Jackpotjoy plc

Unaudited Interim Condensed Consolidated Financial Statements

[in pounds sterling, except where otherwise noted]

For the Three and Six Months Ended 30 June 2017

Jackpotjoy plc

Unaudited Interim Condensed Consolidated Statements of Comprehensive Income

For the three and six months ended 30 June 2017

(GBP)

	Note	**Three months ended 30 June 2017 (£000's)**	Three months ended 30 June 2016 (£000's)	**Six months ended 30 June 2017 (£000's)**	Six months ended 30 June 2016 (£000's)
Revenue and other income					
Gaming revenue	**4**	**75,193**	63,353	**146,569**	127,584
Other income earned from revenue guarantee		**–**	–	**–**	1,181
Other income earned from platform migration		**–**	925	**–**	925
Total revenue and other income		**75,193**	64,278	**146,569**	129,690
Costs and expenses					
Distribution costs	4, 5	**34,302**	32,293	**65,546**	62,151
Administrative costs	5	**27,664**	22,884	**52,877**	45,361
Severance costs	4	**–**	5,695	**–**	5,695
Transaction related costs	4	**–**	4,866	**1,315**	6,164
Foreign exchange loss	4	**4,766**	1,994	**6,899**	2,515
Total costs and expenses		**66,732**	67,732	**126,637**	121,886
Gain on sale of intangible assets		**–**	–	**(1,002)**	–
Fair value adjustments on contingent consideration	15	**1,845**	17,277	**14,701**	18,950
(Gain)/loss on cross currency swap	10	**–**	(14,231)	**3,534**	(18,261)
Interest income	6	**(57)**	(27)	**(95)**	(56)
Interest expense	6	**11,382**	8,387	**22,718**	16,765
Financing expenses		**13,170**	11,406	**40,858**	17,398
Net loss for the period before taxes		**(4,709)**	(14,860)	**(19,924)**	(9,594)
Current tax provision		**168**	113	**359**	394
Deferred tax recovery		**(105)**	(100)	**(210)**	(182)
Net loss for the period attributable to owners of the parent		**(4,772)**	(14,873)	**(20,073)**	(9,806)
Other comprehensive income/(loss): Items that will or may be reclassified to profit or loss in subsequent periods					
Foreign currency translation gain/(loss)		**13,088**	(9,133)	**18,643**	(6,663)
Unrealised loss on cross currency hedge reserve		**(4,032)**	–	**(4,845)**	–
Total comprehensive income/(loss) for the period attributable to owners of the parent		**4,284**	(24,006)	**(6,275)**	(16,469)
Net loss for the period per share					
Basic	7	**£(0.06)**	£(0.21)	**£(0.27)**	£(0.14)
Diluted	7	**£(0.06)**	£(0.21)	**£(0.27)**	£(0.14)

See accompanying notes

Jackpotjoy plc

Unaudited Interim Condensed Consolidated Balance Sheets

30 June 2017

(GBP)

	Note	As at 30 June 2017 (£000's)	As at 31 December 2016 (£000's)
ASSETS			
Current assets			
Cash	8	**23,963**	68,485
Restricted cash	8	**76**	253
Customer deposits		**8,979**	8,573
Trade and other receivables	9	**17,166**	16,763
Current portion of cross currency swap	10, 15	**–**	38,171
Taxes receivable		**10,915**	6,832
Total current assets		**61,099**	139,077
Tangible assets		**1,405**	852
Intangible assets	11	**323,682**	352,473
Goodwill	11	**296,739**	296,352
Other long-term receivables		**2,247**	2,624
Total non-current assets		**624,073**	652,301
Total assets		**685,172**	791,378
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	12	**9,699**	8,992
Current portion of cross currency swap payable	10, 15	**280**	–
Other short-term payables	13	**11,779**	15,321
Interest payable		**638**	633
Payable to customers		**8,979**	8,573
Current portion of long-term debt	14	**25,318**	26,695
Current portion of contingent consideration	15	**38,768**	86,903
Provision for taxes		**5,286**	7,743
Total current liabilities		**100,747**	154,860
Contingent consideration	15	**6,370**	33,284
Other long-term payables	16	**11,423**	14,505
Cross currency swap payable	10, 15	**4,557**	–
Deferred tax liability		**1,391**	1,897
Convertible debentures	17	**954**	3,266
Long-term debt	14	**322,999**	344,098
Total non-current liabilities		**347,694**	397,050
Total liabilities		**448,441**	551,910
Equity			
Retained earnings		**(190,810)**	(170,737)
Share capital		**7,388**	7,298
Other reserves		**420,153**	402,907
Total equity		**236,731**	239,468
Total liabilities and equity		**685,172**	791,378

See accompanying notes

On behalf of the Board:

(signed) "Andrew McIver" *(signed) "Keith Laslop"*

Andrew McIver, CEO Keith Laslop, CFO

Jackpotjoy plc
Unaudited Interim Condensed Consolidated Statements of Changes in Equity
For the period ended 30 June 2017
(GBP)

	Note	Share Capital (£000's)	Share Premium (£000's)	Merger Reserve (£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)
Balance at 1 January 2016		**7,051**	**406,002**	**(15,521)**	**–**	**6,779**	**14,816**	**–**	**(130,094)**	**289,033**
Comprehensive loss for the period:										
Net loss for the period		–	–	–	–	–	–	–	(9,806)	(9,806)
Other comprehensive loss		–	–	–	–	–	(6,663)	–	–	(6,663)
Total comprehensive loss for the period:		**–**	**–**	**–**	**–**	**–**	**(6,663)**	**–**	**(9,806)**	**(16,469)**
Contributions by and distributions to shareholders:										
Conversion of debentures	17	2	42	–	–	–	–	–	–	44
Exercise of common share warrants	17	4	187	–	–	–	–	–	–	191
Exercise of common share options	17	4	95	–	–	(22)	–	–	–	77
Share-based compensation	17	–	–	–	–	546	–	–	–	546
Total contributions by and distributions to shareholders:		**10**	**324**	–	–	**524**	–	–	–	**858**
Balance at 30 June 2016		**7,061**	**406,326**	**(15,521)**	**–**	**7,303**	**8,153**	**–**	**(139,900)**	**273,422**
Balance at 1 January 2017		**7,298**	**413,293**	**(15,521)**	**50**	**8,598**	**(3,513)**	**–**	**(170,737)**	**239,468**
Comprehensive loss for the period:										
Net loss for the period		–	–	–	–	–	–	–	(20,073)	(20,073)
Other comprehensive income		–	–	–	–	–	18,643	(4,845)	–	13,798
Total comprehensive income (loss) for the period:		**–**	**–**	**–**	**–**	**–**	**18,643**	**(4,845)**	**(20,073)**	**(6,275)**
Contributions by and distributions to shareholders:										
Conversion of debentures	17	75	2,263	–	–	–	–	–	–	2,338
Exercise of options	17	15	462	–	–	(105)	–	–	–	372
Cancellation of redeemable shares		–	–	–	(50)	–	–	–	–	(50)
Share-based compensation	17	–	–	–	–	878	–	–	–	878
Total contributions by and distributions to shareholders:		**90**	**2,725**	**–**	**(50)**	**773**	**–**	**–**	**–**	**3,538**
Balance at 30 June 2017		**7,388**	**416,018**	**(15,521)**	–	**9,371**	**15,130**	**(4,845)**	**(190,810)**	**236,731**

See accompanying notes

Jackpotjoy plc

Unaudited Interim Condensed Consolidated Statements of Cash Flows

For the six months ended 30 June 2017

(GBP)

	Note	**Three months ended 30 June 2017 (£000's)**	Three months ended 30 June 2016 (£000's)	**Six months ended 30 June 2017 (£000's)**	Six months ended 30 June 2016 (£000's)
Operating activities					
Net loss for the period		**(4,772)**	(14,873)	**(20,073)**	(9,806)
Add (deduct) items not involving cash					
Amortisation		**16,411**	14,129	**30,160**	27,106
Share-based compensation expense	17	**353**	248	**878**	546
Current tax provision		**168**	113	**359**	394
Deferred tax recovery		**(105)**	(100)	**(210)**	(182)
Interest expense, net	6	**11,325**	8,360	**22,623**	16,709
Gain on sale of intangible assets		**–**	–	**(1,002)**	–
Fair value adjustments on contingent consideration	15	**1,845**	17,277	**14,701**	18,950
Realised/unrealised (gain)/loss on cross currency swap	10	**–**	(14,231)	**3,534**	(18,261)
Foreign exchange loss		**4,766**	1,994	**6,899**	2,515
		29,991	12,917	**57,869**	37,971
Change in non-cash operating items					
Trade and other receivables		**(1,012)**	4,150	**(525)**	4,387
Other long-term receivables		**468**	(120)	**452**	(53)
Accounts payable and accrued liabilities		**(415)**	(1,645)	**(1,844)**	(1,028)
Other short-term payables		**130**	9,367	**(3,542)**	9,967
Cash provided by operating activities		**29,162**	24,669	**52,410**	51,244
Income taxes paid		**(6,871)**	(6,296)	**(6,899)**	(6,296)
Income taxes received		**–**	–	**102**	–
Total cash provided by operating activities		**22,291**	18,373	**45,613**	44,948
Financing activities					
Restriction of cash balances		**154**	–	**175**	–
Proceeds from exercise of warrants		**–**	–	**-**	191
Proceeds from exercise of options		**109**	99	**372**	99
Proceeds from cross currency swap settlement	10	**–**	–	**34,373**	–
Repayment of non-compete liability		**(1,333)**	–	**(1,333)**	–
Interest repayment		**(7,659)**	(4,225)	**(15,209)**	(8,457)
Payment of contingent consideration	15	**(94,218)**	(6,308)	**(94,218)**	(6,308)
Principal payments made on long-term debt	14	**(6,510)**	(7,933)	**(12,806)**	(13,856)
Total cash used in financing activities		**(109,457)**	(18,367)	**(88,646)**	(28,331)
Investing activities					
Purchase of tangible assets		**(252)**	(76)	**(763)**	(97)
Purchase of intangible assets		**(713)**	(403)	**(1,262)**	(735)
Proceeds from sale of intangible assets		**–**	–	**1,002**	–
Total cash used in investing activities		**(965)**	(479)	**(1,023)**	(832)
Net (decrease)/increase in cash during the period		**(88,131)**	(473)	**(44,056)**	15,785
Cash, beginning of period		**112,297**	50,621	**68,485**	31,762
Exchange (loss)/gain on cash and cash equivalents		**(203)**	1,421	**(466)**	4,022
Cash, end of period		**23,963**	51,569	**23,963**	51,569

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 “Group” in these accompanying notes means Jackpotjoy plc and its subsidiaries, as applicable.

The Group 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, the Group’s B2B software and support provider. The Vera&John and InterCasino brands operate off proprietary software owned by the Group. The Mandalay segment’s bingo offerings operate off the Dragonfish platform, a software service provided by the 888 group. Additionally, the Group receives fees for marketing services provided by its affiliate portal business.

These Unaudited Interim Condensed Consolidated Financial Statements were authorised for issue by the Board of Directors of Jackpotjoy plc (the “Board of Directors”) on 14 August 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 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 Group’s cross currency swap and contingent consideration.

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. This method is commonly applied in such situations as the accounting for such transactions is not prescribed by IFRS 3 – *Business Combinations* or other applicable IFRS, which instead prompts IFRS-reporting entities to look to alternative generally accepted accounting principles for guidance. 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 30 June 2017, the Group has consolidated current assets and current liabilities of £61.1 million and £100.7 million, respectively, giving rise to a net current liability of £39.6 million. Cash generated through future operating activities 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

For a description of the Group's significant accounting policies, critical accounting estimates and assumptions, and related information see note 3 to the Annual Financial Statements. Other than what is described below, there have been no changes to the Group's significant accounting policies or critical accounting estimates and assumptions during the six months ended 30 June 2017.

Change in presentation currency

Effective from 1 January 2017, the Group 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 Q2 2016 Unaudited Interim Condensed Consolidated Financial Statements have been retranslated from Canadian dollars to pounds sterling using the procedures outlined below:

- income and expenses were translated into pounds sterling at average quarterly rates of exchange ($:£ – 0.5410). 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;
- 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.

Hedge accounting

Effective from 31 March 2017, the Group has elected to use hedge accounting for the purposes of recognising realised and unrealised gains and losses associated with the New Currency Swap (as defined in note 10), in accordance with guidance provided in IAS 39 – *Financial Instruments: Recognition and Measurement.*

IAS 39 permits hedge accounting under certain circumstances provided that the hedging relationship is:

- formally designated and documented, including the entity's risk management objective and strategy for undertaking the hedge, identification of the hedging instrument, the hedged item, the nature of the risk being hedged, and how the entity will assess the hedging instrument's effectiveness;
- expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk as designated and documented, and effectiveness can be reliably measured;
- assessed on an ongoing basis and determined to have been highly effective

Based on the Group's analysis of the requirements outlined above, it was concluded that the New Currency Swap meets all the necessary criteria and qualifies for use of hedge accounting.

4. Segment Information

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

Three months ended 30 June 2017:

	Jackpotjoy (£000's)	Vera&John (£000's)	Mandalay (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Total revenue	**52,332**	**17,412**	**5,449**	**—**	**75,193**
Distribution costs	23,251	8,278	2,757	16	34,302
Amortisation and depreciation	12,244	2,465	1,608	94	16,411
Compensation, professional, and general and administrative expenses	4,165	4,024	265	2,799	11,253
Foreign exchange	(78)	419	11	4,414	4,766
Financing, net	—	(53)	1	13,222	13,170
Income/(loss) for the period before taxes	**12,750**	**2,279**	**807**	**(20,545)**	**(4,709)**
Taxes	—	63	—	—	63
Net income/(loss) for the period	**12,750**	**2,216**	**807**	**(20,545)**	**(4,772)**
Net income/(loss) for the period	**12,750**	**2,216**	**807**	**(20,545)**	**(4,772)**
Interest expense, net	—	(53)	1	11,377	11,325
Taxes	—	63	—	—	63
Amortisation and depreciation	12,244	2,465	1,608	94	16,411
EBITDA	**24,994**	**4,691**	**2,416**	**(9,074)**	**23,027**
Share-based compensation	—	—	—	353	353
Fair value adjustment on contingent consideration	—	—	—	1,845	1,845
Foreign exchange	(78)	419	11	4,414	4,766
Adjusted EBITDA	**24,916**	**5,110**	**2,427**	**(2,462)**	**29,991**
Net income/(loss) for the period	**12,750**	**2,216**	**807**	**(20,545)**	**(4,772)**
Share-based compensation	—	—	—	353	353
Fair value adjustment on contingent consideration	—	—	—	1,845	1,845
Foreign exchange	(78)	419	11	4,414	4,766
Amortisation of acquisition related purchase price intangibles and non-compete clauses	12,244	2,105	1,593	—	15,942
Accretion	—	—	—	3,662	3,662
Adjusted net income/(loss)	**24,916**	**4,740**	**2,411**	**(10,271)**	**21,796**

Six months ended 30 June 2017:

	Jackpotjoy (£000's)	Vera&John (£000's)	Mandalay (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Total revenue	**102,998**	**33,103**	**10,468**	**—**	**146,569**
Distribution costs	43,794	15,926	5,768	58	65,546
Amortisation and depreciation	21,934	4,833	3,201	192	30,160
Compensation, professional, and general and administrative expenses	8,326	7,684	550	6,157	22,717
Transaction related costs	—	—	—	1,315	1,315
Foreign exchange	(96)	478	9	6,508	6,899
Gain on sale of intangible assets	—	(1,002)	—	—	(1,002)
Financing, net	—	(87)	2	40,943	40,858
Income/(loss) for the period before taxes	**29,040**	**5,271**	**938**	**(55,173)**	**(19,924)**
Taxes	—	149	—	—	149
Net income/(loss) for the period	**29,040**	**5,122**	**938**	**(55,173)**	**(20,073)**
Net income/(loss) for the period	**29,040**	**5,122**	**938**	**(55,173)**	**(20,073)**
Interest expense, net	—	(87)	2	22,708	22,623
Taxes	—	149	—	—	149
Amortisation and depreciation	21,934	4,833	3,201	192	30,160
EBITDA	**50,974**	**10,017**	**4,141**	**(32,273)**	**32,859**
Share-based compensation	—	—	—	878	878
Fair value adjustment on contingent consideration	—	—	—	14,701	14,701
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	(96)	478	9	6,508	6,899
Adjusted EBITDA	**50,878**	**9,493**	**4,150**	**(5,337)**	**59,184**
Net income/(loss) for the period	**29,040**	**5,122**	**938**	**(55,173)**	**(20,073)**
Share-based compensation	—	—	—	878	878
Fair value adjustment on contingent consideration	—	—	—	14,701	14,701
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	(96)	478	9	6,508	6,899
Amortisation of acquisition related purchase price intangibles and non-compete clauses	21,934	4,212	3,186	—	29,332
Accretion	—	—	—	7,051	7,051
Adjusted net income/(loss)	**50,878**	**8,810**	**4,133**	**(21,186)**	**42,635**

Three months ended 30 June 2016:

	Jackpotjoy (£000's)	Vera&John (£000's)	Mandalay (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Total revenue and other income	**44,531**	**14,300**	**5,447**	**—**	**64,278**
Distribution costs	22,107	6,527	3,633	26	32,293
Amortisation and depreciation	10,428	2,117	1,581	3	14,129
Compensation, professional, and general and administrative expenses	3,986	2,729	263	1,777	8,755
Severance costs	—	—	—	5,695	5,695
Transaction related costs	—	361	—	4,505	4,866
Foreign exchange	(184)	(44)	(37)	2,259	1,994
Financing, net	—	(21)	1	11,426	11,406
Income/(loss) for the period before taxes	**8,194**	**2,631**	**6**	**(25,691)**	**(14,860)**
Taxes	—	13	—	—	13
Net income/(loss) for the period	**8,194**	**2,618**	**6**	**(25,691)**	**(14,873)**
Net income/(loss) for the period	**8,194**	**2,618**	**6**	**(25,691)**	**(14,873)**
Interest expense, net	—	(21)	1	8,380	8,360
Taxes	—	13	—	—	13
Amortisation and depreciation	10,428	2,117	1,581	3	14,129
EBITDA	**18,622**	**4,727**	**1,588**	**(17,308)**	**7,629**
Share-based compensation	—	—	—	248	248
Severance costs	—	—	—	5,695	5,695
Fair value adjustment on contingent consideration	—	—	—	17,277	17,277
Gain on cross currency swap	—	—	—	(14,231)	(14,231)
Transaction related costs	—	361	—	4,505	4,866
Foreign exchange	(184)	(44)	(37)	2,259	1,994
Adjusted EBITDA	**18,438**	**5,044**	**1,551**	**(1,555)**	**23,478**
Net income/(loss) for the period	**8,194**	**2,618**	**6**	**(25,691)**	**(14,873)**
Share-based compensation	—	—	—	248	248
Severance costs	—	—	—	5,695	5,695
Fair value adjustment on contingent consideration	—	—	—	17,277	17,277
Gain on cross currency swap	—	—	—	(14,231)	(14,231)
Transaction related costs	—	361	—	4,505	4,866
Foreign exchange	(184)	(44)	(37)	2,259	1,994
Amortisation of acquisition related purchase price intangibles	10,428	1,995	1,581	—	14,004
Accretion	—	—	—	4,159	4,159
Adjusted net income/(loss)	**18,438**	**4,930**	**1,550**	**(5,779)**	**19,139**

Six months ended 30 June 2016:

	Jackpotjoy (£000's)	Vera&John (£000's)	Mandalay (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Total revenue and other income	**88,987**	**29,435**	**11,268**	**—**	**129,690**
Distribution costs	40,927	13,957	7,114	153	62,151
Amortisation and depreciation	20,484	3,870	2,743	9	27,106
Compensation, professional, and general and administrative expenses	7,629	5,194	561	4,871	18,255
Severance costs	—	—	—	5,695	5,695
Transaction related costs	—	442	—	5,722	6,164
Foreign exchange	(333)	293	(68)	2,623	2,515
Financing, net	—	(43)	3	17,438	17,398
Income/(loss) for the period before taxes	**20,280**	**5,722**	**915**	**(36,511)**	**(9,594)**
Taxes	—	212	—	—	212
Net income/(loss) for the period	**20,280**	**5,510**	**915**	**(36,511)**	**(9,806)**
Net income/(loss) for the period	**20,280**	**5,510**	**915**	**(36,511)**	**(9,806)**
Interest expense, net	—	(43)	3	16,749	16,709
Taxes	—	212	—	—	212
Amortisation and depreciation	20,484	3,870	2,743	9	27,106
EBITDA	**40,764**	**9,549**	**3,661**	**(19,753)**	**34,221**
Share-based compensation	—	—	—	546	546
Severance costs	—	—	—	5,695	5,695
Independent Committee related expenses	—	—	—	1,693	1,693
Fair value adjustment on contingent consideration	—	—	—	18,950	18,950
Gain on cross currency swap	—	—	—	(18,261)	(18,261)
Transaction related costs	—	442	—	5,722	6,164
Foreign exchange	(333)	293	(68)	2,623	2,515
Adjusted EBITDA	**40,431**	**10,284**	**3,593**	**(2,785)**	**51,523**
Net income/(loss) for the period	**20,280**	**5,510**	**915**	**(36,511)**	**(9,806)**
Share-based compensation	—	—	—	546	546
Severance costs	—	—	—	5,695	5,695
Independent Committee related expenses	—	—	—	1,693	1,693
Fair value adjustment on contingent consideration	—	—	—	18,950	18,950
Gain on cross currency swap	—	—	—	(18,261)	(18,261)
Transaction related costs	—	442	—	5,722	6,164
Foreign exchange	(333)	293	(68)	2,623	2,515
Amortisation of acquisition related purchase price intangibles	20,484	3,650	2,743	—	26,877
Accretion	—	—	—	8,195	8,195
Adjusted net income/(loss)	**40,431**	**9,895**	**3,590**	**(11,348)**	**42,568**

The following table presents net assets per segment and unallocated corporate costs as at 30 June 2017:

	Jackpotjoy (£000's)	Vera&John (£000's)	Mandalay (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Current assets	14,921	37,807	6,897	1,474	61,099
Goodwill	224,348	55,779	16,612	—	296,739
Long-term assets	276,197	34,660	15,021	1,456	327,334
Total assets	**515,466**	**128,246**	**38,530**	**2,930**	**685,172**
Current liabilities	6,278	14,422	1,874	78,173	100,747
Long-term liabilities	—	1,391	—	346,303	347,694
Total liabilities	**6,278**	**15,813**	**1,874**	**424,476**	**448,441**
Net assets	**509,188**	**112,433**	**36,656**	**(421,546)**	**236,731**

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 six months ended 30 June 2017 and 2016, substantially all of the revenue earned by the Group was in Europe. Non-current assets by geographical location as at 30 June 2017 were as follows: Europe £90.4 million (31 December 2016 – £93.6 million) and the Americas £533.6 million (31 December 2016 – £558.7 million).

5. Costs and Expenses

	Three Months Ended 30 June 2017 (£000's)	Three Months Ended 30 June 2016 (£000's)	Six Months Ended 30 June 2017 (£000's)	Six Months Ended 30 June 2016 (£000's)
Distribution costs:				
Selling and marketing	**10,846**	12,334	**20,449**	21,566
Licensing fees	**11,826**	10,170	**22,912**	20,638
Gaming taxes	**8,469**	7,048	**16,461**	14,164
Processing fees	**3,161**	2,741	**5,724**	5,783
	34,302	32,293	**65,546**	62,151
Administrative costs:				
Compensation and benefits	**8,016**	6,916	**16,091**	12,801
Professional fees	**797**	525	**2,005**	2,818
General and administrative	**2,440**	1,314	**4,621**	2,636
Tangible asset depreciation	**111**	26	**184**	54
Intangible asset amortisation	**16,300**	14,103	**29,976**	27,052
	27,664	22,884	**52,877**	45,361

6. Interest Expense/Income

	Three Months Ended 30 June 2017 (£000's)	Three Months Ended 30 June 2016 (£000's)	Six Months Ended 30 June 2017 (£000's)	Six Months Ended 30 June 2016 (£000's)
Interest earned on cash held during the period	**57**	27	**95**	56
Total interest income	**57**	27	**95**	56
Interest paid and accrued on long-term debt	**7,739**	4,111	**15,664**	8,343
Accretion of discount recognised on contingent consideration	**2,365**	3,601	**4,468**	7,148
Interest paid and accrued on convertible debentures	**18**	117	**40**	227
Interest accretion recognised on convertible debentures	**12**	96	**30**	184
Interest accretion recognised on long-term debt	**777**	462	**1,560**	863
Interest accretion recognised on other long-term liabilities	**471**	—	**956**	—
Total interest expense	**11,382**	8,387	**22,718**	16,765

7. Earnings per Share

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

	Three Months Ended 30 June 2017 (£000's)	Three Months Ended 30 June 2016 (£000's)	**Six Months Ended 30 June 2017 (£000's)**	Six Months Ended 30 June 2016 (£000's)
Numerator:				
Net (loss)/income – basic	**(4,772)**	(14,873)	**(20,073)**	(9,806)
Net (loss)/income – diluted	**(4,772)**	(14,873)	**(20,073)**	(9,806)
Denominator:				
Weighted average number of shares outstanding – basic	**73,785**	70,572	**73,680**	70,566
Instruments, which are anti-dilutive:				
Weighted average effect of dilutive share options	**401**	908	**391**	848
Weighted average effect of convertible debentures[2]	**312**	2,828	**399**	2,828
Net loss per share[3,4]				
Basic	**£(0.06)**	£(0.21)	**£(0.27)**	£(0.14)
Diluted[1]	**£(0.06)**	£(0.21)	**£(0.27)**	£(0.14)

1 *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.*

2 *An assumed conversion of convertible debentures had an anti-dilutive effect on loss per share for the three and six months ended 30 June 2017 and 30 June 2016.*

3 *Basic loss per share is calculated by dividing the net loss attributable to common shareholders by the weighted average number of shares outstanding during the year.*

4 *Diluted loss per share is calculated by dividing the net loss 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

	30 June 2017 (£000's)	**31 December 2016 (£000's)**
Cash	23,746	33,558
Segregated cash*	217	34,927
Cash and cash equivalents	23,963	68,485
Restricted cash – other	76	253
Total cash balances	**24,039**	**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 Group was required to segregate 90% of its excess cash flow, less mandatory repayments of the Group's long-term debt

and earn-out payments, in a non-operational bank account. Since the Group made a final earn-out payment of £94.2 million for the non-Spanish assets of the Jackpotjoy segment on 21 June 2017, no cash was required to be segregated at 30 June 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.

9. Trade and Other Receivables

Receivables consist of the following items:

	30 June 2017 (£000's)	31 December 2016 (£000's)
Due from the Gamesys group	8,643	9,242
Due from the 888 group	3,154	1,625
Affiliate revenue receivable	2,242	1,766
Short-term loans receivable	841	572
Swap-related receivable	—	1,948
Prepaid expenses	1,759	967
Other	527	643
	17,166	**16,763**

10. Cross Currency Swap

On 23 November 2015, the Group entered into a cross currency swap agreement (the "Currency Swap") in order to minimise the Group's exposure to exchange rate fluctuations between GBP and the US dollar ("USD") as cash generated from the Group's operations is largely in GBP, while a portion of the principal and interest payments on the Group's credit facilities are in USD. Under the Currency Swap, 90% of the Group's USD term loan interest and principal payments were swapped into GBP. The Group 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 Group 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 Group's term loan interest and principal payments will be swapped into GBP. The Group 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 Group.

The fair value of the New Currency Swap liability as at 30 June 2017 is £4.8 million (31 December 2016 – asset of £38.2 million).

Jackpotjoy plc has elected to use hedge accounting for the purposes of recognising realised and unrealised gains and losses associated with the New Currency Swap.

11. Intangible Assets

As at 30 June 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	—	—	1,262	—	—	—	—	1,262
Translation	(1)	391	(73)	1	—	—	(720)	(402)
Balance, 30 June 2017	**93**	**341,318**	**22,859**	**70,055**	**12,900**	**20,434**	**317,109**	**784,768**
Accumulated amortisation								
Balance, 1 January 2017	34	96,811	7,414	6,523	2,824	—	21,477	135,083
Amortisation	8	22,507	2,340	1,751	817	2,553	—	29,976
Translation	6	162	235	(8)	—	—	(1,107)	(712)
Balance, 30 June 2017	**48**	**119,480**	**9,989**	**8,266**	**3,641**	**2,553**	**20,370**	**164,347**
Carrying value								
Balance, 30 June 2017	**45**	**221,838**	**12,870**	**61,789**	**9,259**	**17,881**	**296,739**	**620,421**

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:

	30 June 2017 (£000's)	31 December 2016 (£000's)
Affiliate/marketing expenses payable	3,895	3,058
Payable to game suppliers	1,416	950
Compensation payable	1,949	2,989
Loyalty program payable	252	260
Professional fees	750	349
Gaming tax payable	67	526
Other	1,370	860
	9,699	**8,992**

13. Other Short-Term Payables

Other short-term payables consist of:

	30 June 2017 (£000's)	31 December 2016 (£000's)
Transaction related payables	3,112	9,321
Current portion of other long-term payables *(Note 16)*	8,667	6,000
	11,779	**15,321**

14. Credit Facilities

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)
Debt financing costs	—	(2,482)	(6,792)	(9,274)
Accretion[1]	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	(12,806)	—	—	(12,806)
Accretion[1]	965	190	405	1,560
Foreign exchange translation	(11,230)	—	—	(11,230)
Balance, 30 June 2017	**196,945**	**67,724**	**83,648**	**348,317**
Current portion	25,318	—	—	25,318
Non-current portion	171,627	67,724	83,648	322,999

[1]*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 Group are summarised below:

Financial assets

	Loans and receivables	
	30 June 2017 (£000's)	31 December 2016 (£000's)
Cash and restricted cash	24,039	68,738
Trade and other receivables	17,166	16,763
Other long-term receivables	2,247	2,624
Customer deposits	8,979	8,573
	52,431	**96,698**

Financial liabilities

	Financial liabilities at amortised cost	
	30 June 2017 (£000's)	31 December 2016 (£000's)
Accounts payable and accrued liabilities	9,699	8,992
Other long-term payables	11,423	14,505
Other short-term payables	11,779	15,321
Interest payable	638	633
Payable to customers	8,979	8,573
Convertible debentures	954	3,266
Long-term debt	348,317	370,793
	391,789	**422,083**

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 30 June 2017 amounted to £1.6 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)	
	30 June 2017 (£000's)	31 December 2016 (£000's)
Cross currency swap	(4,837)	38,171
Contingent consideration	(45,138)	(120,187)
	(49,975)	**(82,016)**

Fair value hierarchy

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

	Level 2		Level 3	
	30 June 2017 (£000's)	31 December 2016 (£000's)	30 June 2017 (£000's)	31 December 2016 (£000's)
Cross currency swap	(4,837)	38,171	—	—
Contingent consideration	—	—	(45,138)	(120,187)

The 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 contingent consideration. The model considers the present value of the expected payments, discounted using a risk-adjusted discount rate of 7%. 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 31% higher (£13.5 million), than its value at 30 June 2017, increasing the current portion of the contingent consideration, which is composed of the Botemania earn-out payment and first Jackpotjoy milestone payment, by £9.9 million and increasing the long-term contingent consideration, which is composed of the final Jackpotjoy milestone payments due in 2019 and 2020, by £3.6 million. This assumes that the financial performance of the Jackpotjoy operating segment remains in line with management's expectations.

On 21 June 2017, Jackpotjoy plc made a final earn-out payment in the amount of £94.2 million for the non-Spanish assets within its Jackpotjoy segment.

As at 30 June 2017, the contingent consideration balance related to the earn-out payment remaining on the Spanish assets included in the Jackpotjoy segment and milestone payments related to the Jackpotjoy segment.

The movement in Level 3 financial instruments is detailed below:

	(£000's)
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	120,187
Fair value adjustments	14,701
Payments	(94,218)
Accretion of discount	4,468
Contingent consideration, 30 June 2017	**45,138**
Current portion	38,768
Non-current portion	6,370

16. Other Long-Term Payables

The Group 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. £8.7 million of this payable is included in current liabilities (note 13), with the discounted value of the remaining balance, being £11.4 million, included in other long-term payables. During the six months ended 30 June 2017, the Group has paid a total of £1.3 million in relation to the additional non-compete clauses.

17. Share Capital

As at 30 June 2017, Jackpotjoy plc's issued share capital consisted of 73,836,099 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 The Intertain Group Limited had the same nominal value as the ordinary shares of Jackpotjoy plc. The number of Jackpotjoy plc ordinary shares in issue at the date of the plan of arrangement was 73,718,942.

	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	75	700,166
Exercise of options	15	152,656
Balance, 30 June 2017	**7,388**	**73,836,099**

Ordinary shares

Other than for reasons set out below, during the six months ended 30 June 2017, Jackpotjoy plc did not issue any additional ordinary shares.

Convertible debentures

During the six months ended 30 June 2017 (and prior to completion of the plan of arrangement), debentures at an undiscounted value of £2.3 million were converted into 628,333 common shares of Intertain. Additionally, during the six months ended 30 June 2017 (and following the completion of the plan of arrangement), debentures at an undiscounted value of £0.3 million were converted into 71,833 ordinary shares of Jackpotjoy plc.

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 six months ended 30 June 2017, nil stock options were granted, 152,656 stock options were exercised, 13,000 stock options were forfeited, and nil stock options expired.

During the three and six months ended 30 June 2017, the Group recorded £0.4 million and £0.9 million, respectively (2016 – £0.2 million and £0.5 million, respectively) in share-based compensation expense with a corresponding increase in share-based payment reserve.

Long-term incentive plan

On 24 May 2017, Jackpotjoy plc granted awards over ordinary shares under the Group’s long term incentive plan (“LTIP”) for key management personnel. The awards (i) will vest on the date on which the Board of Directors determines the extent to which the performance condition (as described below) has been satisfied, and (ii) are subject to a holding period of two years beginning on the vesting date, following the end of which they will be released so that the shares can be acquired.

The performance condition as it applies to 50% of each award is based on the Group's total shareholder return compared with the total shareholder return of the companies constituting the FTSE 250 index (excluding investment trusts and financial services companies) over three years commencing on 25 January 2017 (“TSR Tranche”). The performance condition as it applies to the remaining 50% of the award is based on the Group's earnings per share (“EPS”) in the last financial year of that performance period (“EPS Tranche”) and vests as to 25% if final year EPS is 133.5 pence, between 25% and 100% (on a straight line basis) if final year EPS is more than 133.5 pence but less than 160 pence, and 100% if final year EPS is 160 pence or more.

Each award under the LTIP is equity-settled and LTIP compensation expense is based on the award’s estimated fair value. The fair value has been estimated using the Black-Scholes model for the EPS Tranche and the Monte Carlo model for the TSR Tranche.

During the three and six months ended 30 June 2017, the Group recorded £0.01 million (2016 – £nil) in LTIP 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 Group 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 Group, the contingency is not recognised as a liability at the balance sheet date. As at 30 June 2017, the Group had recognised £nil liability (31 December 2016 – £nil) related to potential contingent indirect taxation liabilities.