 September 2019. The agreement was entered into at no cost to the Company.

The fair value of the New Currency Swap liability as at 31 March 2017 is £0.8 million (31 December 2016 – asset of £38.2 million).

## 11. Intangible Assets

### As at 31 March 2017

	Gaming Licenses (£000's)	Customer Relationships (£000's)	Software (£000's)	Brand (£000's)	Partnership Agreements (£000's)	Non-Compete Clauses (£000's)	Goodwill (£000's)	Total (£000's)
Cost								
Balance, 1 January 2017	94	340,927	21,670	70,054	12,900	20,434	317,829	783,908
Additions	—	—	549	—	—	—	—	549
Translation	(1)	(97)	23	(82)	—	—	(653)	(810)
Balance, 31 March 2017	93	340,830	22,242	69,972	12,900	20,434	317,176	783,647
Accumulated amortisation								
Balance, 1 January 2017	34	96,811	7,414	6,523	2,824	—	21,477	135,083
Amortisation	4	11,254	1,133	876	409	—	—	13,676
Translation	11	(74)	(9)	(13)	—	—	(342)	(427)
Balance, 31 March 2017	49	107,991	8,538	7,386	3,233	—	21,135	148,332
Carrying value								
Balance, 31 March 2017	44	232,839	13,704	62,586	9,667	20,434	296,041	635,315

During the three months ended 31 March 2017, no amortisation charge was recognised on the additional non-competes clauses as the additional clauses do not come into effect until April 2017 (as described in note 16).

## As at 31 December 2016

	Gaming Licenses (£000's)	Customer Relationships (£000's)	Software (£000's)	Revenue Guarantee (£000's)	Brand (£000's)	Partnership Agreements (£000's)	Non-Compete Clauses (£000's)	Goodwill (£000's)	Total (£000's)
Cost									
Balance, 1 January 2016	76	337,502	17,175	4,010	68,284	12,900	—	306,295	746,242
Additions	—	—	1,836	—	—	—	20,434	—	22,270
Translation	18	3,425	2,659	783	1,770	—	—	11,534	20,189
Expiry	—	—	—	(4,793)	—	—	—	—	(4,793)
Balance, 31 December 2016	94	340,927	21,670	—	70,054	12,900	20,434	317,829	783,908
Accumulated amortisation									
Balance, 1 January 2016	23	47,956	3,279	—	2,681	1,558	—	17,969	73,466
Amortisation	9	47,405	3,683	—	3,466	1,232	—	—	55,795
Translation	2	1,450	452	—	376	34	—	3,508	5,822
Balance, 31 December 2016	34	96,811	7,414	—	6,523	2,824	—	21,477	135,083
Carrying value									
Balance, 31 December 2016	60	244,116	14,256	—	63,531	10,076	20,434	296,352	648,825

## 12. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following items:

	31 March 2017 (£000's)	31 December 2016 (£000's)
Affiliate/marketing expenses payable	3,366	3,058
Payable to game suppliers	1,061	950
Compensation payable	2,353	2,989
Loyalty program payable	252	260
Professional fees	1,058	349
Gaming tax payable	531	526
Other	1,386	860
	10,007	8,992

### 13. Other Short-Term Payables

Other short-term payables consist of:

	31 March 2017 (£000's)	31 December 2016 (£000's)
Transaction related payables	3,649	9,321
Current portion of other long-term payables (Note 16)	8,000	6,000
	<u>11,649</u>	<u>15,321</u>

### 14. Credit Facilities

On 8 April 2015, the Company entered into a credit agreement (as amended and restated from time to time, including on 27 October 2016 and 16 December 2016, the "Credit Agreement") in respect of: (i) a seven-year USD 335.0 million first-lien term loan credit facility (the "Term Loan"); and (ii) a USD 17.5 million revolving credit facility (the "Revolving Facility", and together with the Term Loan, the "Credit Facilities").

On 27 October 2016, the Credit Agreement was amended to, among other things, permit the plan of arrangement. On 16 December 2016, the Credit Agreement was further amended and restated to, among other things, establish a £53,276,000 incremental first lien term loan facility and the €20 million first lien term loan facility under the Credit Agreement (collectively, the "Incremental First Lien Facility" and together with the Credit Facilities, the "First Lien Facilities"), permit the incurrence of a £90 million second lien term loan facility (the "Second Lien Facility") pursuant to a second lien credit agreement (the "Second Lien Credit Agreement"), and permit the Jackpotjoy and Starspins contingent consideration pre-payment of £150 million.



Below is the breakdown of the First Lien Facilities and the Second Lien Facility:

	Term Loan (£000's)	Incremental First Lien Facility (£000's)	Second Lien Facility (£000's)	Total (£000's)
Balance, 1 January 2016	207,158	—	—	207,158
Principal	—	70,000	90,000	160,000
Repayment	(26,906)	—	—	(26,906)
Transaction costs	—	(2,482)	(6,792)	(9,274)
Accretion <sup>1</sup>	1,868	16	35	1,919
Foreign exchange translation	37,896	—	—	37,896
Balance, 31 December 2016	220,016	67,534	83,243	370,793
Repayment	(6,296)	—	—	(6,296)
Accretion <sup>1</sup>	492	93	198	783
Foreign exchange translation	(3,780)	—	—	(3,780)
Balance, 31 March 2017	210,432	67,627	83,441	361,500
Current portion	26,270	—	—	26,270
Non-current portion	184,162	67,627	83,441	335,230

<sup>1</sup>Effective interest rates are as follows: Term Loan – 8.69%, Incremental First Lien Facility – 8.32%, Second Lien Facility – 11.75%.

## 15. Financial Instruments

The principal financial instruments used by the Company are summarised below:

### Financial assets

	Loans and receivables	
	31 March 2017 (£000's)	31 December 2016 (£000's)
Cash and restricted cash	112,579	68,738
Trade and other receivables	16,472	16,763
Other long-term receivables	2,651	2,624
Customer deposits	8,296	8,573
	139,998	96,698

## Financial liabilities

	Financial liabilities at amortised cost	
	31 March 2017 (£000's)	31 December 2016 (£000's)
Accounts payable and accrued liabilities	10,007	8,992
Other long-term liabilities	12,964	14,505
Other short-term payables	11,649	15,321
Interest payable	681	633
Payable to customers	8,296	8,573
Convertible debentures	1,188	3,266
Long-term debt	361,500	370,793
	<u>406,285</u>	<u>422,083</u>

The carrying values of the financial instruments noted above, with the exception of convertible debentures, approximate their fair values. The convertible debentures' fair value as at 31 March 2017 amounted to £2.1 million. Fair value was determined based on a quoted market price in an active market.

## Financial instruments

	Financial instruments recognised at fair value through profit or loss – assets (liabilities)	
	31 March 2017 (£000's)	31 December 2016 (£000's)
Cross currency swap	(813)	38,171
Contingent consideration	(135,146)	(120,187)
	<u>(135,959)</u>	<u>(82,016)</u>

## Fair value hierarchy

The hierarchy of the Company's financial instruments carried at fair value is as follows:

	Level 2		Level 3	
	31 March 2017 (£000's)	31 December 2016 (£000's)	31 March 2017 (£000's)	31 December 2016 (£000's)
Cross currency swap	(813)	38,171	—	—
Contingent consideration	—	—	(135,146)	(120,187)

Cross currency swap balance represents the fair value of cash inflows/(outflows) under the Currency Swap or the New Currency Swap, as applicable.

Contingent consideration represents the fair value of the cash outflows under earn-out agreements that would result from the performance of acquired businesses. The key inputs into the fair value estimation of these liabilities include the forecast performance of the underlying businesses, the probability of achieving forecasted results and the discount rate applied in deriving a present value from those forecasts. Significant

increase (decrease) in the business' performance would result in a higher (lower) fair value of the contingent consideration, while significant increase (decrease) in the discount rate would result in a lower (higher) fair value of the contingent consideration. Additionally, as earn-out periods draw closer to their completion, the range of probability factors will decrease.

A discounted cash flow valuation model was used to determine the value of the Jackpotjoy contingent consideration. The model considers the present value of the expected payments, discounted using a risk-adjusted discount rate. The expected payments are determined by considering the possible scenarios of forecast EBITDA, the amount to be paid under each scenario and the probability of each scenario.

Without probability and discount factors, the fair value of the contingent consideration would be approximately 14% higher, than its value at 31 March 2017. This assumes that the financial performance of the Jackpotjoy operating segment remains in line with management's expectations.

As at 31 March 2017, the entire contingent consideration balance related to the Jackpotjoy earn-out.

The movement in Level 3 financial instruments is detailed below:

	<u>(£000's)</u>
Contingent consideration, 1 January 2016	209,625
Addition	—
Fair value adjustments	49,382
Payments	(156,308)
Accretion of discount	15,545
Foreign exchange translation	1,943
Contingent consideration, 31 December 2016	<u>120,187</u>
Fair value adjustments	12,856
Accretion of discount	2,103
Contingent consideration, 31 March 2017	<u>135,146</u>
Current portion	<u>93,635</u>
Non-current portion	<u>41,511</u>

## 16. Other Long-Term Payables

The Company is required to pay the Gamesys group £24.0 million in equal monthly instalments in arrears over the period from April 2017 to April 2020, for additional non-compete clauses that came into effect in April 2017 and that expire in March 2019. £8.0 million of this payable is included in current liabilities, with the discounted value of the remaining balance, being £13.0 million, included in other long-term payables.

## 17. Share Capital

As at 31 March 2017, Jackpotjoy plc's issued share capital consisted of 73,718,942 ordinary shares, each with a nominal value of £0.10. Jackpotjoy plc does not hold any shares in treasury and there are no shares in Jackpotjoy plc's issued share capital that do not represent capital.

The share capital movements presented below for periods prior to the date of completion of the plan of arrangement discussed in note 1 are presented as if each common share of Intertain had the same nominal value as the ordinary shares of Jackpotjoy plc.

	Ordinary shares	
	(£000's)	#
Balance, 1 January 2016	7,051	70,511,493
Conversion of convertible debentures, net of costs	185	1,853,667
Exercise of options	58	577,492
Exercise of warrants	4	40,625
Balance, 31 December 2016	7,298	72,983,277
Conversion of convertible debentures, net of costs	63	628,333
Exercise of options	11	107,332
Balance, 31 March 2017	7,372	73,718,942

### Ordinary shares

During the three months ended 31 March 2017, Jackpotjoy plc did not issue any additional ordinary shares.

### Convertible debentures

During the three months ended 31 March 2017 (and prior to completion of the plan of arrangement), debentures at undiscounted value of £2.3 million were converted into 628,333 common shares of Intertain.

### Share options

The share option plan (the "Share Option Plan") was approved by the Board of Directors on 5 September 2016. Upon completion of the plan of arrangement, all options over common shares of Intertain under Intertain's stock option plan were automatically exchanged for options of equivalent value over ordinary shares of Jackpotjoy plc on equivalent terms and subject to the same vesting conditions under Intertain's share option plan. The strike price of each grant has been converted from Canadian dollars to pound sterling at the foreign exchange rate of 0.606, being the exchange rate at the date of the plan of arrangement. Following the grant of the replacement options, no further options were, or will be, granted under the Share Option Plan.

During the three months ended 31 March 2017, nil stock options were granted, 107,332 stock options were exercised, 4,809 stock options were forfeited, and nil stock options expired.

### Share-based compensation expense

For the three months ended 31 March 2017, the Company recorded £0.5 million (2016 – £0.3 million) in share-based compensation expense with a corresponding increase in share-based payment reserve.

## 18. Contingent Liabilities

### Indirect taxation

Jackpotjoy plc companies may be subject to indirect taxation on transactions that have been treated as exempt supplies of gambling, or on supplies that have been zero rated where legislation provides that the services are received or used and enjoyed in the country where the service provider is located. Revenues earned from customers located in any particular jurisdiction may give rise to further taxes in that jurisdiction. If such taxes are levied, either on the basis of current law or the current practice of any tax authority, or by reason of a change in the law or practice, then this may have a material adverse effect on the amount of tax payable by the Company or on its financial position. Where it is considered probable that a previously identified contingent liability will give rise to an actual outflow of funds, then a provision is made in respect of the relevant jurisdiction and period impacted. Where the likelihood of a liability arising is considered remote, or the possible contingency is not material to the financial position of the Company, the contingency is not recognised as a liability at the balance sheet date. As at 31 March 2017, the Company had recognised £nil liability (31 December 2016 – £nil) related to potential contingent indirect taxation liabilities.