Jackpotjoy plc

Unaudited Interim Condensed Consolidated Financial Statements

[in pounds sterling, except where otherwise noted]

For the Three and Nine Months Ended 30 September 2017

Jackpotjoy plc

Unaudited Interim Condensed Consolidated Statements of Comprehensive Income

For the three and nine months ended 30 September 2017

(GBP)

	Note	**Three months ended 30 September 2017**	Three months ended 30 September 2016	**Nine months ended 30 September 2017**	Nine months ended 30 September 2016
	Note	**(£000's)**	(£000's)	**(£000's)**	(£000's)
Revenue and other income					
Gaming revenue		**75,423**	66,368	**221,992**	193,952
Other income earned from revenue guarantee		**–**	–	**–**	1,181
Other income earned from platform migration		**–**	–	**–**	925
Total revenue and other income	4	**75,423**	66,368	**221,992**	196,058
Costs and expenses					
Distribution costs	4, 5	**36,448**	31,518	**101,994**	93,669
Administrative costs	5	**29,068**	24,689	**81,945**	70,050
Severance costs	4	**–**	–	**–**	5,695
Transaction related costs	4	**1,361**	10,414	**2,676**	16,578
Foreign exchange loss	4	**4,607**	591	**11,506**	3,106
Total costs and expenses		**71,484**	67,212	**198,121**	189,098
Gain on sale of intangible assets		**–**	–	**(1,002)**	–
Fair value adjustments on contingent consideration	15	**1,663**	14,549	**16,364**	33,499
(Gain)/loss on cross currency swap	10	**–**	(5,693)	**3,534**	(23,954)
Interest income	6	**(41)**	(63)	**(136)**	(119)
Interest expense	6	**9,648**	9,173	**32,366**	25,938
Financing expenses		**11,270**	17,966	**52,128**	35,364
Net loss for the period before taxes		**(7,331)**	(18,810)	**(27,255)**	(28,404)
Current tax provision/(recovery)		**447**	(118)	**806**	276
Deferred tax recovery		**(109)**	(113)	**(319)**	(295)
Net loss for the period attributable to owners of the parent		**(7,669)**	(18,579)	**(27,742)**	(28,385)
Other comprehensive income/(loss): Items that will or may be reclassified to profit or loss in subsequent periods					
Foreign currency translation gain/(loss)		**10,150**	(1,223)	**28,793**	(7,886)
Unrealised loss on cross currency hedge reserve	10	**(2,892)**	–	**(7,737)**	–
Total comprehensive loss for the period attributable to owners of the parent		**(411)**	(19,802)	**(6,686)**	(36,271)
Net loss for the period per share					
Basic	7	**£(0.10)**	£(0.26)	**£(0.38)**	£(0.40)
Diluted	7	**£(0.10)**	£(0.26)	**£(0.38)**	£(0.40)

See accompanying notes

Jackpotjoy plc

Unaudited Interim Condensed Consolidated Balance Sheets

30 September 2017

(GBP)

	Note	As at 30 September 2017 (£000's)	As at 31 December 2016 (£000's)
ASSETS			
Current assets			
Cash	8	**39,208**	68,485
Restricted cash	8	**189**	253
Customer deposits		**8,736**	8,573
Trade and other receivables	9	**15,625**	16,763
Current portion of cross currency swap	10, 15	**–**	38,171
Taxes receivable		**9,619**	6,832
Total current assets		**73,377**	139,077
Tangible assets		**1,368**	852
Intangible assets	11	**308,619**	352,473
Goodwill	11	**296,334**	296,352
Other long-term receivables		**2,169**	2,624
Total non-current assets		**608,490**	652,301
Total assets		**681,867**	791,378
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	12	**12,363**	8,992
Current portion of cross currency swap payable	10, 15	**756**	–
Other short-term payables	13	**12,163**	15,321
Interest payable		**547**	633
Payable to customers		**8,736**	8,573
Current portion of long-term debt	14	**24,583**	26,695
Current portion of contingent consideration	15	**41,073**	86,903
Provision for taxes		**7,056**	7,743
Total current liabilities		**107,277**	154,860
Contingent consideration	15	**6,480**	33,284
Other long-term payables	16	**9,852**	14,505
Cross currency swap payable	10, 15	**6,709**	–
Deferred tax liability		**1,280**	1,897
Convertible debentures	17	**255**	3,266
Long-term debt	14	**312,634**	344,098
Total non-current liabilities		**337,210**	397,050
Total liabilities		**444,487**	551,910
Equity			
Retained earnings		**(198,374)**	(170,737)
Share capital	17	**7,405**	7,298
Other reserves		**428,349**	402,907
Total equity		**237,380**	239,468
Total liabilities and equity		**681,867**	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 September 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 (Deficit)/ Earnings (£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		–	–	–	–	–	–	–	(28,385)	(28,385)
Other comprehensive loss		–	–	–	–	–	(7,886)	–	–	(7,886)
Total comprehensive loss for the period:		**–**	**–**	**–**	**–**	**–**	**(7,886)**	**–**	**(28,385)**	**(36,271)**
Contributions by and distributions to shareholders:										
Conversion of debentures	17	128	3,689	–	–	–	–	–	–	3,817
Exercise of common share warrants	17	4	187	–	–	–	–	–	–	191
Exercise of options	17	55	1,140	–	–	(349)	–	–	349	1,195
Share-based compensation	17	–	–	–	–	1,503	–	–	–	1,503
Total contributions by and distributions to shareholders:		**187**	**5,016**	**–**	**–**	**1,154**	**–**	**–**	**349**	**6,706**
Balance at 30 September 2016		**7,238**	**411,018**	**(15,521)**	**–**	**7,933**	**6,930**	**–**	**(158,130)**	**259,468**
Balance at 1 January 2017		**7,298**	**413,293**	**(15,521)**	**50**	**8,598**	**(3,513)**	**–**	**(170,737)**	**239,468**
Comprehensive income (loss) for the period:										
Net loss for the period		–	–	–	–	–	–	–	(27,742)	(27,742)
Other comprehensive income (loss)		–	–	–	–	–	28,793	(7,737)	–	21,056
Total comprehensive income (loss) for the period:		**–**	**–**	**–**	**–**	**–**	**28,793**	**(7,737)**	**(27,742)**	**(6,686)**
Contributions by and distributions to shareholders:										
Conversion of debentures	17	92	2,986	–	–	–	–	–	–	3,078
Exercise of options	17	15	357	–	–	(105)	–	–	105	372
Cancellation of redeemable shares		–	–	–	(50)	–	–	–	–	(50)
Share-based compensation	17	–	–	–	–	1,198	–	–	–	1,198
Total contributions by and distributions to shareholders:		**107**	**3,343**	**–**	**(50)**	**1,093**	**–**	**–**	**105**	**4,598**
Balance at 30 September 2017		**7,405**	**416,636**	**(15,521)**	**–**	**9,691**	**25,280**	**(7,737)**	**(198,374)**	**237,380**

See accompanying notes

Jackpotjoy plc

Unaudited Interim Condensed Consolidated Statements of Cash Flows

For the three and nine months ended 30 September 2017

(GBP)

	Note	**Three months ended 30 September 2017**	Three months ended 30 September 2016	**Nine months ended 30 September 2017**	Nine months ended 30 September 2016
		(£000's)	(£000's)	**(£000's)**	(£000's)
Operating activities					
Net loss for the period		**(7,669)**	(18,579)	**(27,742)**	(28,385)
Add (deduct) items not involving cash					
Amortisation and depreciation		**16,491**	14,453	**46,651**	41,559
Share-based compensation expense	17	**320**	957	**1,198**	1,503
Current tax provision/(recovery)		**447**	(118)	**806**	276
Deferred tax recovery		**(109)**	(113)	**(319)**	(295)
Interest expense, net	6	**9,607**	9,110	**32,230**	25,819
Gain on sale of intangible assets		**–**	–	**(1,002)**	–
Fair value adjustments on contingent consideration	15	**1,663**	14,549	**16,364**	33,499
Realised/unrealised (gain)/loss on cross currency swap	10	**–**	(5,693)	**3,534**	(23,954)
Foreign exchange loss		**4,607**	591	**11,506**	3,106
		25,357	15,157	**83,226**	53,128
Change in non-cash operating items					
Trade and other receivables		**1,311**	169	**786**	4,556
Other long-term receivables		**84**	(363)	**536**	(416)
Accounts payable and accrued liabilities		**2,766**	614	**922**	(414)
Other short-term payables		**384**	857	**(3,158)**	10,824
Cash provided by operating activities		**29,902**	16,434	**82,312**	67,678
Income taxes paid		–	–	**(6,899)**	(6,296)
Income taxes received		**2,656**	1,872	**2,758**	1,872
Total cash provided by operating activities		**32,558**	18,306	**78,171**	63,254
Financing activities					
Restriction of cash balances		**(229)**	–	**(54)**	–
Proceeds from exercise of warrants		**–**	–	–	191
Proceeds from exercise of options		**–**	1,093	**372**	1,192
Proceeds from cross currency swap settlement	10	**–**	–	**34,373**	–
Repayment of non-compete liability		**(2,000)**	–	**(3,333)**	–
Interest repayment		**(7,903)**	(3,228)	**(23,112)**	(11,685)
Payment of contingent consideration	15	–	–	**(94,218)**	(6,308)
Principal payments made on long-term debt	14	**(5,965)**	(4,369)	**(18,771)**	(18,225)
Total cash used in financing activities		**(16,097)**	(6,504)	**(104,743)**	(34,835)
Investing activities					
Purchase of tangible assets		**(88)**	(500)	**(851)**	(597)
Purchase of intangible assets		**(822)**	(374)	**(2,084)**	(1,109)
Proceeds from sale of intangible assets		**–**	–	**1,002**	–
Total cash used in investing activities		**(910)**	(874)	**(1,933)**	(1,706)
Net increase/(decrease) in cash during the period		**15,551**	10,928	**(28,505)**	26,713
Cash, beginning of period		**23,963**	51,569	**68,485**	31,762
Exchange (loss)/gain on cash and cash equivalents		**(306)**	(1,641)	**(772)**	2,381
Cash, end of period		**39,208**	60,856	**39,208**	60,856

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, at each shareholder’s election, ordinary shares of Jackpotjoy plc or exchangeable shares of Intertain. 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 November 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 (“IAS”) 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 September 2017, the Group has consolidated current assets and current liabilities of £73.4 million and £107.3 million, respectively, giving rise to a net current liability of £33.9 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 nine months ended 30 September 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 Q3 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 ($:£ – 0.5840). 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; and

- 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 September 2017:

	Jackpotjoy (£000's)	Vera&John (£000's)	Mandalay (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Total revenue	**52,193**	**18,355**	**4,875**	**—**	**75,423**
Distribution costs	24,747	9,094	2,587	20	36,448
Amortisation and depreciation	12,243	2,550	1,604	94	16,491
Compensation, professional, and general and administrative expenses	4,240	4,385	411	3,541	12,577
Transaction related costs	—	—	—	1,361	1,361
Foreign exchange	172	130	17	4,288	4,607
Financing, net	—	(40)	1	11,309	11,270
Income/(loss) for the period before taxes	**10,791**	**2,236**	**255**	**(20,613)**	**(7,331)**
Taxes	—	338	—	—	338
Net income/(loss) for the period	**10,791**	**1,898**	**255**	**(20,613)**	**(7,669)**
Net income/(loss) for the period	**10,791**	**1,898**	**255**	**(20,613)**	**(7,669)**
Interest (income)/expense, net	—	(40)	1	9,646	9,607
Taxes	—	338	—	—	338
Amortisation and depreciation	12,243	2,550	1,604	94	16,491
EBITDA	**23,034**	**4,746**	**1,860**	**(10,873)**	**18,767**
Share-based compensation	—	—	—	320	320
Transaction related costs	—	—	—	1,361	1,361
Fair value adjustment on contingent consideration	—	—	—	1,663	1,663
Foreign exchange	172	130	17	4,288	4,607
Adjusted EBITDA	**23,206**	**4,876**	**1,877**	**(3,241)**	**26,718**
Net income/(loss) for the period	**10,791**	**1,898**	**255**	**(20,613)**	**(7,669)**
Share-based compensation	—	—	—	320	320
Transaction related costs	—	—	—	1,361	1,361
Fair value adjustment on contingent consideration	—	—	—	1,663	1,663
Foreign exchange	172	130	17	4,288	4,607
Amortisation of acquisition related purchase price intangibles and non-compete clauses	12,243	2,190	1,588	—	16,021
Accretion	—	—	—	2,000	2,000
Adjusted net income/(loss)	**23,206**	**4,218**	**1,860**	**(10,981)**	**18,303**

Nine months ended 30 September 2017:

	Jackpotjoy (£000's)	Vera&John (£000's)	Mandalay (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Total revenue	**155,191**	**51,458**	**15,343**	**—**	**221,992**
Distribution costs	68,541	25,020	8,355	78	101,994
Amortisation and depreciation	34,177	7,383	4,805	286	46,651
Compensation, professional, and general and administrative expenses	12,566	12,069	961	9,698	35,294
Transaction related costs	—	—	—	2,676	2,676
Foreign exchange	76	608	26	10,796	11,506
Gain on sale of intangible assets	—	(1,002)	—	—	(1,002)
Financing, net	—	(127)	3	52,252	52,128
Income/(loss) for the period before taxes	**39,831**	**7,507**	**1,193**	**(75,786)**	**(27,255)**
Taxes	—	487	—	—	487
Net income/(loss) for the period	**39,831**	**7,020**	**1,193**	**(75,786)**	**(27,742)**
Net income/(loss) for the period	**39,831**	**7,020**	**1,193**	**(75,786)**	**(27,742)**
Interest (income)/expense, net	—	(127)	3	32,354	32,230
Taxes	—	487	—	—	487
Amortisation and depreciation	34,177	7,383	4,805	286	46,651
EBITDA	**74,008**	**14,763**	**6,001**	**(43,146)**	**51,626**
Share-based compensation	—	—	—	1,198	1,198
Fair value adjustment on contingent consideration	—	—	—	16,364	16,364
Loss on cross currency swap	—	—	—	3,534	3,534
Transaction related costs	—	—	—	2,676	2,676
Gain on sale of intangible assets	—	(1,002)	—	—	(1,002)
Foreign exchange	76	608	26	10,796	11,506
Adjusted EBITDA	**74,084**	**14,369**	**6,027**	**(8,578)**	**85,902**
Net income/(loss) for the period	**39,831**	**7,020**	**1,193**	**(75,786)**	**(27,742)**
Share-based compensation	—	—	—	1,198	1,198
Fair value adjustment on contingent consideration	—	—	—	16,364	16,364
Loss on cross currency swap	—	—	—	3,534	3,534
Transaction related costs	—	—	—	2,676	2,676
Gain on sale of intangible assets	—	(1,002)	—	—	(1,002)
Foreign exchange	76	608	26	10,796	11,506
Amortisation of acquisition related purchase price intangibles and non-compete clauses	34,177	6,402	4,774	—	45,353
Accretion	—	—	—	9,051	9,051
Adjusted net income/(loss)	**74,084**	**13,028**	**5,993**	**(32,167)**	**60,938**

Three months ended 30 September 2016:

	Jackpotjoy (£000's)	Vera&John (£000's)	Mandalay (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Total revenue and other income	**46,658**	**14,422**	**5,288**	**—**	**66,368**
Distribution costs	20,315	7,470	3,659	74	31,518
Amortisation and depreciation	10,428	2,438	1,585	2	14,453
Compensation, professional, and general and administrative expenses	3,876	3,424	264	2,672	10,236
Transaction related costs	—	200	—	10,214	10,414
Foreign exchange	55	343	(34)	227	591
Financing, net	—	(5)	2	17,969	17,966
Income/(loss) for the period before taxes	**11,984**	**552**	**(188)**	**(31,158)**	**(18,810)**
Taxes	—	(231)	—	—	(231)
Net income/(loss) for the period	**11,984**	**783**	**(188)**	**(31,158)**	**(18,579)**
Net income/(loss) for the period	**11,984**	**783**	**(188)**	**(31,158)**	**(18,579)**
Interest (income)/expense, net	—	(5)	2	9,113	9,110
Taxes	—	(231)	—	—	(231)
Amortisation and depreciation	10,428	2,438	1,585	2	14,453
EBITDA	**22,412**	**2,985**	**1,399**	**(22,043)**	**4,753**
Share-based compensation	—	—	—	957	957
Fair value adjustment on contingent consideration	—	—	—	14,549	14,549
Gain on cross currency swap	—	—	—	(5,693)	(5,693)
Transaction related costs	—	200	—	10,214	10,414
Foreign exchange	55	343	(34)	227	591
Adjusted EBITDA	**22,467**	**3,528**	**1,365**	**(1,789)**	**25,571**
Net income/(loss) for the period	**11,984**	**783**	**(188)**	**(31,158)**	**(18,579)**
Share-based compensation	—	—	—	957	957
Fair value adjustment on contingent consideration	—	—	—	14,549	14,549
Gain on cross currency swap	—	—	—	(5,693)	(5,693)
Transaction related costs	—	200	—	10,214	10,414
Foreign exchange	55	343	(34)	227	591
Amortisation of acquisition related purchase price intangibles	10,428	2,275	1,585	—	14,288
Accretion	—	—	—	4,650	4,650
Adjusted net income/(loss)	**22,467**	**3,601**	**1,363**	**(6,254)**	**21,177**

Nine months ended 30 September 2016:

	Jackpotjoy (£000's)	Vera&John (£000's)	Mandalay (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Total revenue and other income	**135,645**	**43,857**	**16,556**	**—**	**196,058**
Distribution costs	61,242	21,427	10,773	227	93,669
Amortisation and depreciation	30,912	6,308	4,328	11	41,559
Compensation, professional, and general and administrative expenses	11,505	8,618	825	7,543	28,491
Severance costs	—	—	—	5,695	5,695
Transaction related costs	—	642	—	15,936	16,578
Foreign exchange	(278)	636	(102)	2,850	3,106
Financing, net	—	(48)	5	35,407	35,364
Income/(loss) for the period before taxes	**32,264**	**6,274**	**727**	**(67,669)**	**(28,404)**
Taxes	—	(19)	—	—	(19)
Net income/(loss) for the period	**32,264**	**6,293**	**727**	**(67,669)**	**(28,385)**
Net income/(loss) for the period	**32,264**	**6,293**	**727**	**(67,669)**	**(28,385)**
Interest (income)/expense, net	—	(48)	5	25,862	25,819
Taxes	—	(19)	—	—	(19)
Amortisation and depreciation	30,912	6,308	4,328	11	41,559
EBITDA	**63,176**	**12,534**	**5,060**	**(41,796)**	**38,974**
Share-based compensation	—	—	—	1,503	1,503
Severance costs	—	—	—	5,695	5,695
Independent Committee related expenses	—	—	—	1,693	1,693
Fair value adjustment on contingent consideration	—	—	—	33,499	33,499
Gain on cross currency swap	—	—	—	(23,954)	(23,954)
Transaction related costs	—	642	—	15,936	16,578
Foreign exchange	(278)	636	(102)	2,850	3,106
Adjusted EBITDA	**62,898**	**13,812**	**4,958**	**(4,574)**	**77,094**
Net income/(loss) for the period	**32,264**	**6,293**	**727**	**(67,669)**	**(28,385)**
Share-based compensation	—	—	—	1,503	1,503
Severance costs	—	—	—	5,695	5,695
Independent Committee related expenses	—	—	—	1,693	1,693
Fair value adjustment on contingent consideration	—	—	—	33,499	33,499
Gain on cross currency swap	—	—	—	(23,954)	(23,954)
Transaction related costs	—	642	—	15,936	16,578
Foreign exchange	(278)	636	(102)	2,850	3,106
Amortisation of acquisition related purchase price intangibles	30,912	5,925	4,328	—	41,165
Accretion	—	—	—	12,845	12,845
Adjusted net income/(loss)	**62,898**	**13,496**	**4,953**	**(17,602)**	**63,745**

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

	Jackpotjoy (£000's)	Vera&John (£000's)	Mandalay (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Current assets	13,171	34,800	6,747	18,659	73,377
Goodwill	224,348	55,374	16,612	—	296,334
Long-term assets	265,222	33,414	13,425	95	312,156
Total assets	**502,741**	**123,588**	**36,784**	**18,754**	**681,867**
Current liabilities	6,360	17,896	1,824	81,197	107,277
Long-term liabilities	—	1,280	—	335,930	337,210
Total liabilities	**6,360**	**19,176**	**1,824**	**417,127**	**444,487**
Net assets	**496,381**	**104,412**	**34,960**	**(398,373)**	**237,380**

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 nine months ended 30 September 2017 and 2016, substantially all of the revenue earned by the Group was in Europe. Non-current assets by geographical location as at 30 September 2017 were as follows: Europe £88.8 million (31 December 2016 – £93.6 million) and the Americas £519.7 million (31 December 2016 – £558.7 million).

5. Costs and Expenses

	Three Months Ended 30 September 2017 (£000's)	Three Months Ended 30 September 2016 (£000's)	**Nine Months Ended 30 September 2017 (£000's)**	Nine Months Ended 30 September 2016 (£000's)
Distribution costs:				
Selling and marketing	**12,591**	10,796	**33,040**	32,362
Licensing fees	**11,771**	10,510	**34,683**	31,148
Gaming taxes	**8,742**	7,334	**25,203**	21,498
Processing fees	**3,344**	2,878	**9,068**	8,661
	36,448	31,518	**101,994**	93,669
Administrative costs:				
Compensation and benefits	**9,631**	7,840	**25,722**	20,641
Professional fees	**670**	476	**2,675**	3,294
General and administrative	**2,276**	1,920	**6,897**	4,556
Tangible asset depreciation	**119**	51	**303**	105
Intangible asset amortisation	**16,372**	14,402	**46,348**	41,454
	29,068	24,689	**81,945**	70,050

6. Interest Income/Expense

	Three Months Ended 30 September 2017 (£000's)	Three Months Ended 30 September 2016 (£000's)	**Nine Months Ended 30 September 2017 (£000's)**	Nine Months Ended 30 September 2016 (£000's)
Interest earned on cash held during the period	**41**	63	**136**	119
Total interest income	**41**	63	**136**	119
Interest paid and accrued on long-term debt	**7,645**	4,400	**23,309**	12,743
Accretion of discount recognised on contingent consideration	**752**	4,049	**5,220**	11,197
Interest paid and accrued on convertible debentures	**3**	123	**43**	350
Interest accretion recognised on convertible debentures	**5**	106	**35**	290
Interest accretion recognised on long-term debt	**774**	495	**2,334**	1,358
Interest accretion recognised on other long-term liabilities	**469**	—	**1,425**	—
Total interest expense	**9,648**	9,173	**32,366**	25,938

7. Earnings per Share

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

	Three Months Ended 30 September 2017 (£000's)	Three Months Ended 30 September 2016 (£000's)	**Nine Months Ended 30 September 2017 (£000's)**	Nine Months Ended 30 September 2016 (£000's)
Numerator:				
Net loss – basic	**(7,669)**	(18,579)	**(27,742)**	(28,385)
Net loss – diluted[1]	**(7,669)**	(18,579)	**(27,742)**	(28,385)
Denominator:				
Weighted average number of shares outstanding – basic	**73,988**	70,865	**73,801**	70,666
Instruments, which are anti-dilutive:				
Weighted average effect of dilutive share options	**434**	801	**412**	833
Weighted average effect of convertible debentures[2]	**87**	2,629	**294**	2,759
Net loss per share[3,4]				
Basic	**£(0.10)**	£(0.26)	**£(0.38)**	£(0.40)
Diluted[1]	**£(0.10)**	£(0.26)	**£(0.38)**	£(0.40)

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 nine months ended 30 September 2017 and 30 September 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 September 2017 (£000's)	**31 December 2016 (£000's)**
Cash	38,994	33,558
Segregated cash*	214	34,927
Cash and cash equivalents	39,208	68,485
Restricted cash – other	189	253
Total cash balances	**39,397**	**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 for this purpose at 30 September 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 September 2017 (£000's)	31 December 2016 (£000's)
Due from the Gamesys group	6,289	9,242
Due from the 888 group	2,650	1,625
Affiliate revenue receivable	2,178	1,766
Short-term loans receivable	659	572
Swap-related receivable	—	1,948
Prepaid expenses	3,548	967
Other	301	643
	15,625	**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 (£34.4 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 September 2017 is £7.5 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 and Goodwill

As at 30 September 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	—	—	1,989	—	—	—	—	1,989
Translation	(1)	292	592	(110)	—	—	(1,715)	(942)
Balance, 30 September 2017	**93**	**341,219**	**24,251**	**69,944**	**12,900**	**20,434**	**316,114**	**784,955**
Accumulated amortisation								
Balance, 1 January 2017	34	96,811	7,414	6,523	2,824	—	21,477	135,083
Amortisation	11	33,801	3,576	2,628	1,225	5,107	—	46,348
Translation	6	51	241	(30)	—	—	(1,697)	(1,429)
Balance, 30 September 2017	**51**	**130,663**	**11,231**	**9,121**	**4,049**	**5,107**	**19,780**	**180,002**
Carrying value								
Balance, 30 September 2017	**42**	**210,556**	**13,020**	**60,823**	**8,851**	**15,327**	**296,334**	**604,953**

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 September 2017 (£000's)	31 December 2016 (£000's)
Affiliate/marketing expenses payable	5,112	3,058
Payable to game suppliers	1,512	950
Compensation payable	2,949	2,989
Loyalty program payable	252	260
Professional fees	730	349
Gaming tax payable	416	526
Other	1,392	860
	12,363	**8,992**

13. Other Short-Term Payables

Other short-term payables consist of:

	30 September 2017 (£000's)	31 December 2016 (£000's)
Transaction related payables	3,496	9,321
Current portion of other long-term payables *(Note 16)*	8,667	6,000
	12,163	**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	(18,771)	—	—	(18,771)
Accretion[1]	1,424	290	620	2,334
Foreign exchange translation	(17,139)	—	—	(17,139)
Balance, 30 September 2017	**185,530**	**67,824**	**83,863**	**337,217**

Current portion	24,583	—	—	24,583
Non-current portion	160,947	67,824	83,863	312,634

[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 September 2017 (£000's)	31 December 2016 (£000's)
Cash and restricted cash	39,397	68,738
Trade and other receivables	15,625	16,763
Other long-term receivables	2,169	2,624
Customer deposits	8,736	8,573
	65,927	**96,698**

Financial liabilities

	Financial liabilities at amortised cost	
	30 September 2017 (£000's)	31 December 2016 (£000's)
Accounts payable and accrued liabilities	12,363	8,992
Other long-term payables	9,852	14,505
Other short-term payables	12,163	15,321
Interest payable	547	633
Payable to customers	8,736	8,573
Convertible debentures	255	3,266
Long-term debt	337,217	370,793
	381,133	**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 September 2017 amounted to £0.5 million. Fair value was determined based on a quoted market price in an active market.

Other financial instruments

	Financial instruments recognised at fair value through profit or loss – assets (liabilities)	
	30 September 2017 (£000's)	31 December 2016 (£000's)
Cross currency swap	(7,465)	38,171
Contingent consideration	(47,553)	(120,187)
	(55,018)	**(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 September 2017 (£000's)	31 December 2016 (£000's)	30 September 2017 (£000's)	31 December 2016 (£000's)
Cross currency swap	(7,465)	38,171	—	—
Contingent consideration	—	—	(47,553)	(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 25% higher (£12.1 million), than its value at 30 September 2017, increasing the current portion of the contingent consideration, which is composed of the Botemania earn-out payment and the first Jackpotjoy milestone payment, by £8.6 million and increasing the long-term contingent consideration, which is composed of the final Jackpotjoy milestone payments due in 2019 and 2020, by £3.5 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 September 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	16,364
Payments	(94,218)
Accretion of discount	5,220
Contingent consideration, 30 September 2017	**47,553**
Current portion	41,073
Non-current portion	6,480

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. The Group has included £8.7 million of this payable in current liabilities (note 13), with the discounted value of the remaining balance, being £9.9 million, included in other long-term payables. During the nine months ended 30 September 2017, the Group has paid a total of £3.3 million in relation to the additional non-compete clauses.

17. Share Capital

As at 30 September 2017, Jackpotjoy plc's issued share capital consisted of 74,052,431 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	92	916,498
Exercise of options	15	152,656
Balance, 30 September 2017	7,405	74,052,431

Ordinary shares

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

Convertible debentures

During the nine months ended 30 September 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 nine months ended 30 September 2017 (and following the completion of the plan of arrangement), debentures at an undiscounted value of £1.0 million were converted into 288,165 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 nine months ended 30 September 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 nine months ended 30 September 2017, the Group recorded £0.3 million and £1.2 million, respectively (2016 – £1.0 million and £1.5 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 Financial Times Stock Exchange 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 nine months ended 30 September 2017, the Group recorded £0.1 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 September 2017, the Group had recognised £nil liability (31 December 2016 – £nil) related to potential contingent indirect taxation liabilities.