JPJ Group plc

ANNUAL REPORT 2018

Delivering the best online gaming experience for all our customers

Our business

We are a leading operator of online bingo-led games, delivering a portfolio of successful gaming brands to a global consumer base

Our leading market position and diverse customer base provide us with a number of opportunities to deliver further growth.

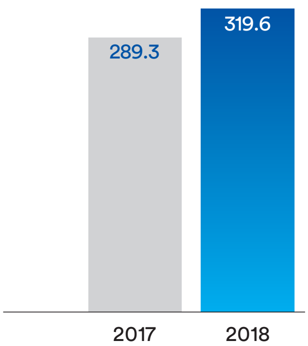
2018 highlights

OPERATIONAL HIGHLIGHTS

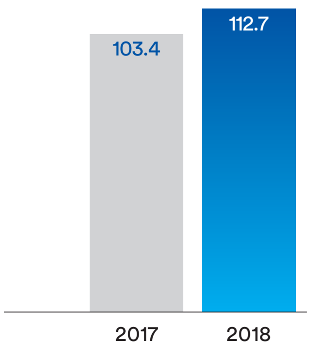
- Group revenue and profit growth
- Completion of major earn-out obligations
- Successfully addressing the changing regulatory backdrop
- Geographic diversification
- Adding capability

FINANCIAL HIGHLIGHTS

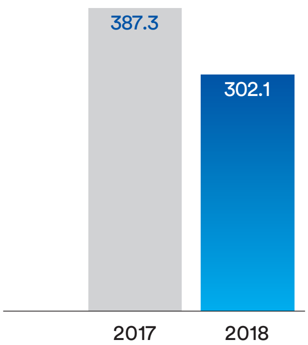
Revenues (£m)
£319.6m
+10%



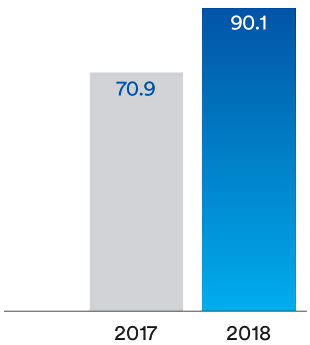
Adjusted EBITDA (£m)[1]
£112.7m
+9%



Net debt (£m)[1]
£302.1m
-22%



Adjusted net income (£m)[2]
£90.1m
+27%



1. This is a non-IFRS measure. See pages 21, 22 and 118 for additional information.
2. Net income as reported under IFRS was £18.1 million in 2018, net loss of £70.7 million in 2017.

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FOR MORE INFORMATION VISIT
WWW.JPJGROUP.COM

At a glance

Our leading market position and diverse customer base provide us with a number of opportunities to deliver further growth

We offer bingo and casino games to our customers through Jackpotjoy, Starspins, Botemania, Vera&John, InterCasino and other brands. Our operations are primarily focused on the UK and Europe.

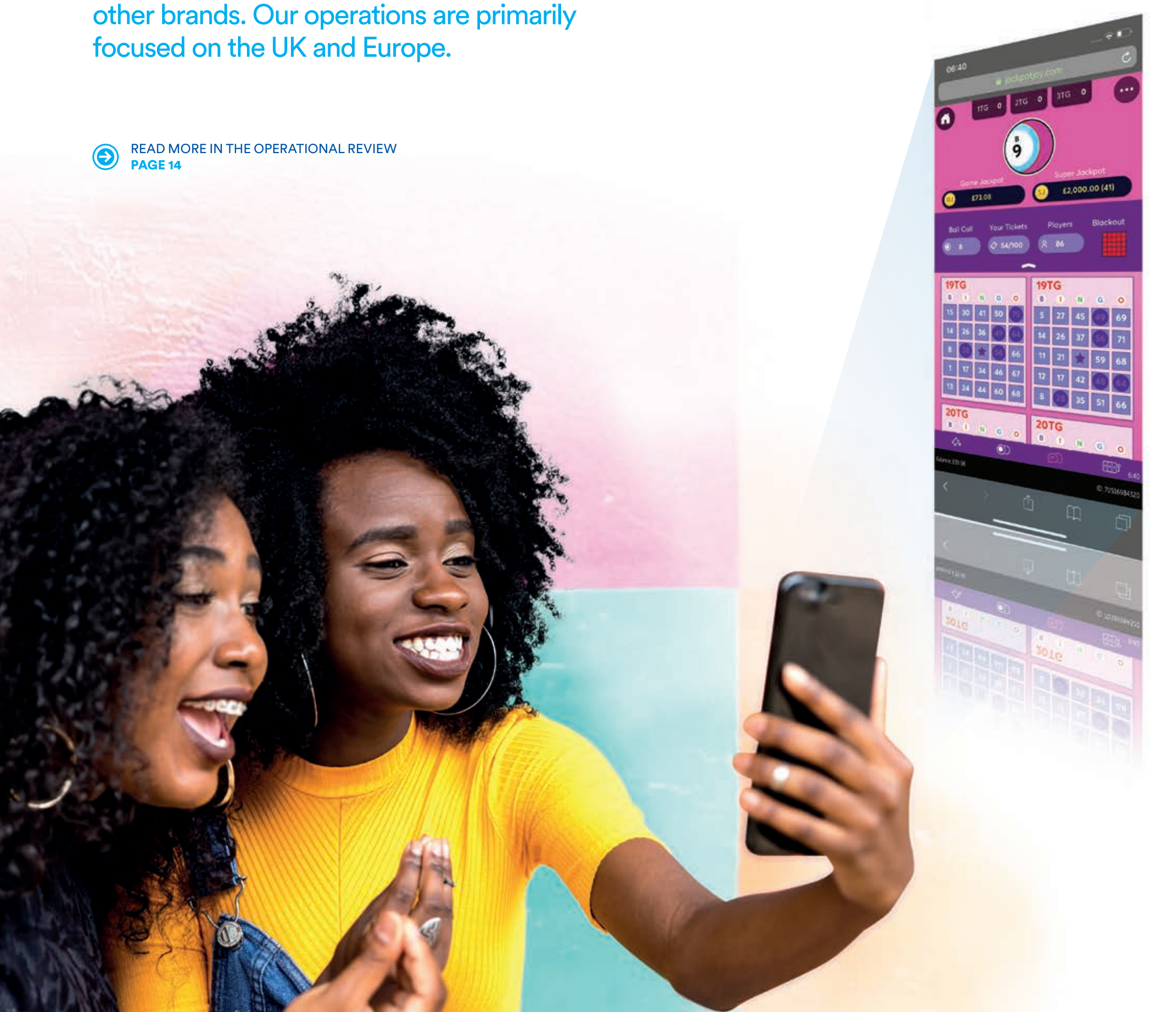
READ MORE IN THE OPERATIONAL REVIEW
PAGE 14

KEY FACTS

High customer retention rates
259,664
monthly active customers

Highly cash generative
94%
operating cash flow conversion

World leading
No.1
UK online bingo-led operator



OUR DIVISIONS

JACKPOTJOY

Revenue
£216.0m

Year-on-year revenue growth
0%

Adjusted EBITDA[1]
£93.0m

Core brands
B2C Online Bingo

B2C Online Casino

Software provider
Gamesys Group
888 (Dragonfish)

Licences
Gibraltar, Spain, Sweden, UK

VERA&JOHN

Revenue
£103.6m

Year-on-year revenue growth
42%

Adjusted EBITDA[1]
£30.8m

Core brands
B2C Online Casino

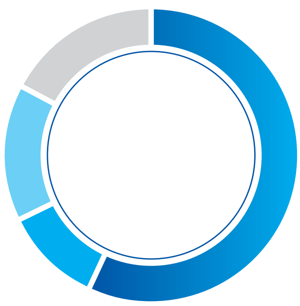
B2B White Label

Software provider
Proprietary

Licences
Malta, Sweden, UK

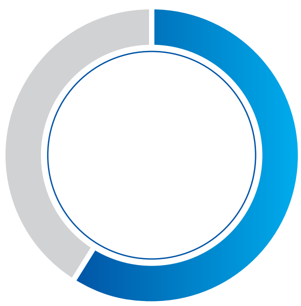
BUSINESS SNAPSHOT FY2018

Geographic revenue



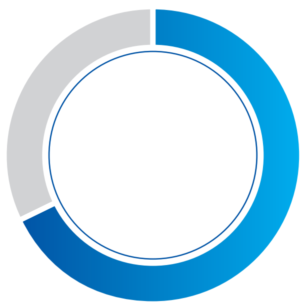
UK	57%
Nordics[2]	11%
Rest of Europe	15%
ROW	17%

Brand revenue



Bingo-led	59%
Casino	41%

Divisional revenue



Jackpotjoy	68%
Vera&John	32%

1. This is a non-IFRS measure. See pages 21, 22 and 118 for additional information.
2. Nordics region includes Finland, Norway and Sweden.

Chairman's Statement

Strong international growth and addressing UK regulatory challenges

2018 was a year which helped demonstrate the benefits of a diversified geographic footprint and we are particularly pleased with the high growth seen in our international businesses. We look forward to a return to growth in the UK in the second half of 2019 and to continued progress overseas.

Neil Goulden
Executive Chairman

Overview and summary of results

2018 was another record year in terms of revenues and EBITDA for JPJ Group plc, our new name for the Company which became effective from June. We also substantially completed the earn-out payments to Gamesys for the assets we acquired in 2015 leaving only two small 'milestone' payments of a maximum of £5.0 million each should the Jackpotjoy brands attain certain EBIT targets for the 12 months ending March 2019 and March 2020. The second of these £5.0 million milestone payments has now been revalued to £nil, primarily reflecting the impact of increased gaming duty in the UK. The payment for Botemania in June 2018, the Spanish business within the Jackpotjoy division, as well as the first milestone payment, amounted to £63.5 million and was comfortably met by existing cash resources.

The benefits of our strong underlying cash flows should now become even more apparent going forward. In addition, we also completed the disposal of our social gaming business for a cash consideration of £18.0 million which enables the Group to focus exclusively on our core activity of real money gaming. Subsequent to the end of the 2018 financial year, in March 2019 we completed the sale of Mandalay to a subsidiary of 888 Holdings plc for a total cash consideration of £18 million. This will enable the Group to concentrate on a more focused brand strategy in the UK through Jackpotjoy.[1, 2]

Successful move to the premium list in July 2018

On 26 July 2018, we were pleased to announce the approval by the Financial Conduct Authority ('FCA') of the transfer of the listing category of all of our ordinary shares from a standard listing to a premium listing on the Official List of the FCA. This took place after a period of intensive due diligence and it was pleasing to be able to achieve this milestone ahead of plan. Not only does a premium listing confer qualitative benefits in terms of how the Group is perceived by the investment community, it also means that our shares are included in the FTSE All-Share indices thereby creating additional demand from index funds.

Record operational results

2018 results represented a record performance for the Group since its creation in 2014. Gaming revenues grew 10% to £319.6 million, while adjusted EBITDA[3] increased 9% to £112.7 million. Following a payment of £63.5 million in June (primarily for Botemania), the vast majority of our earn-out payments have now been met. We finished the year with adjusted net debt of £302.1 million and adjusted net leverage of 2.68x was therefore considerably lower than the 3.57x at the end of 2017.

Leadership team and Board developments

Andria Vidler joined the Company's Board of Directors as a Non-Executive Director following the Company's AGM on 7 June 2018. She also joined the Group's Remuneration Committee and is the Chair of the Group's Corporate Social Responsibility Committee. Andria has extensive public markets experience and is currently Chief Executive Officer of Centaur Media PLC (CAU:LSE), a leading business information group.

Paul Pathak and David Danziger have stated it is their intention not to seek re-election at the forthcoming AGM. Paul and David have been on the Board since the Intertain Group was admitted to the Toronto Stock Exchange in 2014. They have made a huge contribution to the development of what is now JPJ Group plc, including the listing on the London Stock Exchange in January 2017. On behalf of shareholders I would like to thank them for their contribution and wish them well for the future.

Capital structure

JPJ Group plc continues to generate a significant free cash flow[4]; in 2018 this amounted to £100.6 million. The primary utilisation of the free cash flow[4] continues to be deleveraging the balance sheet; as at 31 December 2017 the adjusted net leverage ratio stood at 3.57x and at the end of 2018 this had reduced to 2.68x.

The Board is comfortable retaining the current significant cash on the balance sheet given the optionality which this confers. We will review the opportunity to use some or all of this spare cash to pay down debt on a quarterly basis.

The Board remains committed to returning excess cash to shareholders, when it can do so on a progressive and sustainable basis. Our debt facility allows us to return cash to shareholders once the adjusted net leverage ratio falls below 2.5x, but for this to be sustainable the adjusted net leverage ratio needs to be comfortably below this level. The Board remains committed to introducing a progressive dividend policy and also sees the value in a sustainable share buyback programme should the Group's share price remain, in its view, materially undervalued and at a discount to the peer group.

We remain focused on the delivery of operational progress and revenue growth and also an appropriate balance sheet to support these ambitions.

Our people, customers and outlook

2018 was another record year in terms of financial results. This robust performance reflects the hard work of our employees throughout the entire organisation and is once again testament to their diligence and dedication. As part of our commitment to meeting the highest industry standards on responsible gambling, revenues at Jackpotjoy UK were impacted in 2018 by the associated and enhanced measures we have implemented and the closure of a small number of high value accounts but, provided there are no further regulatory challenges, we expect the Jackpotjoy[1,2] division to return to revenue growth during the latter part of 2019.

Our commitment to providing a safe and enjoyable environment for our customers is unwavering. While for the vast majority of players game-play represents fun and entertainment, the Group will continue to implement and develop responsible gambling measures to protect all customers, especially those at risk from potential harm. The Group has a strong track record in responsible gambling and is dedicated to safe game-play and positive gambling behaviour. It offers a variety of tools to help educate and protect customers in real time, while maintaining secure data and ensuring that activities are marketed in a fair and transparent way. Finally, we are confident of our prospects for revenue growth against a positive market backdrop in global online gambling and we aim to continue to provide an entertaining, fun and responsible environment for all our customers to enjoy.

Neil Goulden
Executive Chairman

1. Effective 1 January 2018, the Mandalay segment has been aggregated with the Jackpotjoy segment.
2. Excludes results from the Group's social gaming business, which was sold during the year ended 31 December 2018.
3. This is a non-IFRS measure. See pages 21, 22 and 118 for additional information.
4. Operating cash flow net of capital/intangible asset expenditures/disposals.

RESPONSIBLE GAMBLING

We recognise the importance of promoting a culture of responsible gambling to ensure that our customers can enjoy a recreational gaming experience without exposure to the risks of problem gambling. We further recognise that we have a duty to provide the right tools to our customers to both educate and protect them, whilst maintaining secure data and ensuring that we market our activities in a fair, transparent and responsible way.

Our focus

Promoting a culture of responsible gambling

- Encouraging our customers to play responsibly
- Training our staff to put our customers first
- Raising awareness and support

Our values

Putting the customers first

We actively encourage responsible gambling

Keeping customers at the heart of what we do

We are committed to treating employees fairly

Our behaviours

We have a duty to provide the tools to our customers to educate and protect them

- Setting gaming limits
- Responsible marketing
- Data security and data protection

READ MORE ABOUT OUR RESPONSIBLE GAMING ACTIVITIES
WWW.JPJGROUP.COM/RESPONSIBILITY

Chief Executive's Statement

Building our capability for future growth

2018 has been a highly successful year; our international business has achieved strong growth whilst the UK has been resilient in the face of a challenging regulatory backdrop.

OUR RESULTS

Revenue
£319.6m
+10%

Adjusted EBITDA
£112.7m
+9%

Net Debt
£302.1m
-22%

OUR HIGHLIGHTS

- Group revenue and profit growth
- Completion of major earn-out obligations
- Successfully addressing the changing regulatory backdrop
- Adding capability
- Putting the customer first

2018 has proven to be a very successful year for JPJ Group plc and one where we have delivered both revenue and profit growth[1]. In June 2018, the final earn-out payment to Gamesys was made in relation to Botemania and at the same time there has been further significant progress in deleveraging the business. This has all been achieved despite a challenging regulatory backdrop in our core UK market. Our strategy is underpinned by three key tenets: putting the customer at the heart of everything we do, geographic diversification, and adding capability across the Group.

Putting the customer first
Our long-term, sustainable business model is based around putting the customer at the heart of our business and 'knowing our customer' remains an organisational imperative.

We have invested significantly in building a data architecture during 2018 so that we can better understand our customers and their behaviour. The benefits of this investment will be realised fully in 2019 as they enable us to build long-term, sustainable relationships with our customers to support revenue growth into the future.

This has been combined with a thorough review of how we best manage customers, particularly with regard to any signs of problem gambling. For us this is not just morally the right thing to do, but makes clear commercial sense as problem gamblers do not suit a high retention business model.

We have made the business accountable for responsible gambling rather than delegating it to a separate function and a responsible gaming or corporate social responsibility objective is part of the bonus scheme of employees who report directly to me.

Geographic diversification; adapting to a new regulatory environment in the UK
The Group has historically been very reliant on our core UK operations and these faced significant fiscal and regulatory challenges in 2018. To mitigate risk and open up new opportunities for growth, a focus of strategy has been geographic diversification. In 2018 43% of our revenues were generated outside of the UK compared to 36% in 2017.

Simon Wykes
Chief Executive Officer,
Jackpotjoy Operations Ltd.

Across our international markets, we have been particularly pleased with the significant growth being delivered in Germany, Japan, Spain and Brazil through our Vera&John, Botemania and InterCasino brands and also in our B2B offering which is largely focused on Asia.

The UK on the other hand has proved to be a very challenging market due to four significant fiscal and regulatory changes, each of which impacted the traditional JPJ Group plc business model, namely:

1. The move to calculate Remote Gaming Duty ('RGD') on Gross Gaming Revenue ('GGR') rather than Net Gaming Revenue ('NGR') represented a significant increase in our taxation costs which we have successfully mitigated through geographical diversification and business model adjustments.
2. The Competition and Markets Authority ('CMA') requirements announced in February 2018 dictate a fundamental change in the way we both acquire and retain customers. We introduced the changes promptly, particularly around our use of bonus offers. We believe that our product-led solutions can offer us a competitive advantage going forward.
3. The implementation of General Data Protection Regulation ('GDPR') in May 2018 also required changes to the way we have traditionally retained and reactivated customers.
4. Increased responsible gambling and anti-money laundering ('AML') measures proved to be challenging as a number of our highest value customers were not prepared to share the level of detail we now require to ascertain their sources of wealth.

The implementation of the above measures all initially had a negative impact on profitability but as the organisation has learnt through the process we have been able to change our business model for the better in a number of areas. We believe that these measures in the longer term will make the strong stronger and the weak weaker. In fact, we have seen evidence of that in our own results in 2018.

Despite all of the challenges, there was a robust performance from our flagship Jackpotjoy brand in the UK; both the number of First Time Depositors ('FTDs') and the revenue they generate, increased significantly. We also grew both customers and revenue within every segment of our business, with the exception of our top tier VIPs. The small decline in year-on-year revenue is solely due to a decline in our top tier VIP customers following the implementation of the enhanced responsible gaming and AML measures during the year.

While it is always disappointing to experience a decline in revenue, we consider a lower reliance on VIPs to be healthy in the longer term. The growth in every metric and the stabilisation of our top tier VIPs in the latter part of the trading period fills us with confidence about our future success.

In our smaller brands, particularly those in Mandalay, this proved far more challenging and we struggled to acquire, retain and reactivate customers. Following a strategic review, we therefore took the decision to dispose of Mandalay; in March 2019 we completed the sale of the business to a subsidiary of 888 Holdings plc for £18.0 million.

READ MORE ABOUT OUR BUSINESS MODEL
PAGE 8

Adding capability

2018 has also been a year of adding capability into our business, particularly in terms of people, product, platform and marketing.

Organisationally, we have started taking a more holistic view of the business and have added a number of high-quality individuals who have significantly improved the capability of our organisation.

We have invested in above the line ('ATL') marketing during 2018 for Jackpotjoy in the UK, Botemania in Spain and for Vera&John and InterCasino in Germany and Sweden. We have also established a marketing services company specialising in digital marketing.

Significant investment has been made in technology during the year. The investment in our proprietary enJoy platform has enabled us to now generate a significant proportion of our revenue on our proprietary technology. This has largely been focused around compliance, reducing technical debt, creating a modular architecture and integrating payment providers. The outcome of this investment means that the enJoy platform is now suitable for delivering our global ambitions of serving both regulated and unregulated markets with one platform. Meanwhile, we have maintained good relationships with our third-party platform providers who have supported both our core and growing brands.

A product function was established over the course of the year to build our product roadmap and ensure that the quality of the customers' experience is enhanced. We have a simple philosophy that customers play online for the fun and entertainment of game-play. We will work hard to reduce the amount of time customers are involved in non-play activities. The 2018 investment has again provided the infrastructure to deliver this vision in 2019.

A content studio has also been launched to build our own in-house content which should both enable us to differentiate our offer and increase our operating margins. We have been involved with the development of a number of games over the course of 2018, but we are particularly proud of 'Hawaiian Dreams' which has become our No.1 game in Asia.

We have also built a content aggregation business which has enabled us to serve content to operators worldwide. While it is early days, the business is beginning to generate some momentum with revenue more than doubling from H1 to H2.

Outlook for 2019

Once more the business faces significant cost headwinds with an increase in RGD in the UK from 15% to 21% in April and the regulation and subsequent tax introduction in Sweden.

However, we remain confident that we will continue to deliver healthy revenue growth and fully expect to continue to pursue our international ambitions in high-growth markets and to solidify our market-leading position in the UK.

Simon Wykes
Chief Executive Officer, Jackpotjoy Operations Ltd.

1. As measured by adjusted EBITDA.

Business model

A sustainable formula for growth

JPJ Group plc is a leading global bingo-led operator with a strong portfolio of online gaming brands. We are committed to running our business activities responsibly.

OUR KEY DIFFERENTIATORS

Diversified operations, across geographies and regulated/unregulated markets, provide a backdrop for balanced growth

Geographic revenue

UK	57%
Nordics[1]	11%
Rest of Europe	15%
ROW	17%

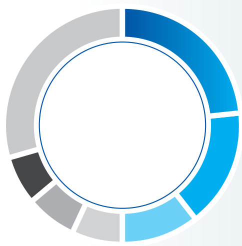
1. Nordics region includes Finland, Norway and Sweden.

Attractive demographic of primarily female audiences who are less targeted by sports-led operators

Active users by audience demographic Jackpotjoy UK brand

Market-leading position as the No. 1 operator leading to scale benefits

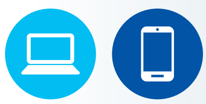
Online bingo-led market share



JPJ	24%	BGO	7%
GVC	16%	Tombola	7%
Stride	11%	Others	28%
Rank	7%		

Multi-channel offering allows JPJ Group plc to benefit from growth in use of mobile

Q4 2018 revenue share by device for Jackpotjoy UK brand



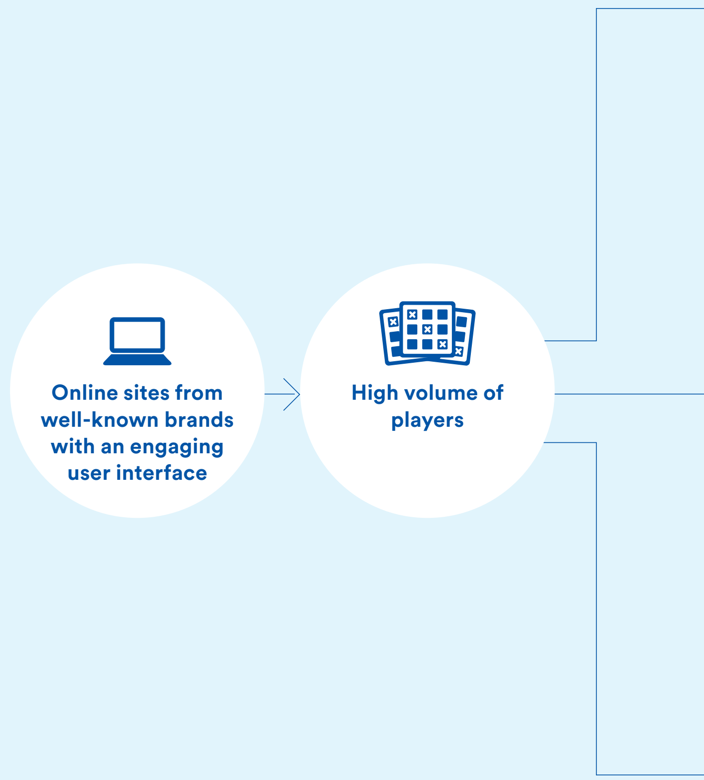
Desktop 26%

Mobile 74%

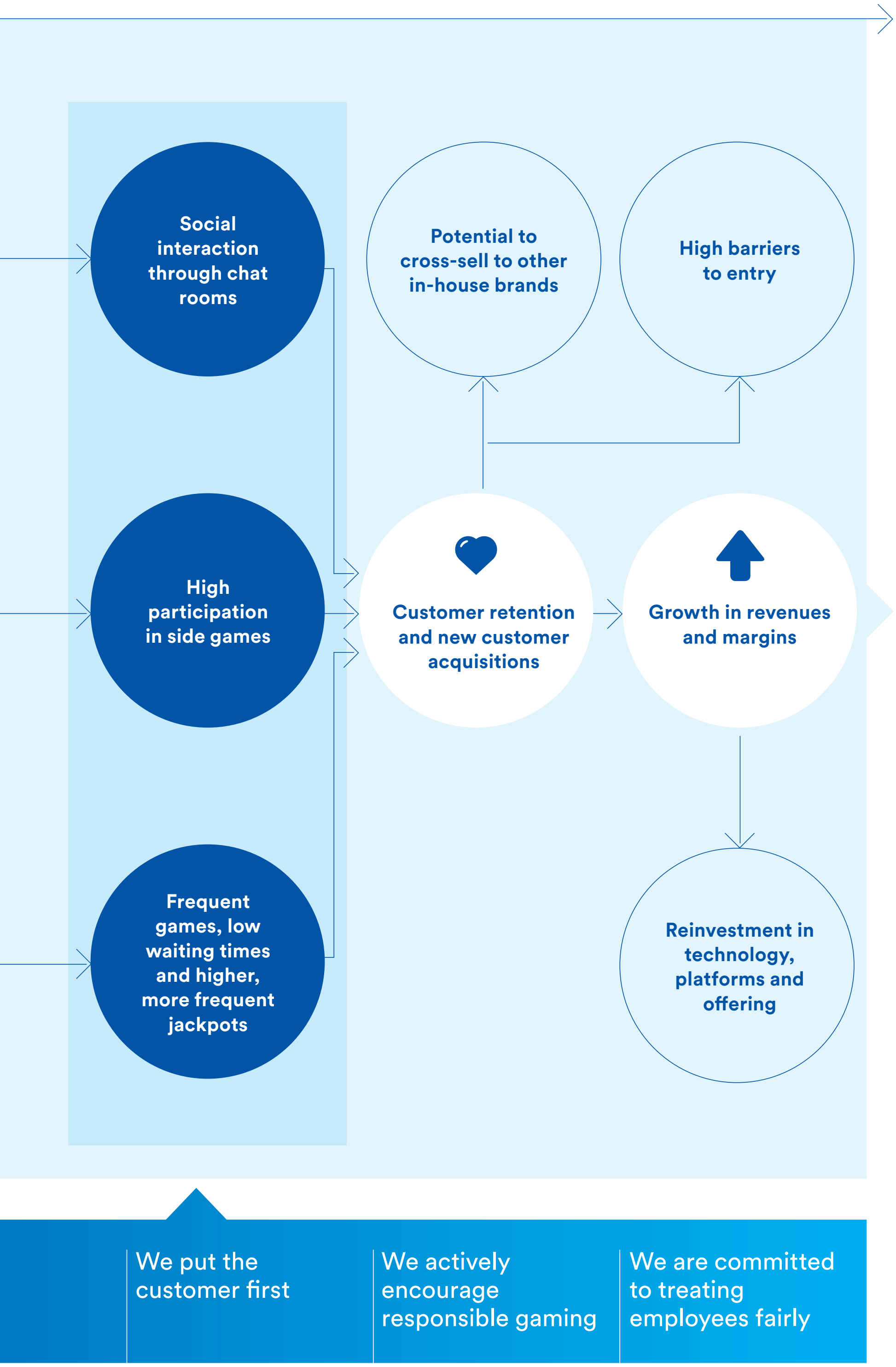
Proprietary technology platforms with strong in-house capabilities

Strong financial position Track record of cash generation and growth enabling us to reduce leverage

WHAT WE DO



We are committed to operating a responsible business which is founded on our three values:



THE VALUE WE CREATE FOR STAKEHOLDERS

Our business is highly cash generative, with high growth and high margins. We maintain high standards of corporate governance to ensure we are building our business responsibly.

FOR SOCIETY

We promote a culture of responsible gaming and market our activities in a transparent and responsible way.

FOR CUSTOMERS

We offer a user-friendly, multi-platform approach aimed at meeting our customers' needs and encourage customers to play responsibly.

FOR GOVERNMENT

We contribute to the economies where we operate through revenue generation and taxes paid.

FOR SHAREHOLDERS

We have a strong track record of cash generation which enables us to reinvest in the business.

Market Review

The global online gambling market has continued to deliver double-digit growth

Double-digit growth remains a realistic medium-term expectation.

The global online gambling market has an annual value of around £50 billion[1] and has continued to deliver double-digit growth in 2018[1]. Gaming's share of this is approximately 50%[1], with small market share falls in recent years led by betting outperformance (mobile adoption, variance in win margins). However, this trend is showing signs of reversing as online gaming grows in Asia and other emerging markets. Double-digit growth remains a realistic medium-term expectation, though the shape of this growth is starting to change.

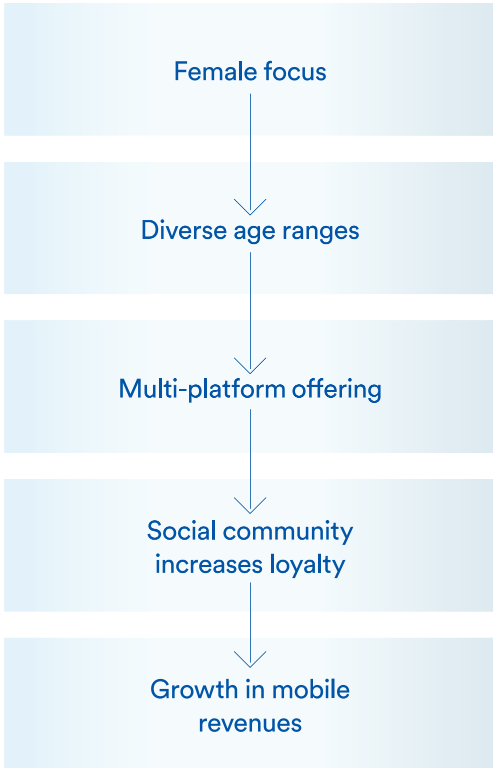
JPJ Group plc's overall market share of global gaming (excluding poker) is circa 1.4%. This is overwhelmingly concentrated in Europe, where its estimated share of gaming is 2.7% – making the Group a major operator in a highly fragmented market. Some of JPJ Group plc's main markets include the UK, Spain and Sweden. Each has a different maturity profile which in turn has a significant impact on performance.

UK

The UK is facing three maturity headwinds which have reduced overall online gaming growth in 2018 to high single-digit levels, from a previous medium-term run-rate of around 20% (prior to 2017).

1. **Underlying sector maturity**
   Smartphone penetration is very high, consumer data costs are low and advertising has been broad, making consumer adoption rapid. There are now estimated to be over 10 million adults in the UK with a gambling account (excluding lottery) representing over 20% of the adult population.

DRIVERS

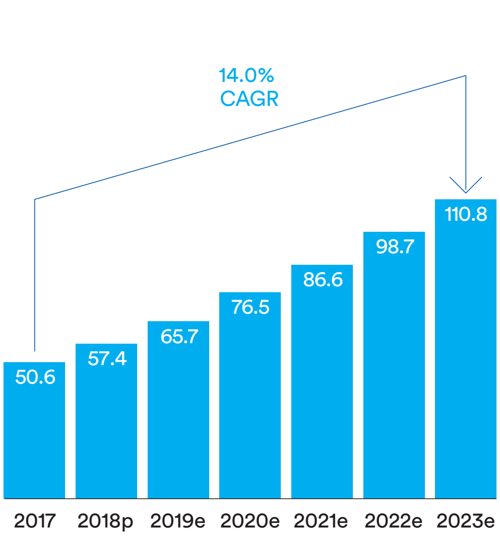


2. **Channel shift**
   Online gambling has delivered relatively rapid channel shift from landbased. Over 50% of all commercial gambling revenue in the UK is now online, meaning growth from these levels increasingly implies greater overall gambling spend rather than simply shifting habits within the segment.
3. **Tax and regulation**
   The UK has faced a number of changes to its tax and responsible gambling regimes, which have especially impacted the VIP segment; this is likely to have cost the total market 5ppts of growth[1]. Whilst JPJ Group plc is more mass market than most, it is by no means immune. However, the countervailing positives to the slowdown in growth should be seen as increasing sustainability through more active responsible gambling management. Going forward there should be increased opportunities for larger brands to drive consolidation and gain market share.

Spain

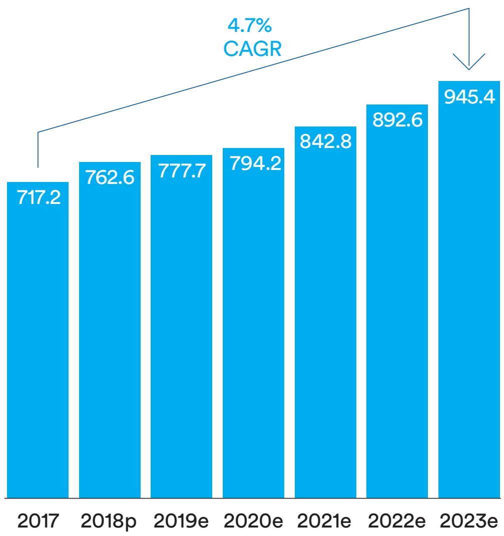
Spain is a much less mature jurisdiction than some other Northern European markets, with lower smartphone usage and far less channel shift. Moreover, the regime continues to be relatively liberal, with a 5ppt duty cut to 20%, though a review is being carried out into gambling advertising (similar to many other jurisdictions). Spain's relative lack of maturity suggests strong double-digit market growth into the medium-term (25%+[1]), which Botemania, JPJ Group plc's leading brand, is very well placed to capitalise upon.

GLOBAL ONLINE NET GAMBLING REVENUE (€BN)



Source: Regulus Partners.

UK ONLINE BINGO-LED GAMBLING GROSS WIN (£M)



Source: H2 Gambling Capital.

Sweden

Sweden became a Point of Consumption regulated market in 2019. This is likely to accelerate the maturity profile of the market as advertising becomes more open, efficient and responsible, and other social responsibility measures are adopted (e.g. national Self-Exclusion, less aggressive bonusing[2]). Equally, Sweden has a similar smartphone adoption and usage profile to the UK, meaning relatively high levels of underlying consumer maturity. Also, established Swedish gaming operators now face direct competition from domestic monopolies (Svenska Spel, ATG) for the first time. All of these drivers point to a slowdown in growth from historical circa 20% Compound Annual Growth Rate ('CAGRs'). However, as with the UK, there are clear positives in terms of sustainability and consolidation that should be important catalysts to a strong local brand such as Vera&John.

Other international markets

Outside of the three core markets above, all of which are now subject to Point of Consumption tax from a regulatory perspective, JPJ Group plc also has exposure to a 'long tail' of other markets. The Far East as a whole accounted for a substantial proportion of ROW revenues in 2018 and sales are also growing strongly across a number of other emerging markets. These developing markets contain a very broad range of individual characteristics (e.g. Norway is very different to Brazil), but they are all significantly less mature than the UK or Sweden. Consequently, from an underlying consumer perspective, these markets collectively should exhibit strong double-digit growth into the medium to long term, albeit with varying degrees of regulatory risk and opportunity.

Overall therefore, the global online gambling market is changing shape but continuing to deliver attractive growth. On the one hand, more mature markets, which form JPJ Group plc's historical core, are naturally showing signs of moderation. In these geographies increasing regulation should lead to greater sustainability, market share gains for leading brands and industry consolidation. However, outside the more mature and largely Northern European markets, online gaming is exhibiting much higher growth driven by broader consumer digital dynamics and rising smartphone adoption. The global online gaming market is therefore becoming a more balanced business environment; sustainable growth in mature markets alongside regions exhibiting higher but less predictable growth. JPJ Group plc is proven in both environments, which can provide an attractive mix of growth and sustainability.

1. Regulus Partners Estimates.
2. EGR Intel.

Our strategic framework

Creating opportunity to deliver growth

Our strategy is based on three specific opportunities, with the overriding goal to deliver further growth and build on our leading market position and loyal customer base.

STRATEGIC PRIORITY

1ST Customer first

Our long-term, sustainable business model is based around putting the customer at the heart of our business and 'knowing our customer' remains an organisational imperative.

Geographic diversification

The Group has historically been very reliant on our core UK operations and these faced significant fiscal and regulatory challenges in 2018. To mitigate risk and open up new opportunities for growth, a focus of strategy has therefore been geographic diversification.

Adding capability

Organisationally, we have started taking a more holistic view of the business and have added a number of high-quality individuals who have significantly improved the capability of our organisation.

PROGRESS IN 2018	KEY OBJECTIVES IN 2019
– We have invested significantly in building a data architecture during 2018 so that we can better understand our customers and their behaviour. – A thorough review of how we best manage customers, particularly with regards to any signs of problem gambling. – We have made the business accountable for responsible gaming rather than delegating it to a separate function and a responsible gaming or corporate social responsibility objective is part of the bonus scheme of the Chief Executive Officer of Jackpot Operations Ltd. and his direct reportees.	– Keeping the customer at the heart of everything we do. – Building long-term, sustainable relationships with our customers to support revenue growth into the future. – Responsible gaming: for us this isn't just morally the right thing to do but makes clear commercial sense as problem gamblers do not suit a high retention business model.
– 43% of our revenue is generated outside of the UK compared to 36% in 2017. – Across our international markets, we have been particularly pleased with the significant growth being delivered in Germany, Japan, Spain and Brazil. – Progress principally through our Vera&John and InterCasino brands and also in our B2B provision which is largely focused on Asia.	– Continue to invest in high-growth, developing international markets. – Maintain a lower reliance on VIPs in the UK: healthy in the longer term, further adding to our retained revenue model. – Focus marketing investment on our 'champion' brands.
– We have invested in ATL marketing during 2018 for Jackpotjoy in the UK, Botemania for Spain and for Vera&John and InterCasino in Germany and Sweden. – Significant investment has been made in technology during the year. Our proprietary enJoy platform underpins the Vera&John division which generated 32% of Group revenues in 2018. – We have also created a Product function over the course of the year to build our Product Roadmap and ensure that the quality of the customers' experience is enhanced.	– Sustain investment in our people, product and platform and marketing capability. – Increase our in-house content to enable us to differentiate our offer and increase our operating margins. We have developed a number of games over the course of 2018, but we are particularly proud of 'Hawaiian Dreams' which has become our No.1 game in Asia. – Nurture a collaboration with Oryx where we have built a content aggregation business which has enabled us to serve content to operators worldwide.

READ MORE ABOUT OUR BUSINESS
PAGE 6

CORE GROUP KPIs

- Average active customers per month
- Average real money gaming revenue per month
- Total real money gaming revenue
- Monthly real money gaming revenue per average active customer

Operational Review: Jackpotjoy division

A robust performance

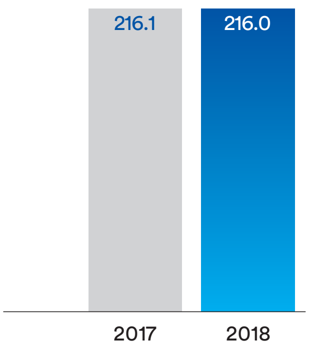
2018 saw strong revenue growth from Botemania and Starspins. This was offset by lower revenues at Mandalay while Jackpotjoy UK grew customer numbers and revenue from every segment other than top tier VIPs.

2018 ACHIEVEMENTS

- Growth in Jackpotjoy UK customer numbers and revenue – other than top tier VIPs
- Botemania has been a stellar performer with double-digit revenue growth
- Disposal of non-core Social division

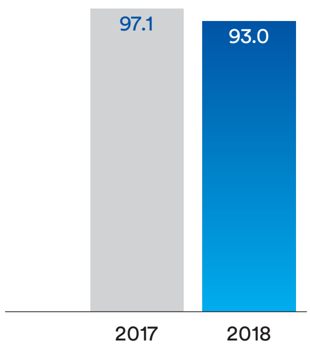
Revenues (£m)

£216.0m
0%



Adjusted EBITDA (£m)[1]

£93.0m
-4%



Jackpotjoy

In Jackpotjoy we have continued to build on the momentum generated from our ATL activity in the second half of 2017 and Q1 2018 featuring the change in brand ambassador from Barbara Windsor to Paddy McGuinness. The change has been positively received by both existing and potential customers and has played a key part in the increase in both First Time Depositors and Monthly Active Customers despite the challenges posed by the CMA.

As flagged previously, Jackpotjoy is in a very healthy position with growth in customer numbers and revenue from every segment other than top tier VIPs. Whilst top tier VIPs were impacted by enhanced responsible gambling and anti-money laundering ('AML') measures, both customer numbers and revenues per player stabilised sequentially in the latter part of 2018. The VIP impact of that in 2019 is likely to be continued deterioration in our year-on-year comparisons in H1 but a return to growth in H2.

Jackpotjoy Sweden faced a challenging backdrop due to the increased competition in the market and revenue declined from 2017. The Jackpotjoy brand in Sweden was impacted by the business model disruptor of the 'no account' casinos and unsustainable marketing investment from a large volume of operators seeking to establish positions ahead of regulation.

We continue to believe in our differentiated (bingo-led), sustainable business model and expect to benefit as regulatory and fiscal pressures drive out some of the more aggressive operators which operate on meagre profit margins.

Starspins

Starspins has again proved to be a low-maintenance, stable business generating double-digit revenue growth over the year. The growth experienced in Q4 2017 has been maintained throughout the year and we anticipate continued progression in 2019.

Botemania

Botemania has been a stellar performer with double-digit revenue growth. Following the completion of the earn-out in March 2018, we returned to TV for a short burst in May and a longer burst in the autumn with a series of new 'Boteman' adverts. 'Boteman' translates from Spanish as 'Jackpotman' and in a superhero guise has become synonymous with the Botemania brand. Whilst the campaign took a little time to start bearing fruit we ended the year with increasing FTDs and growth in active customers and revenues across every customer tier.

The reduction in tax halfway through the year will lead to an increase in competition but we are in a very strong position as the No.1 bingo-led brand in Spain and see no reason as to why we will not maintain growth into 2019.

Social

During 2018 we concluded that a social gaming business was not a core activity and that the opportunity cost of focusing additional resources on this business was not the best way of generating shareholder revenue. As a result, we disposed of the social business to Bagelcode for £18.0 million in September.

1. This is a non-IFRS measure. See pages 21, 22 and 118 for additional information.

2018 PRODUCTS

jackpotjoy
botemania
Starspins
Costa Bingo

Software provider
Gamesys Group

Licences
Gibraltar, Spain, UK

We have continued to build momentum following the change in our brand ambassador

Mandalay
The Mandalay business was built on a bonus-led acquisition strategy based around free bingo games with cross-sell being the primary tool for growing revenue.

The legislative and fiscal changes introduced in 2018 have had a significant impact on this business model:

1. Bonuses were set at a very high level to acquire new customers and retain ‘bonus hunters’. When these bonuses became taxable it necessitated a fundamental overhaul of our acquisition strategy.
2. The CMA rules further changed the acquisition strategy by limiting the imagery associated with online gaming brands.
3. Unlike Jackpotjoy, the Mandalay approach is to cross-sell customers between brands generating little customer loyalty and relationship to any particular brand. It proved far more difficult to persuade customers to provide source of wealth documentation for a brand they had little affinity with and so a relatively large number of high-value customers closed their accounts. This is coupled with accounts being closed on the 888 platform (and so impacting Mandalay) from non-Mandalay brands.
4. The introduction of GDPR and opt-in marketing consents has limited the ability to cross-sell customers to other brands.

The net result is that the Mandalay business experienced a significant ‘jolt’ in 2018. Increased focus on VIP management and retention, however, began to have a stabilising effect during the second half of the year. Following a strategic review, in March 2019 we completed the sale of Mandalay to a subsidiary of 888 Holdings plc for £18.0 million. This will enable the Group to concentrate on a more focused brand strategy in the UK through Jackpotjoy.

Operational Review: Vera&John division

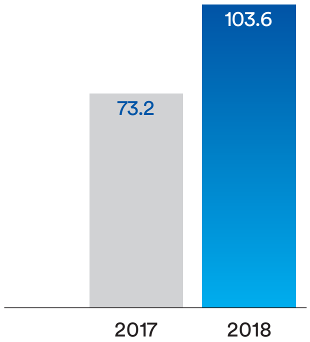
A year of accelerating growth

Supported by our proprietary technology, the Vera&John brand has been a major success story in 2018.

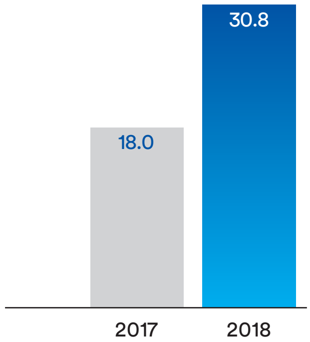
2018 ACHIEVEMENTS

- The rate of revenue progression increased in each quarter during 2018
- Significant growth in Germany, Japan, UK and Brazil
- The B2B business continues to grow strongly

Revenues (£m)
£103.6m
+42%



Adjusted EBITDA (£m)[1]
£30.8m
+71%



Vera&John
The Vera&John brand has been a major success story in 2018. Vera&John fills a niche as a fun, female-friendly casino brand and so possesses different characteristics to a typical casino, offering features which continue to resonate strongly with our customer base.

Vera&John uses our own proprietary technology, the enJoy platform, to both differentiate from the competition and to add speed and flexibility to market selection and entry. In addition to investing in our core platform, we have broadened our technical competence in 2018 by building a content business allowing us to bespoke an offering for territories often served by generic type games. Whilst it is early days, we have already shown our ability to be successful in the content arena and our 'Hawaiian Dreams' game has established itself as our top slot game in Asia.

We see the growth of technical competence and proprietary technology as a cornerstone of our future strategy to provide product differentiation but crucially, to also allow us more control over market, product and services selection. This has enabled Vera&John to diversify away from its traditional Scandinavian base and we have seen significant growth in Germany, Japan, UK and Brazil. As some of these, and other territories, are still to regulate, there is always associated volatility which makes the ability to adapt to changing regulations, payment processors and market requirements critical to managing overall business performance.

The above has resulted in spectacular growth for the Vera&John brand, and the rate of revenue progression increased in each quarter during 2018.

InterCasino
The InterCasino brand also delivered growth in 2018 following increased investment in marketing expenditure at the end of H2 2017 and during H1 2018. InterCasino was one of the world's first major online casino brands and not only does the marque have a distinctive heritage, it also serves a more male-orientated and higher-spending customer base and so is a perfect complementary fit with Vera&John. We operate the InterCasino brand on our proprietary technology in a number of territories, predominantly the UK, Germany, Sweden and Japan.

In addition to the B2C business offered on our enJoy platform with the Vera&John and InterCasino brands, we also provide B2B services to a number of customers serving the Scandinavian and Asian markets. The B2B business continues to grow strongly although our B2B efforts are focused on providing select customers with a differentiated partnership rather than purely chasing volumes.

1. This is a non-IFRS measure. See pages 21, 22 and 118 for additional information.

2018 PRODUCTS

Vera&John
InterCasino EST. 1996
enjoy

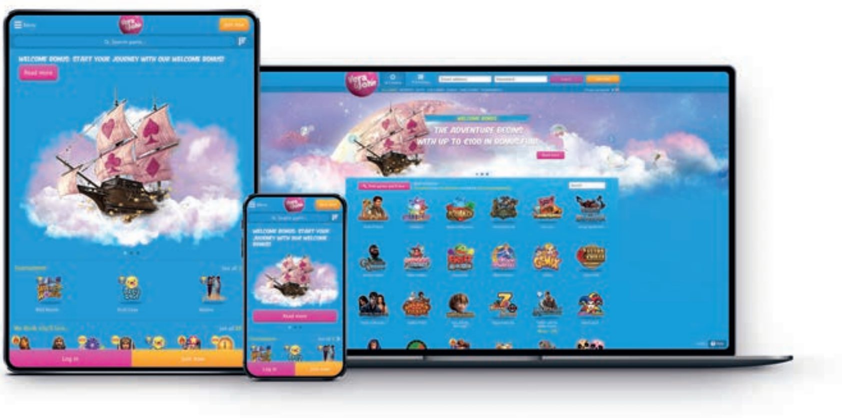
Software provider
Proprietary

Licences
Denmark, Malta, UK

Proprietary technology differentiates us from the competition and supports entry to new markets

On top of supplying a B2B platform to a number of customers, we also launched a Games Aggregation business in 2018. This was initially designed to allow us to roll-out our proprietary content and also to facilitate European content producers being able to access other territories. Revenue has increased steadily through the year as the market interest in this opportunity has increased and we now offer over 1,500 games to a number of customers through this channel.

As highlighted above, Vera&John is more volatile than the Jackpotjoy segment and therefore our ability to continue to deliver the phenomenal growth rate achieved in 2018 will be challenging. However, despite fiscal headwinds in Sweden and the UK, we still expect good progression in 2019 which will further increase the proportion of our revenue generated on our own technology and also broaden our geographic exposure.



Key performance indicators

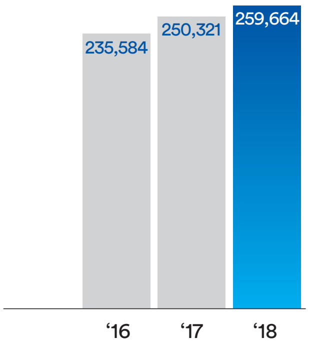
Measuring the delivery of our strategy is in part derived from the three KPIs defined below. As the chart highlights, we have made good progress of 10% in 2018 in the overall metric of Real Money Gaming Revenue. We expect to maintain an upwards trajectory in the future and to produce growth at least in line with the overall market.

KPIs

Average Active Customers per month

259,664

2017: 250,321 +4%



1ST LINK TO STRATEGY PAGE 12

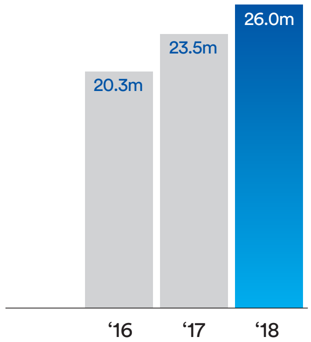
Active customers

A key performance indicator used by management to assess real money customer acquisition and real money customer retention efforts of each of the Group's brands. The Group defines Average Active Customers ('Average Active Customers') as being real money customers who have placed at least one bet in a given month. 'Average Active Customers per Month' is the Average Active Customers per month, averaged over a 12-month period. While this measure is not recognised by IFRS, management believes that it is a meaningful indicator of the Group's ability to acquire and retain customers.

Average Real Money Gaming Revenue per month

£26.0m

2017: £23.5m +10%



LINK TO STRATEGY PAGE 12

Average revenue per month

A key performance indicator used by management to assess revenue earned from real money gaming operations of the business. The Group defines Total Real Money Gaming Revenue ('Total Real Money Gaming Revenue') as revenue less revenue earned from B2B websites. The Group defines Average Real Money Gaming Revenue per Month ('Average Real Money Gaming Revenue per Month') as Real Money Gaming Revenue per month, averaged over a 12-month period. While these measures are not recognised by IFRS, management believes that they are meaningful indicators of the Group's real money gaming operational results.

Total Real Money Gaming Revenue

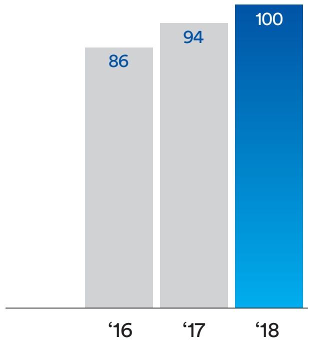
£311.9m

2017: £282.4m +10%

Monthly Real Money Gaming Revenue per Average Active Customer

£100

2017: £94 +6%



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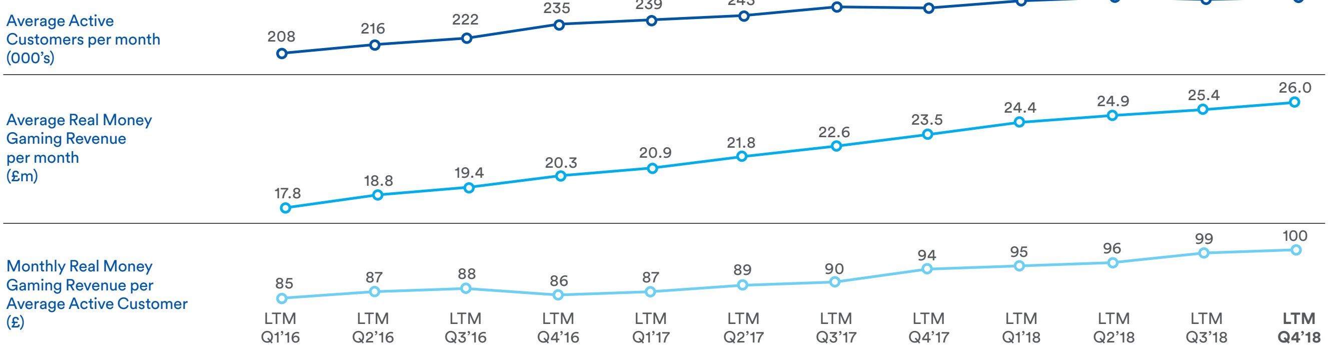
Revenue per customer

A key performance indicator used by management to assess the Group's ability to generate Real Money Gaming Revenue on a per customer basis. The Group defines Monthly Real Money Gaming Revenue per Average Active Customer ('Monthly Real Money Gaming Revenue per Average Active Customer') as being Average Real Money Gaming Revenue per month divided by Average Active Customers per month. While this measure is not recognised by IFRS, management believes that it is a meaningful indicator of the Group's ability to generate Total Real Money Gaming Revenue.

GROUP KPIs

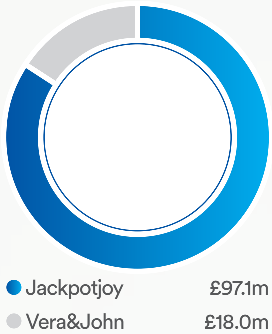


Financial Review

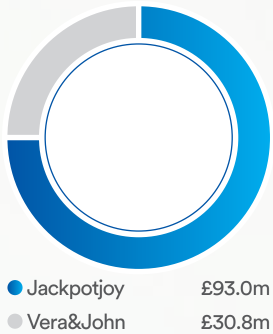
Consistently strong cash flow

FY18 builds on the Group's track record of consistently strong cash flow generation.

2017 Divisional adjusted EBITDA



2018 Divisional adjusted EBITDA



Keith Laslop
Chief Financial Officer

Overview

The financial results for 2018 highlight that consistently strong cash flow generation remains at the heart of our business model. Operating cash flow of £105.9 million (142p/share), represented an increase of 5% year-on-year and reflects an adjusted EBITDA to cash conversion rate of 94%. In turn, the cash flows have supported a rapid paydown of debt such that our net leverage ratio reduced from 3.57x at 31 December 2017 to 2.68x at 31 December 2018. This deleverage was achieved even after the payment of the final earn-out for Botemania and included the sale of the social business. In an operating sense, we achieved robust growth in both revenues (+10%) and adjusted EBITDA (+9%) which progressed to £319.6 million and £112.7 million, respectively. This reflected strong growth in our international business in particular and was also accomplished despite the UK headwinds of higher gaming taxes and the introduction of enhanced responsible gaming measures. The sections below include the high-level performance of the Group and business segments in 2018 compared to the previous year as well as some detail on our Group KPIs.

Selected financial information

	Year ended 31 December 2018 (£000's)	Year ended 31 December 2017 (£000's)	Year ended 31 December 2016 (£000's)
Gaming revenue	**319,588**	289,258	250,904
Net income/(loss) for the year after taxes – continuing operations	**18,056**	(70,717)	(42,579)
Net income/(loss) for the year attributable to owners of the parent	**14,477**	(67,897)	(40,643)
Basic net income/(loss) per share – continuing operations	**£0.24**	£(0.96)	£(0.60)
Diluted net income/(loss) per share – continuing operations	**£0.24**	£(0.96)	£(0.60)
Basic net income/(loss) per share	**£0.20**	£(0.92)	£(0.57)
Diluted net income/(loss) per share	**£0.19**	£(0.92)	£(0.57)

Financial Review continued

Comparison of the year ended 31 December 2018 and 2017

Net income/loss

The Group's net income of £18.1 million during the year ended 31 December 2018 compared to a net loss of £70.7 million in the same period in the prior year can be primarily attributed to a decrease in foreign exchange loss (2018: £0.4 million and 2017: £9.9 million), a decrease in interest expense (2018: £19.8 million and 2017: £30.2 million) and significantly lower accretion on financial liabilities (2018: £3.0 million and 2017: £25.0 million) all of which is substantially due to the debt refinance that took place in Q4 2017. The variance against prior year can further be attributed to lower fair value adjustments on contingent consideration (2018: £7.2 million and 2017: £27.6 million) as a result of the third milestone payment due to Gamesys in 2020 being revalued as noted above. The adjustment was made in the current period due to the announcement, in November 2018, that the UK point of consumption tax rate is going from 15% to 21% of gross gaming revenue, making the achievement of the third milestone target unlikely. The variance is further driven by a realised loss on cross currency swap (2018: £nil and 2017: £12.5 million). The remainder of the movement in the Group's net income/loss compared to the prior year is attributable to gaming revenue as well as costs and expenses discussed below.

Gaming revenue

The Group's gaming revenue during the year ended 31 December 2018 consisted of:

– £216.0 million in revenue earned from Jackpotjoy's[1,2] operational activities.
– £103.6 million in revenue earned from Vera&John's operational activities.

The Group's gaming revenue during the year ended 31 December 2017 consisted of:

– £216.1 million in revenue earned from Jackpotjoy's[1,2] operational activities.
– £73.2 million in revenue earned from Vera&John's operational activities.

The increase in gaming revenue for the year ended 31 December 2018 in comparison with the year ended 31 December 2017 relates to organic growth[3] of the Vera&John segment, where gaming revenue increased by 42%.

Costs and expenses

	Year ended 31 December 2018 (£000's)	Year ended 31 December 2017 (£000's)
Distribution costs	158,865	140,736
Administrative costs	109,444	107,412
Severance costs	850	700
Transaction-related costs	1,888	6,710
	271,047	255,558

1. Effective 1 January 2018, the Mandalay segment has been aggregated with the Jackpotjoy segment.
2. Excludes results from the Group's social gaming business, which was sold during the year ended 31 December 2018.
3. The Group defines organic growth as growth achieved without accounting for acquisitions or disposals.

Distribution costs

	Year ended 31 December 2018 (£000's)	Year ended 31 December 2017 (£000's)
Selling and marketing	55,535	48,482
Licensing fees	44,311	41,598
Gaming taxes	40,390	37,851
Processing fees	18,629	12,805
	158,865	140,736

Selling and marketing expenses consist of payments made to affiliates and general marketing expenses related to each brand. Licensing fees consist of the fees for the Jackpotjoy segment to operate on its platforms and game suppliers' fees paid by both the Vera&John and Jackpotjoy segments. Gaming taxes largely consist of point of consumption ('POC') taxes, payable in the regulated jurisdictions that the Group operates in. Variance in gaming taxes from the prior year relates to a 15% general betting duty on all free or discounted online bets ('POC2') introduced in the UK in Q4 2017. Processing fees consist of costs associated with using payment providers and include payment service provider transaction and handling costs, as well as deposit and withdrawal fees. With the exception of selling and marketing expenses, distribution costs tend to be variable in relation to revenue.

The increase in distribution costs for the year ended 31 December 2018 compared to the same period in 2017 is mainly due to higher revenues achieved and increased selling and marketing spending, primarily in the Vera&John segment.

Administrative costs

	Year ended 31 December 2018 (£000's)	Year ended 31 December 2017 (£000's)
Compensation and benefits	33,484	31,943
Professional fees	4,369	3,729
General and administrative	10,752	10,858
Amortisation and depreciation	60,839	60,882
	109,444	107,412

Compensation and benefits costs consist of salaries, wages, bonuses, Directors' fees, benefits and share-based compensation expense. The increase in these expenses for the year ended 31 December 2018 compared to the same period in 2017 is due to additional staff hired as well as higher bonus accruals.

Professional fees consist mainly of legal, accounting and audit fees. The increase in professional fees in the year ended 31 December 2018 compared to the same period in 2017 relates to additional gaming industry regulatory requirements that came into effect in the current period.

General and administrative expenses consist of items, such as rent and occupancy, travel and accommodation, insurance, listing authority fees, technology and development costs, and other office overhead charges. The decrease in these costs for the year ended 31 December 2018 compared to the same period in the prior year can be attributed to higher accounts receivable write-offs recorded in 2017.

Amortisation and depreciation expenses consist of amortisation of the Group's intangible assets and depreciation of the Group's tangible assets over their useful lives. The decrease in amortisation and depreciation for the year ended 31 December 2018 compared to the same period in the prior year is due to the fact that amortisation expense related to purchase price intangibles recognised in prior years decreases with each passing year of their useful lives as a result of the amortisation method used.

Transaction-related costs

Transaction-related costs consist of legal, professional, due diligence, other direct costs/fees associated with transactions and acquisitions or disposals contemplated or completed, costs associated with the Group's premium listing and the refinancing of the Group's external debt. Q1 2017 transaction-related costs also included costs associated with the UK strategic review and implementation of UK-centred strategic initiatives, including the listing of the Group on the London Stock Exchange.

Severance costs

Severance costs during the year ended 31 December 2018 relate to personnel redundancies resulting from internal restructuring.

Adjusted EBITDA, Adjusted Net Income, and Diluted Adjusted Net Income per share for the year ended 31 December 2018 and 2017 – continuing operations

The following table highlights Adjusted EBITDA, Adjusted Net Income, and Diluted Adjusted Net Income per share for the year ended 31 December 2018 and 2017 and a reconciliation of the Group's reported results to its adjusted measures. All current year and 2017 comparative figures have been restated to exclude results of the Group's social gaming business, which was sold during the year ended 31 December 2018.

	Year ended 31 December 2018 (£000's)	Year ended 31 December 2017 (£000's)
Net income/(loss) for the year after taxes from continuing operations	**18,056**	(70,717)
Interest expense, net	**19,472**	30,007
Accretion on financial liabilities	**2,993**	25,049
Taxes	**458**	701
Amortisation and depreciation	**60,839**	60,882
EBITDA[1]	**101,818**	45,922
Share-based compensation	**583**	1,429
Severance costs	**850**	700
Fair value adjustments on contingent consideration	**7,208**	27,562
Gain on sale of intangible assets	**–**	(1,271)
Realised loss on cross currency swap	**–**	12,512
Transaction-related costs	**1,888**	6,710
Foreign exchange loss	**354**	9,857
Adjusted EBITDA[1]	**112,701**	103,421
Net income/(loss) for the year after taxes from continuing operations	**18,056**	(70,717)
Share-based compensation	**583**	1,429
Severance costs	**850**	700
Fair value adjustments on contingent consideration	**7,208**	27,562
Gain on sale of intangible assets	**–**	(1,271)
Realised loss on cross currency swap	**–**	12,512
Transaction-related costs	**1,888**	6,710
Foreign exchange loss	**354**	9,857
Amortisation of acquisition related purchase price intangibles	**58,196**	59,067
Accretion on financial liabilities	**2,993**	25,049
Adjusted Net Income[1]	**90,128**	70,898
Diluted net income/(loss) per share from continuing operations	**£0.24**	£(0.96)
Diluted Adjusted Net Income per share from continuing operations[1]	**£1.20**	£0.95

1. This is a non-IFRS measure. See page 118 for additional information.

Financial Review continued

Summary of results by segment – continuing operations

Results by segment

In March 2018, the Group determined that its reportable operating segments had changed such that the Mandalay segment was aggregated with the Jackpotjoy segment with effect from 1 January 2018, as Mandalay no longer met the criteria for a reportable operating segment, set out in IFRS 8 – *Operating Segments*. Mandalay was therefore aggregated with the Jackpotjoy segment, consistent with the Group's other third-party platform hosted operations. Additionally, as discussed in note 7 of the Consolidated Financial Statements, the Group sold its social gaming business in the current year. All current year and 2017 comparative segment figures have been restated accordingly. The social gaming business was previously reported as a part of the Jackpotjoy segment. Please see note 7 of the Consolidated Financial Statements, which sets out the comparative consolidated statement of comprehensive income for the social business separately from the Group's continuing operations, for additional information.

The Jackpotjoy segment consists of the real money gaming operating results of the Jackpotjoy, Starspins, Botemania and Costa brands. The Vera&John segment consists of the online casino operating results of various brands, including Vera&John, InterCasino and Solid Gaming.

Year ended 31 December 2018

	Jackpotjoy (£000's)	Vera&John (£000's)	Unallocated corporate costs[1] (£000's)	Totals (£000's)
Gaming revenue	**216,015**	**103,573**	**–**	**319,588**
Net income/(loss) for the year after taxes from continuing operations	**42,414**	**19,516**	**(43,874)**	**18,056**
Interest expense/(income), net	**5**	**(120)**	**19,587**	**19,472**
Accretion on financial liabilities	**–**	**–**	**2,993**	**2,993**
Taxes	**–**	**122**	**336**	**458**
Amortisation and depreciation	**50,318**	**10,131**	**390**	**60,839**
EBITDA[2]	**92,737**	**29,649**	**(20,568)**	**101,818**
Share-based compensation	**–**	**–**	**583**	**583**
Severance costs	**–**	**850**	**–**	**850**
Fair value adjustments on contingent consideration	**–**	**–**	**7,208**	**7,208**
Transaction-related costs	**–**	**139**	**1,749**	**1,888**
Foreign exchange loss/(gain)	**238**	**200**	**(84)**	**354**
Adjusted EBITDA[2]	**92,975**	**30,838**	**(11,112)**	**112,701**

Year ended 31 December 2017

	Jackpotjoy (£000's)	Vera&John (£000's)	Unallocated corporate costs[1] (£000's)	Totals (£000's)
Gaming revenue	216,091	73,167	–	289,258
Net income/(loss) for the year after taxes from continuing operations	46,869	7,939	(125,525)	(70,717)
Interest expense/(income), net	4	(166)	30,169	30,007
Accretion on financial liabilities	–	–	25,049	25,049
Taxes	–	701	–	701
Amortisation and depreciation	50,546	9,956	380	60,882
EBITDA[2]	97,419	18,430	(69,927)	45,922
Share-based compensation	–	–	1,429	1,429
Severance costs	–	–	700	700
Fair value adjustments on contingent consideration	–	–	27,562	27,562
Realised loss on currency swap	–	–	12,512	12,512
Transaction-related costs	–	–	6,710	6,710
Gain on sale of intangible assets	(269)	(1,002)	–	(1,271)
Foreign exchange (gain)/loss	(95)	599	9,353	9,857
Adjusted EBITDA[2]	97,055	18,027	(11,661)	103,421

1. Unallocated Corporate Costs include the results from activities such as acquisition/disposal negotiations, acquisition due diligence, the raising of capital to fund acquisitions, the UK Strategic Review, payment of interest on existing debt, and the reporting obligations of JPJ Group plc.
2. This is a non-IFRS measure. See page 118 for additional information.

Comparison and discussion of the year ended 31 December 2018 to the same period in 2017 – continuing operations

Jackpotjoy

	YTD 2018 (£m)	YTD 2017 (£m)	Variance (£m)	Variance %
Gaming revenue	**216.0**	216.1	(0.1)	0%
Distribution costs	**105.6**	104.0	1.6	2%
Administrative costs	**17.4**	15.0	2.4	16%
Adjusted EBITDA[1]	**93.0**	97.1	(4.1)	(4%)

1. This is a non-IFRS measure. See pages 21, 22 and 118 for additional information.

Gaming revenue for the year ended 31 December 2018 was flat against the same period in 2017.

The increase in distribution costs for the year ended 31 December 2018 is driven by an incremental gaming tax expense, which relates to tax on bonuses through the POC2 tax introduced in Q4 2017.

The increase in administrative costs for the year ended 31 December 2018 compared to the same period in 2017 was mainly driven by increases in administrative overhead costs.

Vera&John

	YTD 2018 (£m)	YTD 2017 (£m)	Variance (£m)	Variance %
Gaming revenue	**103.6**	73.2	30.4	42%
Distribution costs	**53.2**	36.6	16.6	45%
Administrative costs	**19.6**	18.6	1.0	5%
Adjusted EBITDA[1]	**30.8**	18.0	12.8	71%

1. This is a non-IFRS measure. See pages 21, 22 and 118 for additional information.

Gaming revenue for the Vera&John segment for the year ended 31 December 2018 increased 42% compared to the same period in 2017 due to organic growth. On a constant currency basis, revenue increased by 40% in the year ended 31 December 2018 compared to the same period in 2017. Constant currency amounts are calculated by applying the same EUR to GBP average exchange rates to both current and prior year comparative periods.

Distribution costs increased by 45% for the year ended 31 December 2018 compared to the same period in 2017 as a result of higher marketing spend in the current period. These increases were further driven by higher gaming taxes due to increased revenue in regulated jurisdictions compared to the prior period.

The increase in administrative costs for the year ended 31 December 2018 compared to the same period in 2017 was mainly driven by increases in personnel costs and administrative overhead costs as the segment continues to grow.

Unallocated Corporate Costs

Adjusted EBITDA on Unallocated Corporate Costs increased from (£11.7) million to (£11.1) million in the year ended 31 December 2018 compared to the year ended 31 December 2017. The variance mainly relates to a £0.4 million increase in compensation costs offset by a £0.6 million decrease in general administrative overhead costs and a £0.3 million decrease in professional fees.

Net loss on Unallocated Corporate Costs decreased from £125.5 million to £43.9 million in the year ended 31 December 2018 compared to the year ended 31 December 2017. This decrease is primarily related to a lower foreign exchange loss and lower interest expense incurred in the current year as a result of the debt refinance that took place in Q4 2017. The decrease in net loss can further be attributed to lower fair value adjustments on contingent consideration due to the third milestone payment being revalued to £nil in the current year and the fact that there were no fair value adjustments in the second and third quarters of 2018 as the final earn-out period ended in Q1 2018.

Key performance indicators – continuing operations

	Year ended 31 December 2018	Year ended 31 December 2017	Variance	Variance %
Average Active Customers per Month (#)	**259,664**	250,321	9,343	4%
Total Real Money Gaming Revenue (£000's)[1]	**311,428**	282,375	29,053	10%
Average Real Money Gaming Revenue per Month (£000's)	**25,952**	23,531	2,421	10%
Monthly Real Money Gaming Revenue per Average Active Customer (£)	**100**	94	6	6%

1. Total Real Money Gaming Revenue for the year ended 31 December 2018 consists of total revenue less revenue earned from B2B and affiliate websites of £8.2 million (31 December 2017 – £6.9 million).

Monthly Real Money Gaming Revenue per Average Active Customer increased by 6% year-over-year which is in line with the Group's overall customer acquisition and retention strategy.

Financial Review continued

Financial position

	As at 31 December 2018 (£000's)	As at 31 December 2017 (£000's)	Variance (£000's)
Total current assets	**123,959**	93,232	30,727
Total non-current assets	**521,947**	595,947	(74,000)
Total assets	**645,906**	689,179	(43,273)
Total current liabilities	**52,320**	98,469	(46,149)
Total non-current liabilities	**374,463**	386,653	(12,190)
Total liabilities	**426,783**	485,122	(58,339)

The £5.4 million increase in current assets (excluding a cash increase of £25.3 million) since 31 December 2017 largely relates to a £6.0 million increase in restricted cash related to cash required to be held on deposit in order to apply for a second licence in Spain as well as cash held in payment service provider reserves, a £0.8 million increase in taxes receivable and a £0.9 million increase in customer deposits. This was partially offset by a £2.3 million decrease in receivables primarily caused by reduced receivables from platform operators and the collection of receivables from intangible assets sold in Q4 2017.

The decrease in non-current assets of £74.0 million since 31 December 2017 mainly relates to the amortisation of intangible assets of £61.4 million. The decrease is further driven by the sale of social gaming assets and corresponding reduction in intangible assets and goodwill (£10.4 million and £9.6 million, respectively). The decrease also relates to a £0.6 million decrease in other long-term receivables. These decreases are slightly offset by a £0.9 million increase in tangible assets, the additions of software development of £5.3 million and £1.8 million related to movement in foreign exchange rates.

The decrease in current liabilities of £46.1 million since 31 December 2017 largely relates to the following:

- A net decrease of £47.3 million in contingent consideration due to the payment of the final earn-out of £58.5 million for the Spanish assets and the first milestone payment of £5.0 million related to certain performance achievements within the Jackpotjoy segment, partially offset by accretion and fair value adjustments.
- A decrease of £2.4 million in other short-term payables mainly driven by settlement of transaction-related payables and costs associated with the disposal of the Group's social gaming assets.
- A decrease of £0.7 million in interest payable.
- A decrease of £0.3 million in convertible debentures due to debenture conversions and redemption that took place in the current year.

These decreases were partially offset by the following:

- An increase of £2.8 million in accounts payable due to higher game supplier charges related to higher revenues as well as higher compensation payable.
- An increase of £0.9 million in amounts payable to customers.
- An increase of £0.9 million in provision for taxes due to additional provisions recorded in the current year.

The decrease in non-current liabilities of £12.2 million is largely related to a decrease of £7.7 million in contingent consideration due to the reallocation of the second milestone payment related to the Jackpotjoy business to current liabilities as it is now due within one year as well as a write down of the third milestone payment as this is now considered unlikely. The decrease in non-current liabilities was further driven by a decrease of £6.4 million in other long-term payables due to the reallocation of a portion of certain non-compete covenants from Gamesys ('the non-compete clauses') from non-current to current, offset by a £1.9 million increase in long-term debt due to accretion and foreign exchange movements on the EUR portion of the debt.

Cash flow by activity

	Year ended 31 December 2018 (£000's)	Year ended 31 December 2017 (£000's)
Operating activity	**105,948**	100,898
Financing activity	**(91,318)**	(110,128)
Investing activity	**10,890**	(6,691)

Operating activity

Cash provided by operating activities during the year ended 31 December 2018 relates to cash generated from the operational activities of the Jackpotjoy and Vera&John segments, less corporate expenses. For the year ended 31 December 2018, the operating cash flow increased compared to the same period in 2017 due to higher revenues.

Financing activity

Cash used in financing activities for the year ended 31 December 2018 relates mainly to the following transactions:

- £63.5 million payment related to the final earn-out of £58.5 million for the Spanish assets within the Jackpotjoy segment and a £5.0 million milestone payment.
- £21.0 million in interest payments.
- £8.0 million in payments related to the non-compete clauses.

This was slightly offset by £0.6 million in proceeds from the exercise of options and by £0.6 million in proceeds from long-term loan receivable.

Investing activity

Cash provided by investing activities in the year ended 31 December 2018 was £10.9 million. This relates to the purchase of tangible as well as internally generated intangible assets of £6.7 million in the period. These cash outflows were offset by proceeds of £18.0 million from the disposal of the Group's social gaming assets, net of paid costs of disposal of £1.9 million, as well as proceeds received in Q1 2018 from a £1.5 million sale of intangibles, which was agreed in Q4 2017.

Convertible debentures

On 19 December 2013, The Intertain Group Limited completed a convertible debenture private placement consisting of 17,500 convertible debenture subscription receipts (the 'Debenture Subscription Receipts') for gross proceeds of CAD 17.5 million. On 11 February 2014, with the satisfaction of the escrow release conditions, each Debenture Subscription Receipt was converted into one Intertain convertible debenture (a 'Convertible Debenture') and 30 common share warrants. The Convertible Debentures accrue interest at a rate of 5.0% per annum, payable semi-annually in arrears on 30 June and 31 December in each year. Upon initial recognition of the Convertible Debentures, the liability component of the Convertible Debentures was recognised at fair value of a similar liability that does not have an equity conversion option and the residual amount was recognised as a reserve in equity. The Convertible Debentures were initially convertible at the holder's option into Intertain common shares at a conversion price of CAD 6.00 per share at any time prior to maturity. Upon completion of the Group's plan of arrangement on 25 January 2017, the Convertible Debentures became convertible at the holder's option into ordinary shares of JPJ Group plc at a conversion price of CAD 6.00 per share at any time prior to maturity. During the year ended 31 December 2018, approximately £0.2 million principal amount of Convertible Debentures were converted into 56,499 ordinary shares of JPJ Group plc. On 1 June 2018, the remaining convertible debentures were redeemed in full to the value of £0.1 million.

Contingent consideration

The Group's contingent consideration currently consists of the remaining Jackpotjoy payment related to the achievement of certain performance milestones related to the Jackpotjoy business (referred to in this Financial Review as the 'milestone payment'). On 15 June 2018 the final earn-out payment of £58.5 million owing on the Botemania assets and the first milestone payment of £5.0 million were made.

Contractual commitments

Contractual commitments of the Group, comprised of various office leases, amount to £1.6 million (2017: £2.0 million) and are due within a ten-year period.

Dividends

During the year ended 31 December 2018, £nil (2017: £nil) ordinary share dividends were declared and paid.

Outstanding share data

As at 18 March 2019, the Group had a total of 74,339,510 ordinary shares issued and Intertain had no Convertible Debentures outstanding. See 'Convertible Debentures' section within this Financial Review. As at 18 March 2019, JPJ Group plc had 2,381,410 share options and Intertain had 19,564,276 exchangeable shares outstanding.

Internal control over financial reporting

The Executive Chairman ('EC') and the Chief Financial Officer ('CFO'), with support from the Chief Executive Officer, Jackpotjoy Operations Ltd., are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Group. The control framework used in the design of disclosure controls and procedures and internal control over financial reporting is the internal control integrated framework (2013) issued by the Committee of Sponsoring Organisations of the Treadway Commission ('COSO').

Management, including the EC and the CFO, does not expect that the Group's disclosure controls or internal controls over financial reporting will prevent or detect all errors and all fraud or will be effective under all potential future conditions. A control system is subject to inherent limitations and, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met.

As required by National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, the EC and the CFO have caused the effectiveness of disclosure controls and procedures, as well as the internal controls over financial reporting to be evaluated using the COSO framework. Based on that evaluation, they have concluded that the design and operation of the system of disclosure controls and procedures, and the design and operation of the Group's internal controls over financial reporting were effective as at 31 December 2018.

During the year ended 31 December 2018 there have been no changes in the Group's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect the Group's internal controls over financial reporting.

Viability statement

In accordance with the obligations of the UK Corporate Governance Code, the Board of JPJ Group plc is required to provide its assessment within the Annual Report and Accounts of the viability of the Group over an appropriate period. Accordingly, the Directors have assessed the viability of the Group over a three-year period to December 2021, taking account of the Group's current position, the potential impact of the principal risks as outlined on pages 26 to 33 of this Annual Report, and the Group's key strategic initiatives. A three-year period was deemed appropriate for this assessment as it reflects the strategic planning required for the implementation of Group's strategy.

In completing this assessment, the Board completed a robust review of threats which could potentially impact the Group's financial performance, solvency and operational model. Key factors the Board considered within this review included:

- The integration and growth of businesses acquired.
- The Group's ability to adapt to evolving regulatory and legislative changes.
- Macroeconomic factors which could cause currency fluctuations and interest rates volatility.
- The competitive landscape in the key markets the Group operates in.

Key factors the Board considered in stress-testing medium term planning included:

- Remaining milestone payment is fully covered by current cash on hand.
- The Group has a strong interest coverage ratio.
- The business does not require a great deal of annual capital investments.

Having completed this review, the Board has full confidence that the Group will be able to continue operating and will be able to meet its liabilities over the three-year period to December 2021.

Keith Laslop
Chief Financial Officer

Principal risks and uncertainties

Managing our risks

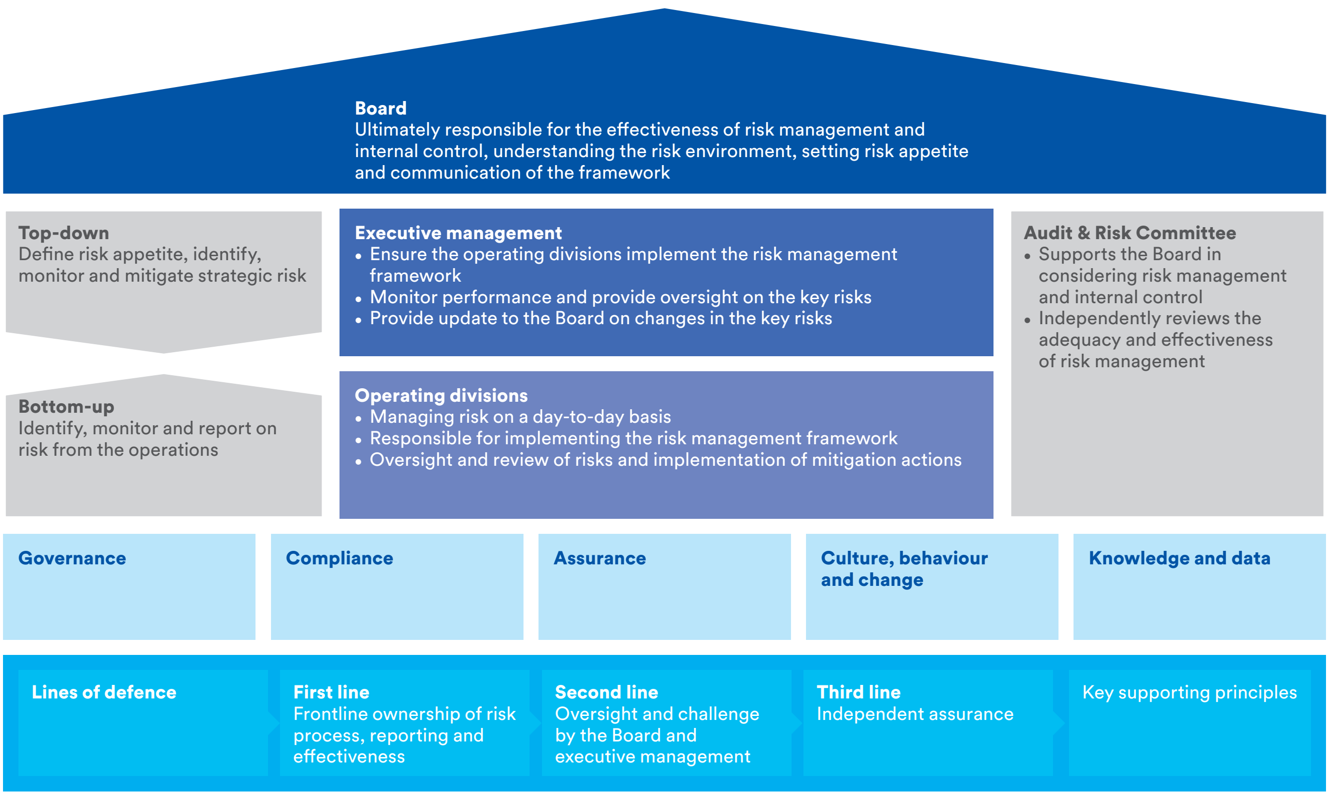
Risk continues to be intrinsic to the industry in which JPJ Group plc operates. Key to the successful delivery of our strategy remains considering, and accepting, the impact, both positive and negative, which risk can have on our business.

Understanding our principal risks and uncertainties whilst we ensure there are sufficient controls in place will be critical to our continued growth and success. Although we operate in a fast-changing business environment, we have considered our principal risks alongside our updated strategy over the next three years. Ultimate accountability for risk lies with the Board, supported by the Audit & Risk Committee, and executive management on the day-to-day management. We have continued our work with PricewaterhouseCoopers (PwC) supporting the Group in the implementation of a framework to allow for the identification, assessment, mitigation and monitoring of risk throughout the Group and operating divisions. JPJ Group plc complies with the UK Corporate Governance Code and supports its application in delivering a well-governed business.

Following the Group's move to a premium listing, we continue to develop the Group's overall governance. This has influenced the development of our risk management framework, providing clarity on risk governance and oversight whilst encouraging ownership and accountability for risk management. The framework summarises the formal process for identification, assessment, mitigation, reporting, monitoring and review. We are continuing to implement this process whilst developing a risk-aware culture, supported by expected behaviours, throughout the business during 2019.

Our approach to risk management follows the three lines of defence model, whilst being dynamic and practical to our needs. This allows us to respond to changes in the business environment, whilst continuing to deliver on our expectations of increased transparency, value protection and creation.

JPJ GROUP PLC RISK MANAGEMENT HOUSE



How we manage risk at JPJ Group plc

In 2017, we completed a review of the existing risk management information, with the support of PwC, which provided the focus of our work in 2018 to implement our revised approach to risk management. Our executives and senior management discussed an aggregated view of risk from the operating divisions alongside their view on our strategic risks and considering any wider external risks. The Board and our executives reviewed these risks to inform the Group's understanding of its principal risks and to ensure that there were adequate controls in place to mitigate these, where applicable. During these discussions, the Board concluded that it was comfortable with the potential impact of the principal risks, against our inherent risk appetite, and communicated the importance of the risk management clearly across the business. Work will be undertaken in 2019 that will focus on embedding our approach to risk management throughout the operating divisions and our key partners to build a richer picture of risk information.

The priorities for risk management throughout 2019 will be to:

- Review the UK Corporate Governance Code using the comply or explain basis against the 2018 update.
- Update our risk appetite against the principal risks to allow for informed decision-making against our strategic priorities.
- Continue to embed the risk management framework, encouraging ownership and accountability throughout the operating divisions.
- The development of bottom-up risk activities across territories, operating divisions and central functions including continued engagement with the wider business.
- Identification and analysis of new and emerging risks at both a strategic and operational level. This will help to ensure that as a business, we can adapt to an ever-changing risk landscape.
- Continue to refine and develop our suite of internal controls through targeted reviews and engagement with third-party risk management specialists.
- Continue to embed the 'three lines of defence' (as reflected in the Risk Management House) approach to assurance through the business, management (supported by the Risk function) and independent assurance, where appropriate.

With regard to the effectiveness of risk and internal control throughout the business, this has been covered on page 53, under the Corporate Governance section.

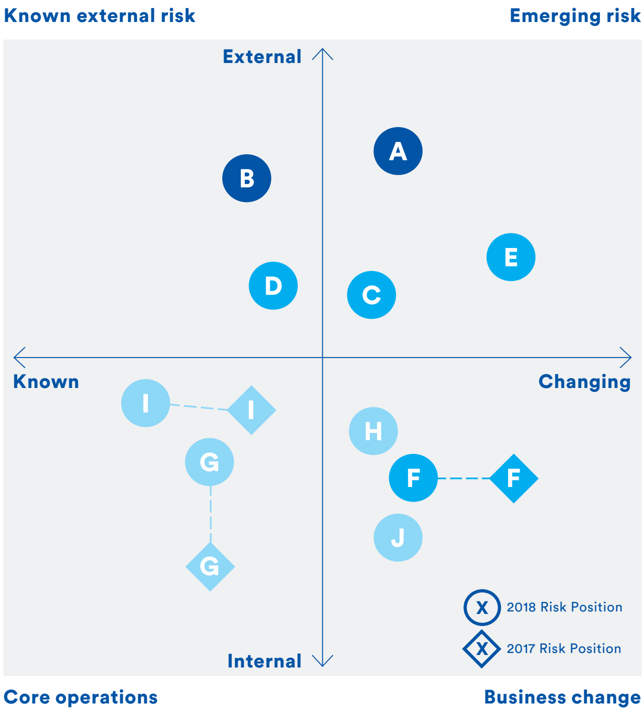
Our principal risks

A robust assessment has been undertaken by the Board to assess the principal risks facing the business. Consideration has been given to those which could threaten the successful delivery of our strategy, impact on our future performance and create a risk around our solvency or liquidity.

The radar shows the position of our principal risks. We have included a trend to show year on year how these have changed in priority and have taken the decision to split these into three areas over which we can have varying levels of control and oversight.

These three areas are:

- External – where we can have limited control over the cause of the risk and would need to focus our effort on managing the potential consequences.
- Strategic – risks which could be influenced by external factors but over which we have the opportunity to put in place controls to better manage potential causes and consequences.
- Operational – risks that could arise through the day-to-day operations are those over which we could put in place effective controls. These will be for known areas of the business, in addition to risks which could potentially arise through changes which we undertake in the delivery of our growth strategy.



External

A	Regulatory and legislative change
B	Financial and economic

Strategic

C	Brand and reputation
D	Competitive landscape
E	Socially responsible gambling
F	Integration and growth

Operational

G	People and development
H	Technology and IT systems
I	Breakdown in the relationship with a key supplier
J	Data management

Further detail on the principal risks has been provided on the following pages, which includes information on the key mitigations, links to our strategic priorities, what has happened in 2018 and what the focus will be for 2019.

Principal risks and uncertainties continued

EXTERNAL

Risk	Key mitigations	Developments in 2018	Focus for 2019
Regulatory and legislative change Licensing, taxes, laws and regulatory changes in key markets could have a materially adverse impact on the Group and operation. **Link to strategy**	Close relationship with the key regulators who have issued licences. Long-term relationship with external consultancy (Oakhill), who provide guidance and commentary on UK regulatory change. Strong network of external advisers who provide guidance and support to understand incoming legislation and prospective regulation. Membership and participation with the Remote Gambling Association. A diverse network of like-minded individuals with industry understanding and real-time information. Comprehensive suite of regulatory and legislative controls, including regulatory reporting and internal checks and balances.	Further development of the Group Compliance function including review of existing policies and process. Group focus of empowering teams to be more accountable for compliance frameworks within their own operating divisions. Group Head of Operational Compliance appointed during the year. Expanded the Group's compliance expertise, through targeted recruitment of industry experienced individuals, to support the increasing number of licences applied for and awarded in the year.	Ongoing review and enhancement of the suite of regulatory and legislative controls. Further integration and development of the controls within the business and operating divisions. Sustain good governance and compliance framework in order to maintain the licences acquired and facilitate expansion into emerging territories. Fully embed the new compliance approach and ensure each business continues to be assisted by the central support, guidance and checking mechanism.
Financial and economic Potential macroeconomic change, including currency fluctuations and interest rates, have a negative impact on JPJ Group plc. **Link to strategy**	Online gaming has a proven track record of being resilient to recession and economic decline. Wide range of products and geographical spread of customers. External debt is denominated in the currencies in which we generate revenue. From a working capital perspective, there is limited exposure due to the cash nature of the business. Monitoring changes in the macroeconomic environment on an ongoing basis.	Continued to monitor the wider macroeconomic environment for significant changes or developments that may have an impact on the Group. Appointed Director of Taxation to boost the tax control environment, provide commercial decision support and be a champion for the Board's tax risk management policy.	Monitoring the hedging in place to minimise our exposure. Continuous review and evolution of our products, as shown in greater detail in our strategic summary on page 12.

STRATEGIC

Risk	Key mitigations	Developments in 2018	Focus for 2019
Brand and reputation A major incident could leave a negative impact on the Jackpotjoy brand. **Link to strategy** 1ST	Key response plan in place. Business impact analysis of the key areas that could impact the business, including proactive plans in place to manage.	Our multiple brand and customer-focused strategy has been adopted during 2018. Implementation of a Board-level Corporate Social Responsibility team. Successful premium listing on the London Stock Exchange. Enhanced our Group compliance function and empowered operating divisions to take further regulatory responsibility and ownership.	Review of the compliance checks in place across the business. Further development of the customer charter placing the customer at the heart of our decision-making process. Continued review of our socially responsible gambling processes and controls, led by the Corporate Social Responsibility team.
Competitive landscape JPJ Group plc potentially fails to adapt and innovate to maintain its position as a market leader. **Link to strategy** 1ST	Ongoing competitor and market analysis to ensure wider awareness, and drive discussion on innovation required. Customer insights, business development and data analytics capabilities in place.	Appointed an experienced Chief Product Officer and increased the headcount and skillset of the product team. Improvement in product balance between regulated markets and business verticals in less mature markets. Development of in-house marketing capability and more advanced data compilation and analytics. Competitive assessment of platform against the industry, verified by third-party consultants. Increased local autonomy through changes to country management structure. Investment in own gaming content and distribution technology.	Emphasis on evolving the robustness of the business operating models to ensure they are more sustainable in emerging markets. Ensuring sufficient internal technological and operational capabilities are available to facilitate working in emerging markets and with new revenues. Further development of technical internal capabilities in order to accommodate increased games capacity and marketing.

Principal risks and uncertainties continued

STRATEGIC

Risk	Key mitigations	Developments in 2018	Focus for 2019
Socially responsible gambling JPJ Group plc recognises the need to apply high standards to the welfare of our customers. **Link to strategy**	KPIs in place which allow the business to monitor the key customer metrics in relation to potential trends that could be of concern. Increased personalisation of the customer experience with a culture based around growing customer numbers. Processes in place to allow a proactive approach to the management of potential issues with the development of the customer charter and industry engagement.	Leveraged position as market leader to draw attention to customer welfare as a priority within the broader industry. Continued to embed corporate responsibility as a key part of our business strategy. Formed Corporate Social Responsibility team focusing on providing a safe and enjoyable experience for the entire length of the customer journey. Achieved compliance with GDPR regulation. Launch of the sustainability group initiative.	Refinement of suite of social responsible gambling processes and controls including third party review. Development of social responsible gambling KPIs to inform our customer-centric strategy. Our approach to corporate responsibility will continue to be discussed with our peers and suppliers to encourage a proactive approach to embed this into established ways of working.
Integration and growth Timely integration of the legacy business and delivering a clear strategy is key for the growth of JPJ Group plc. **Link to strategy**	Quarterly governance meetings with platform providers. Regular joint working groups with platform providers. Use of external consultants for marketing advice as required. Strategy is reviewed on a quarterly basis and updated as required.	JPJ Group plc has continued to grow strongly in 2018, achieving significant increases in operating revenues. Appointed both a Marketing Director and a Chief Data Officer with respective, valuable industry experience and knowledge. Recruited Non-Executive Director with a wealth of executive digital and marketing experience. Developed our in-house platform capability. This is driven by a clear strategy at a brand and platform level.	Implementation of 2019 strategy for growth as approved in November 2018. Continue to engage with platform providers on integration requirements. Management of the revenue growth gap between the UK and the Rest of the World.

OPERATIONAL

Risk	Key mitigations	Developments in 2018	Focus for 2019
Recruitment and retention Failure to build the internal capability and capacity to deliver the growth targets identified. **Link to strategy**	Recruitment and succession plans in place. Cross-business collaboration to bring efficiencies and best practice. Ongoing investment in people and development.	Introduced a Group approach to management of people and their development, by implementing Group organisational structure and cross-functional reporting. New HR system implemented, providing real-time analytics and enabling more informed decisions. Launched global training and development function, a more structured, consistent and scalable function. More focused recruitment drives according to strengths of population. Recruited widely across the Group to bring in additional capacity and capability, including a Chief Product Officer, Marketing Director and Chief Data Officer.	Further develop the global training and development function. Continue Group-wide drive to diversify locations, considering spread and flexibility of new talent pools, whilst maintaining sense of cohesion through travel opportunities and technology. Implement key retention initiatives in line with feedback from global employee survey. Continue to focus on building a global and diverse team with senior specialists experienced in key areas such Product, Data and Marketing. Focus on remaining competitive in the Maltese job market. Harness the data analytic outputs provided by new HR system more effectively.
Technology and IT systems A failure or damage to our technology or systems will negatively impact our operations. **Link to strategy**	Systems improvement plan is in place and is being rolled out. Wider controls are covered in the key supplier risk.	Implementation of the systems improvement plan. Successful delivery of the single customer view project. Extensive investment within our in-house capabilities, including development of own proprietary technology.	Monitor and further develop systems improvement plan. Continue to implement the structured roadmap in place, maintaining its flexibility. Further develop portfolio of data management processes. Further in-house development of gaming platform software.

Principal risks and uncertainties continued

OPERATIONAL

Risk	Key mitigations	Developments in 2018	Focus for 2019
Breakdown in the relationship with a key supplier JPJ Group plc is reliant on a number of third parties for the operation of the business through provision of our platforms and systems. **Link to strategy**	Established and mutually beneficial relationships with key suppliers. Understanding of the additional providers available in the market.	Continued maintaining key relationships with suppliers (including Gamesys). Planning to transition key in-house operating functions currently supplied by Gamesys. Significant investment in proprietary platform to provide technical optionality. Significant investment in people across the business, increasing the volume and overall skillset of the workforce. Development of in-house marketing team and improved operational capabilities.	Continue developing key relationships with suppliers (including Gamesys). Transition key in-house operating functions currently supplied by Gamesys.

OPERATIONAL

Risk

Data management
JPJ Group plc processes customer data and recognises the need to comply with the highest standards of data protection.

Link to strategy

Key mitigations

Data access is managed through a wholly owned system called Active Directory, which is a management system to control access to customer data. Strict access procedures and audit trail capability are in place.

Corporate office data is cloud based and customer-facing data is hosted in owned data centres.

System change access is managed through management processes and permissions.

Device and individual orientated controls.

Adviser and regulatory assurance (e.g. United Kingdom Gambling Commission) through ongoing audits and reviews.

Developments in 2018

Achieved compliance with GDPR regulation during the year.

Data management policies and processes reviewed and updated during the period. Further GDPR training provided to relevant persons.

Compiled a comprehensive Data Dictionary, defining data in different parts of the business and allowing a refined portfolio of data management processes.

Implementation of the Enterprise Mobility Suite, a collection of technological security systems that provide added functionality and accountability around data management.

Brought all additional systems into the scope of Active Directory, the centralised authentication system already used for core systems.

Recruitment of Chief Data Officer to assist in growing our data management and security capabilities.

Focus for 2019

Further development of data management systems and security capabilities.

Increased focus on retention periods of data, continuing the emphasis on applying good practice rather than meeting minimum standards.

Implementation of more advanced procedures for anonymisation and erasing of data.

Further expansion of the Enterprise Mobility Suite initiative.

Additional development of data recovery plan including investment in shortening the disaster recovery timeframe.

Corporate social responsibility

JPJ Group plc is committed to conducting itself and running its business activities responsibly. Our approach to corporate responsibility is founded on three principles – putting the customer first, actively encouraging responsible gaming and treating our employees fairly. This way, JPJ Group plc is building a better business – in the right way.

1. Responsible gaming

JPJ Group plc has a loyal and growing customer base and we aim to build long-term and sustainable relationships with our customers. In doing this, we recognise the importance of promoting a culture of responsible gaming by providing tools and support to protect our customers and minimising the risks of problem gaming.

2. Operating a responsible business

High standards of corporate responsibility underpin our business activities. Across our organisation we are committed to:

- Treating our employees fairly
- Creating an ethical culture
- Reducing our environmental impact
- Supporting local communities

OUR PRIORITIES

We conducted a desk-based materiality study in 2017 to identify the corporate responsibility issues that are of the utmost importance to our business and stakeholders. The outcomes of this study identified two key areas and these form the basis of our reporting: responsible gaming and operating a responsible business.

How we manage corporate responsibility
We recognise the importance of strong corporate governance in embedding responsible business practices across our operations and maintaining our reputation. Since IPO we have been developing our governance framework and in October 2018 we set up a Board-level CSR Committee chaired by an independent Non-Executive Director which is tasked with reviewing the Company's compliance and corporate responsibility policies and processes and evolving our CSR strategy. The Committee's terms of reference have been approved and the Committee has put forward a policy of intent. In the year ahead, the Committee will meet approximately four times to mirror the rhythm of the Remuneration and Audit & Risk Committees.

Our Executive Chairman, Neil Goulden, and Chief Executive Officer of Jackpotjoy Operations Ltd., Simon Wykes, are both members of the CSR Committee, demonstrating our high-level commitment to building a long-term and sustainable business. Neil Goulden, in particular, has extensive experience in the area of responsible gaming and is well placed to guide JPJ Group plc on this issue.

Beyond the Board, we set up an operational customer sustainability group in October to identify how we can become more responsible as a business. This group includes representatives from across the whole business including the compliance, operational, finance and risk functions and the VIP team. Its remit is to deliver a customer sustainability programme balancing customer protection and the customer experience to ensure we are building a long-term, sustainable business. The group meets weekly and is currently developing a dedicated roadmap focusing on key issues including customer interaction and engagement, money laundering and sources of wealth.

Stakeholder engagement

We are committed to engaging with our key stakeholders on an ongoing basis and use their insight to help shape what we do and how we communicate. The table below describes how we engaged with our stakeholders in 2018.

Stakeholder engagement

Stakeholder	How we engage	Key activities in 2018
Customers	• Regular communications • Interaction with support staff • Account monitoring and reviews	See section on p36 on Our customers
Employees	• Annual employee engagement survey • Training and development • Personal development reviews	See section on p39 on Our people
Government and regulators	• Engaging with licensing authorities • Involvement in government initiatives	• Strengthened our compliance team to facilitate greater engagement with regulators around the world • Signed up to the UK's GamSTOP scheme
Industry peers	• Participation in industry events • Members of industry bodies • Industry partnerships	• Sponsored Responsible Gambling Week, a cross-industry initiative to promote responsible gaming in the United Kingdom and worked with industry peers to help create communications materials and channels • Ran training sessions free-of-charge for industry peers to raise awareness of the risks associated with responsible gaming • Members of the Remote Gambling Association

Corporate social responsibility continued

Responsible gaming

The importance of responsible gaming

Putting the customer first is one of our core values. We want everyone who registers and plays on our websites to have fun and be entertained in a safe and supportive environment.

As a responsible operator committed to player welfare, it is important for us to build relationships with our customers, understand their behaviours and recognise any gaming problems that may arise. During 2018 we invested significant time, energy and resources into developing and putting in place appropriate policies, systems and tools across our organisation to protect customers, detect potential problems and support our employees in dealing with customer issues.

COMPLIANCE

We put compliance at the heart of our business and strive to ensure that we meet all the regulations and requirements in every market where we operate. This commitment is led and supported by our executive team. During 2018 we invested in education for all our business units to ensure they are able to run their own compliance programmes, supported and supervised by the central compliance function.

JPJ Group plc holds gaming licences in Denmark, Gibraltar, Malta, Spain, Sweden, and the UK, which are all monitored through local gaming authorities. We are committed to operating to the highest standards of compliance and are subject to rigorous and regular checks and audits from the authorities in those jurisdictions.

Our compliance framework will continue to evolve to ensure that we meet all the requirements in a rapidly evolving environment.

OUR CUSTOMERS

We aim to get to know our customers so we can provide the support they need. During 2018 we adopted a more proactive approach to our engagement including regular communications with customers and research and collaboration with key stakeholders to ensure player welfare.

Customer support

During the year, we have invested significantly in technology and software to assist in detecting problem gaming behaviour. In May 2018 we implemented a model, designed with the input of a data scientist, which uses a number of variables to calculate the probability of a customer developing risky gaming behaviours. These variables are monitored to identify customers at high risk and we have put operational processes in place to support high risk customers. All customers flagged as at risk receive a personal interaction ranging from an email raising awareness to responsible gaming tools such as deposit limits and self-exclusion on a temporary or permanent basis, depending on the severity of the case.

Our dedicated responsible gaming team in place has been trained to provide specialist support to our customers and is available around the clock seven days a week. This means that we are able to respond to customer interactions, provide guidance and take action where necessary at all times. Tools to help our customers include:

- A wide range of deposit limits.
- Session reminders and time played triggers.
- Access to account history.
- Self-assessment tests to assess the current risk level.
- Account cool off periods of between 24 hours and six months.
- Account self-exclusion of up to six months or permanently.

Additionally, we have introduced a communications initiative which aims to build relationships with our customers and make them aware of support available to them should they need it. All our customers receive quarterly communications which incorporate responsible gaming messages and draw attention to the tools available to keep them safe. This programme is initially focused on the UK but will be rolled out across the Group in the coming year.

VIP customers

Our dedicated VIP team is required to undertake a responsible gaming review when onboarding any potential VIP customer in the UK. Even if no concerns are identified, the player will receive an email within seven days of the initial review bringing all responsible gaming tools to their attention followed by a call to check the customer is comfortable with the time and money they are spending on the site.

We undertake responsible gaming reviews of our VIP customers' activities on a monthly basis to ensure there are no material changes to their behaviour. Where risks are identified we follow up with interaction with the customers concerned and take action as appropriate.

In addition, we build relationships with our VIP customers through regular interaction so we are aware of any relevant changes to their circumstances. All VIP customers globally also receive a quarterly communication drawing attention to the tools and support we provide.

OUR SUPPORT STAFF

During 2018, JPJ Group plc has significantly enhanced its training programmes, especially in relation to money laundering and responsible gaming. As part of our induction process, all our employees receive mandatory training covering these areas which is supplemented by advanced and refresher online training every six months.

We provide responsible gaming training to all of our employees, including those who do not have customer exposure. Our highly skilled customer service employees undergo further advanced responsible gaming training. We also provide enhanced responsible gaming training to customer service team leaders and introduced the SAFE TALK initiative during the year to provide suicide alertness training to all members of our customer services and responsible gaming teams.

RAISING AWARENESS

Responsible marketing initiatives
JPJ Group and our divisions were primary sponsors of Responsible Gambling Week, a cross-industry initiative to promote responsible gaming in the United Kingdom and Ireland through a variety of channels which took place in November 2018.

We assisted in the creation of communications materials and channels including website pages and regular social media posts and sponsored the media panels which promoted Responsible Gambling Week on the London Underground. During the week, Pedro Romero, our head of Customer Operations, ran certified training sessions which fellow operators were invited to participate in, enabling us to share best practice across the industry and raise awareness of the risks associated with responsible gaming and how to respond when dealing with people in crisis. Over 20 representatives from different B2B and B2C operators attended the training. We received excellent feedback and are developing further cross-industry training initiatives to improve knowledge and standards.

In April 2018 the UK Gambling Commission launched GamSTOP, an online self-exclusion scheme to enable people with gaming problems to ban themselves from online betting platforms. We are committed to this initiative and assisted with launching the programme by raising customer awareness through our customer interactions and on our websites. We have also signed up to the scheme as an online operator to allow players to exclude themselves from our websites.

We also updated all our divisional websites during the year, removing any graphics that would appeal to children, making our terms and conditions more readily accessible and adding a link to the responsible gaming page on all our sites.

Corporate social responsibility continued

Industry involvement and engagement

We are an active participant in the Remote Gambling Association, a London and Brussels based trade association which is committed to promoting a regulated and non-discriminatory environment for responsible licensed operators in Europe.

JPJ Group plc representatives additionally took part in a number of industry conferences on responsible gaming during the year including the BigDeal Young People and Problem Gaming conference in London (August 2018), the 12th European Conference on Gaming Studies and Policy Issues in Valetta (September 2018) and the Sustainable Gaming Conference in Stockholm (October 2018).

Collaboration

We work with GamCare, a charity that provides support and counselling to prevent and treat problem gaming, to ensure our training programmes on responsible gaming are effective in improving our employees understanding and reflect good practice.

We have also applied for the Safer Gaming Standard, a GamCare certification which recognises gaming operators who have both met and exceeded the requirements of gaming industry Codes of Practice in respect of their player protection measures. We expect to receive this accreditation early in 2019.

Going forward, we intend to develop further collaborations with charities and other key stakeholders that work to prevent harm to support their work and ensure our employees continue to receive specialist training and knowledge.

Contributions

In 2018 we significantly increased our contribution to Gamble Aware, an independent charity which provides research, education and treatment to help to reduce gaming-related harm in Great Britain.

CRIME PREVENTION

Money laundering

In November 2018 we refreshed and updated our anti-money laundering ('AML') policy to ensure we have adequate controls in place to prevent the business from being used for money laundering.

In addition to Know Your Customer checks to help identify any illegal sources of funds, we undertake enhanced source of funds and wealth checks on all our customers. Activities for establishing sources of wealth include: procedures aimed at assessing consumer affordability; and enhanced staff training to ensure that staff undertaking account reviews make the best use of the information that is available to them. In addition, our systems include a variety of reports and alerts which trigger AML customer account reviews and ongoing due diligence to check that customers are playing within their means.

We also conduct ongoing monitoring of all active accounts which have been successfully verified for sources of funds. This ongoing monitoring, which takes place on each account every three to four months, allows the business to keep under review whether the player's deposits and losses remain consistent with our understanding of their financial position, and whether the relevant player presents a different level of risk. Updated source of funds documents are requested where necessary. At the same time, a responsible gaming review is undertaken on the account to check for indicators of problem gaming.

Operating responsibly

The importance of operating responsibly

In addition to our focus on the welfare and protection of our customers, we recognise the need to adopt responsible and ethical business practices across all areas of our business.

This reflects our ambition to build a better business in the right way. To this end, we are committed to: creating an engaged and inclusive workforce; making a contribution to the communities where are offices are based; ensuring our suppliers meet our responsible business standards; and minimising our environmental footprint across all our operations.

OUR PEOPLE

We are committed to creating an ethical and inclusive culture where all our employees are treated fairly and we always prioritise doing the right thing. We are implementing a wide range of training, engagement and wellbeing initiatives across our organisation to support our employees.

Training and development

As a relatively young and high-growth business, we are focused on hiring, developing and retaining staff at all direct levels across our organisation. At year end we employed 400 people globally across our offices. During the year we recorded 5,488 training hours in total split between online, classroom and one-on-one coaching. As part of our training programme, we support individuals in developing their management skills through a four-month coaching programme aimed at progressing line managers from junior to more senior management roles. Senior management development will be a focus area for us in 2019, as we continue to grow the business.

In setting objectives and identifying training needs, we take both a bottom-up and a top-down approach. Employee reviews are conducted biannually and these discuss individual training needs and set objectives which in some cases are linked to their performance bonus while senior management's goals and objectives for each team are cascaded down to employees. These components are combined to produce individual objectives for the year ahead.

Employee engagement

To date, our employee engagement activities have taken place on a regional basis. In 2018, for the first time, we conducted a full employee engagement survey across our organisation which recorded an engagement score of 70% across our business. We intend to repeat this survey annually to measure our progress and identify areas for improvement.

We also considered the employee net promoter score ('eNPS'), a more rigorous measure which assesses how likely an employee is to recommend the business as an employer and provides an overall score from -100 to +100. We achieved a score of just under +50 globally, which was in line with our expectations and a very positive outcome for a high-growth business.

The feedback showed we scored highly on leadership effectiveness and the team environment, demonstrating a healthy and engaged business. However, the results on communication and training initiatives were lower and we will take steps in the year ahead to improve our activities in these areas.

Employee wellbeing

All employees receive a wellness subsidy, which can be used to participate in wellbeing initiatives. In addition, we support individual mental wellbeing by providing mental health services including cognitive behavioural therapy and counselling free-of-charge to those who need it.

Diversity and inclusion

We welcome individuals from all backgrounds regardless of their race, gender, origin, sexuality and or disability. The importance to us of inclusivity is reflected in the Group's Diversity and Inclusion policy which is applied in every country in which we operate. The differing perspectives and experiences generated by a diverse workforce help to expand our knowledge base and improve our skills and understanding. Diversity across the Group also reinforces

Corporate social responsibility continued

our innovative culture and supports our objective of being a good corporate citizen and an attractive employer. By the end of the year, 39.75% of our global workforce and 24.24% of our senior management were women.

Diversity

	Male		Female		Total	
	2017	**2018**	2017	**2018**	2017	**2018**
Board of Directors	8	**8**	0	**1**	8	**9**
Senior managers	26	**25**	13	**8**	39	**33**
Employees (total)	166	**194**	118	**128**	284	**322**

Gender pay gap

Supporting transparency with regard to gender can lead to a fairer society which rewards on merit rather than gender or any other form of ability or disability. Despite employing less than 250 people in the United Kingdom, we voluntarily report our gender pay gap statistics in line with UK Gender Pay Gap Reporting. Our current gender pay gap reflects the challenge of attracting female talent into the gambling and technology industry as a large percentage of the Group's workforce sits within roles which traditionally attract males rather than females (e.g. software engineering and development, payments).

In addition, due to changes in our operational structure in 2018, we reduced the number of senior management roles in the organisation. This resulted in fewer women in leadership positions in the Group in 2018. Nevertheless, we continue to be mindful of the need for diversity across all levels of the organisation and are taking action to encourage internal progression and to attract more external applications by women for roles within the Group. In June 2018 we appointed Andria Vidler to the Board and her skills and experience have enriched our collective thinking and provided us with additional insights.

ETHICS AND HUMAN RIGHTS

Code of conduct

Our overarching Code of Conduct underpins our corporate responsibility activities and is applied on a global basis. It includes policies on harassment, diversity and equality, discrimination, whistleblowing and corporate governance.

Whistleblowing

Our whistleblowing policy was updated in 2018 and approved by the Audit & Risk Committee. We have introduced a Safe Call line which provides an outlet for anonymous feedback through a confidential number not affiliated with our organisation and established a team of individuals internally who can deal with issues raised. This policy was rolled out to the Group and the Safe Call line promoted through our internal communications systems. No cases were reported in 2018.

Anti-bribery and corruption and human rights

Our anti-bribery and corruption policy was revised in 2018 and a training programme for all our employees across the Group, including consultants and contractors, was rolled out during the summer.

We comply with the Modern Slavery Act and our most recent statement is available on our website. No human rights issues were identified across our organisation during 2018.

Suppliers

We expect our suppliers to meet the same standards we set ourselves including compliance with our Code of Conduct and the Modern Slavery Act. To this end, we conduct due diligence on all our suppliers around the core issues set out in our Code of Conduct including risk assessment, whistleblowing policies and anti-slavery. For those suppliers located in high risk countries we require further assurances around their operations.

Taxation

JPJ Group plc aims to achieve a low level of tax risk and to comply with the tax regulations in all the countries in which it operates. As taxation of international online businesses is complex and the tax environment is subject to ongoing change, we closely monitor changes in relevant tax practice and law and actively assess any consequences for the Group. We take expert advice when there are changes to our business that may require tax planning.

We proactively engage with the relevant tax authorities when appropriate to foster cooperation and ensure continued compliance with the regulations. We may also participate in consultation processes of when changes to tax policy that could significantly impact the Group are under consideration.

The Board has overall responsibility for the Group's risk and control framework. To manage tax risk, of the Board has approved a Group-wide tax risk management policy which sets out the processes which must be adopted when making tax decisions. In line with UK requirements, the Board has also adopted a UK tax statement (available at: https://www.jpjgroup.com/investors/corporate-governance/uk-tax-statement/) and has approved a Group-wide anti-tax evasion policy which codifies the systems and procedures required to ensure the Group does not facilitate tax evasion.

ENVIRONMENTAL RESPONSIBILITY

As an office-based organisation, we are an environmentally low-impact business. However, environmental responsibility helps us achieve efficiency savings, reduce waste and play our part in acting as an ethical business. We measure and monitor energy consumption at site level across our divisions. Our GHG emissions calculations and reporting follows the Greenhouse Gas Protocol (operational approach) and covers emissions from all sources under our control, grouped under: Scope 1 – direct GHG emissions from owned assets; and Scope 2 – GHG emissions from supplied electricity. Emissions from company vehicles, production processes and other combustion sources are minimal and not deemed to be material. Subsequently, these are not included in the reported totals. Due to changes in our operational profile in 2018 as a result of taking on new floor space in our offices in Sweden, Malta and London, our total office space increased by 54% from 2017 levels. Our total GHG emissions profile has increased proportionately to these changes in reporting scope.

GHG emissions

Emissions type		2017	2018
Absolute values			
Scope 1 (direct)[1]	tCO_2e	0	**0**
Scope 2 (indirect)[2]	tCO_2e	31.4	**118.1**
TOTAL	**tCO_2e**	31.4	**118.1**
Carbon intensity (CO_2 per m² area)[3]			
Normalised values			
Scope 1 (direct)	tCO_2e/m^2	0	**0**
Scope 2 (indirect)	tCO_2e/m^2	15.96	**32.40**
TOTAL	**tCO_2e/m^2**	15.96	**32.40**
Carbon intensity (CO_2 per full-time employee)[4]			
Normalised values			
Scope 1 (direct)	tCO_2e/FTE	0	**0**
Scope 2 (indirect)	tCO_2e/FTE	117.62	**387.27**
TOTAL		117.62	**387.27**

1. Scope 1: direct GHG emissions from owned assets. As JPJ Group plc does not combust its own energy from boilers, furnaces, Company vehicles, etc. the reporting value is zero.
2. Scope 2: indirect GHG emissions from electricity supplied to our JPJ Group (Dumarca & non-Dumarca) offices. This calculation does not include data from our leased plc offices in London, Toronto or Bahamas (representing 6% of our FTE employees and 12% of our total office space).
3. CO^2 per m² area: total 3,646 m² over seven owned offices. 507 m² of leased office space not included.
4. CO^2 per full-time employee: based on 305 full-time equivalent employees across seven owned offices.

Our community

COMMUNITY ENGAGEMENT

We are committed to supporting the communities where we operate through participation in a range of voluntary initiatives at local level. During 2018 these initiatives included:

- employees in Malta taking part in a range of initiatives including a 'clean the beaches' project;
- engaging in a community-led project in Gibraltar which is restoring a historic graveyard back to its original state;
- we have made a donation in the Bahamas in favour of Head Knowles Organisation – Hurricane Relief Fund; and
- in Sweden we supported the charity run 'Spring for livet' (Run for life) as one of the main sponsors of the event.

Our plan for 2019 is to create a charitable trust to formalise and coordinate all the community activities and charities that we are supporting across our operations.

2019 OBJECTIVES

1. Responsible Group
2. Prioritise Responsible Gambling
3. Support, Protect and Develop JPJ Group plc's People

Board of Directors: As at 31 December 2018

Neil Goulden[1]
Executive Chairman

Term of office
Appointed to the Board as Non-Executive Chairman on 15 August 2016 and became Executive Chairman on 1 November 2017.

Skills and experience
Mr Goulden was Group Managing Director, CEO, Chairman and Chairman Emeritus of Gala Coral Group from 2001 to 2014. Mr Goulden advised the Government on gambling matters as a member of the Responsible Gambling Strategy Board (2008 to 2011), as Chairman of the Responsible Gambling Trust (2011 to 2016) and as a member of the Horserace Betting Levy Board (2015 to 2017).

Mr Goulden graduated from the University of Southampton in 1975 with a BSc in Politics and Law.

External listed company appointments
None.

Committee membership
NOM
CHAIR

Simon Wykes
Chief Executive Officer, Jackpotjoy Operations Ltd.

Term of office
Appointed to the Board on 1 November 2017.

Skills and experience
Mr Wykes was Chief Executive Officer at Gala Leisure (2015–2016) and Managing Director at Gala Coral Group (2010–2015), where he oversaw the execution of a successful strategic turnaround plan of its bingo division, culminating in a management buyout. He also served as Managing Director of Rank Group for four years (2005– 2009).

Mr Wykes graduated from Nottingham Trent University in 1994 with a BA in Business Studies.

External listed company appointments
None.

Committee membership
None.

Keith Laslop[1]
Chief Financial Officer

Term of office
Appointed to the Board on 5 September 2016.

Skills and experience
Mr Laslop previously served as principal of Newcourt Capital, a boutique private equity group. From 2004 to 2008, Mr Laslop served as the CFO, then President, of Prolexic Technologies Inc, the world's largest Distributed Denial of Service mitigation provider. From 2001 to 2004, he served as the CFO and Business Development Director of Elixir, a London-based video gaming software developer.

Mr Laslop is a Chartered Accountant and holds the Chartered Financial Analyst accreditation.

External listed company appointments
None.

Committee membership
None.

Colin Sturgeon
Senior Independent Director

Term of office
Appointed to the Board on 19 January 2017.

Skills and experience
Mr Sturgeon has extensive experience leading and managing the origination and execution of corporate and government finance. In July 2005, he retired from RBC Capital Markets after more than 20 years' service, having held various roles in Europe, the Middle East and Africa. He was Deputy Chairman, Royal Bank of Canada Europe Limited and Chairman of the European Banking and Trading Risk Management Committees.

Mr Sturgeon has served on the boards of several other companies, including Krupaco Finance UK Limited, Channel Services Limited and RBC Pension Trustees Limited. He also acted as a senior adviser to the Financial Services Authority.

External listed company appointments
None.

Committee membership
REM NOM
CHAIR

1. Also a Director of The Intertain Group Limited, a company listed on the Toronto Stock Exchange, which became an indirect subsidiary of Jackpotjoy plc (now JPJ Group plc) on 25 January 2017.

Committee membership
REM Remuneration
NOM Nomination
ARC Audit & Risk

David Danziger[1]

Independent
Non-Executive Director

Term of office

Appointed to the Board on 5 September 2016.

Skills and experience

Mr Danziger is a Chartered Professional Accountant and the Senior Vice President of Assurance Services at MNP LLP, Chartered Professional Accountants, the fifth-largest audit and financial services firm in Canada.

He was previously the CEO and a Director of capital pool companies Aumento Capital Corporation (now Annidis Corporation), Aumento Capital III Corporation (now Exo U Inc), Aumento Capital IV Corporation (now GreenSpace Brands Inc), Aumento Capital V Corporation (now Weed MD), Aumento Capital VI Corporation (now Cryptostar Inc.) and Aumento Capital VII Corporation.

Mr Danziger graduated with a Bachelor of Commerce from the University of Toronto in 1978 and was designated a Chartered Accountant (now Chartered Professional Accountant) in 1983.

External listed company appointments

Mr Danziger is a Director of Eurotin Inc (TSXV), Euro Sun Mining Inc (TSX), CB2 Insights (CSE) and Aumento Capital VII Corporation (TSXV).

Committee membership

ARC NOM

Paul Pathak[1]

Independent
Non-Executive Director

Term of office

Appointed to the Board on 17 August 2016.

Skills and experience

Mr Pathak is a partner at Chitiz Pathak LLP, a Toronto law firm. He practises principally in the areas of corporate, securities, corporate finance, mergers and acquisitions and commercial law. Mr Pathak represents and provides sophisticated guidance to private and public corporate clients in a broad range of industries, including mining, technology, cannabis, manufacturing, venture capital and merchant banking. He also serves, or has served, as a member of the board of several public companies listed on Canadian stock exchanges.

Mr Pathak was called to the Ontario Bar in 1994, having completed his LLB at Osgoode Hall Law School in 1992.

External listed company appointments

Mr Pathak is the Interim Chairman of Wayland Group Corporation and a Director of Aumento Capital VII Corporation (TSXV) and Skyscape Capital Inc.

Committee membership

REM

Jim Ryan[1]

Independent
Non-Executive Director

Term of office

Appointed to the Board on 5 September 2016.

Skills and experience

Mr Ryan is an experienced online gaming executive who is currently the CEO of Pala Interactive LLC.

He has also held a number of other roles within the online gaming sector that include: Co-Chief Executive Officer of bwin.party digital entertainment plc, Chief Executive Officer at PartyGaming plc, St Minver Limited, Excapsa Software Limited and Chief Financial Officer of Cryptologic Software Limited.

Mr Ryan also currently sits on the boards of Gaming Realms plc and Fralis LLC and has served on the boards of several public and private companies.

Mr Ryan holds a Chartered Accountant qualification from the Canadian Institute of Chartered Accountants and a degree in business from the Goodman School of Business at Brock University.

External listed company appointments

Mr Ryan is a Director of Gaming Realms plc.

Committee membership

ARC

Nigel Brewster[1]

Independent
Non-Executive Director

Term of office

Appointed to the Board on 19 January 2017.

Skills and experience

Mr Brewster is an experienced finance and management executive who has held senior roles in private equity-backed companies in the leisure industry. From November 2015 to April 2016, Mr Brewster was CFO of Parkdean Resorts Limited, where he oversaw the merger of Park Resorts and Parkdean Holidays, a £570 million senior debt raise and various aspects of post-merger integration, having previously served as CFO of Park Resorts Limited from April 2012.

Mr Brewster previously served as CFO of ADP Dental Group and has held several senior roles at Gala Coral Group, one of Europe's largest integrated gaming businesses.

Mr Brewster holds a Bachelor of Science and a Chartered Accountant qualification from the Institute of Chartered Accountants in England and Wales, having qualified with PricewaterhouseCoopers.

External listed company appointments

None.

Committee membership

ARC REM

CHAIR

Andria Vidler

Independent
Non-Executive Director

Term of office

Appointed to the Board on 7 June 2018.

Skills and experience

Ms Vidler has extensive public markets experience and is currently Chief Executive of Centaur Media PLC, a leading business information group. Appointed to this role in 2013.

Previously, Ms Vidler was Chief Executive of EMI, UK and Ireland, from 2009 to 2013, where she grew market share significantly by driving consumer focus and digital innovation at the high-profile, creative business. Prior to this, she held senior roles in marketing and commerce for Bauer Media, Capital Radio and the BBC.

Ms Vidler is a Council member for The Marketing Group of Great Britain, a member of Tech London Advocates, an advisory group of tech experts.

Ms Vidler graduated from Anglia Ruskin University in 1987 with a BA in History and a MBA in 2000 from the University of Bradford.

External listed company appointments

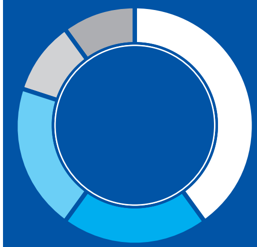
Ms Vidler is currently CEO of Centaur Media PLC.

Committee membership

REM

Corporate Governance Report

BOARD ACTIVITIES DURING 2018 AND ALLOCATION OF AGENDA TIME



- Operational updates
- Regulatory matters
- Business development
- Board governance
- Premium listing application

2018 activities
- Successful move to premium listing
- Recruitment of new independent Non-Executive Director
- Improving our capital structure

2019 focus
- Developing Board independence
- Compliance with new UK Corporate Governance Code requirements

WE REMAIN COMMITTED TO MAINTAINING HIGH STANDARDS OF CORPORATE GOVERNANCE

Introductory letter on corporate governance from the Chairman

Dear Shareholder,

On behalf of the Board, I am pleased to present the Company's Corporate Governance Report for the year ended 31 December 2018. This year has seen the Company take a further significant step with its move to a premium listing on the London Stock Exchange in June. This has impacted on the Board's priorities in relation to corporate governance during 2019.

We remain committed to maintaining high standards of corporate governance and, in pursuit of this, our priorities this year have been to continue to develop our systems and processes and bring our practices into closer alignment with the requirements of the UK Corporate Governance Code. The appointment of Andria Vidler to the Board in June was also the first step towards developing a more diverse Board membership. A key point of focus has been the composition of the Board and independence of our Non-Executive Directors. Although the Board has been satisfied that those Directors designated as being independent are indeed independent in character and judgement, it also acknowledges that some stakeholders did not share this view. In December, it was announced that Jim Ryan had surrendered his options, thus fulfilling all of the conditions of independence set out in Code Provision B.1.1 of the Code. David Danziger and Paul Pathak have informed the Board that they will not seek re-election at the forthcoming AGM. We believe that these steps address the main concerns of stakeholders about the independence of our Non-Executive Directors.

Leadership and culture

As a Board, we have always taken our responsibility seriously to provide solid leadership to the Group. We are increasingly aware that the values underpinning that leadership and the culture that it engenders is equally important. Steps that we have taken in this regard include establishing a Board CSR Committee and an operational customer sustainability group, details of which are set out on page 34.

Board composition and succession planning

During 2018, we have continued to review the composition of the Board and the independence and tenure of each Director, to ensure that the Board operates effectively. Following engagement with stakeholders, including proxy advisers, the Board has determined that continued holding of options could cause a Director to be deemed non-independent. The Board, however has taken into account the fact that the options granted to Mr Danziger, Mr Pathak and Mr Ryan were granted when the Company was listed in Canada and where the granting of options to Non-Executive Directors is viewed as a positive alignment with shareholder interests. Therefore the Board considers Mr Danziger, Mr Pathak and Mr Ryan to be independent in character and judgement and remains satisfied that they continue to be designated as independent. Mr Ryan surrendered his options in 2018 and Mr Danziger and Mr Pathak will not be seeking re-election and will retire at the 2019 AGM. A search for a new independent Non-Executive Director has commenced, providing an opportunity to further develop the Board's diversity and skillset reflecting our operational footprint and customer base.
In support, the Nomination Committee has developed and adopted a Diversity Policy and is leading this search, identifying candidates who have the requisite skills and experience. The search has been informed by the output of the Board's recent annual evaluation. The Board will provide a further update in due course.

Accountability and audit

The Audit & Risk Committee has continued to develop its programme of activities in line with the Code. Details of the activities undertaken by the Audit & Risk Committee are set out on pages 52 to 54.

Remuneration

At the 2018 AGM, our Directors' Remuneration Policy was approved by over 96% of the shareholders who voted. This gives us a solid platform for our approach to executive remuneration going forward. Further details on how the Committee implemented the remuneration policy in 2018 and plans for 2019 are set out in the Directors Remuneration Report on pages 55 to 72.

Changes to the UK Corporate Governance Code

During the year, we have reviewed the new requirements of the UK Corporate Governance Code and have taken a number of steps to ensure implementation of these new requirements.
In particular, we have reviewed and updated the Remuneration Committee's terms of reference and are reviewing employee engagement to ensure continued and appropriate Board representation. Further information on how we engage with our key stakeholders can be found on page 35.

Priorities

As set out above, the Board has set a number of governance priorities for 2019 which we will work towards achieving. Notably, these are increasing Board independence and undertaking projects to comply with the new Code requirements.

I look forward to reporting further on progress with these priorities in our 2019 Annual Report.

Yours faithfully,

Neil Goulden
Executive Chairman
18 March 2019

Corporate Governance Report continued

Introduction
JPJ Group plc is a public company limited by shares incorporated in the United Kingdom. It is a premium listed company on the Main Market of the London Stock Exchange and is committed to high standards of corporate governance and control. Further information on the Company's corporate governance policies and principles are available on its website: www.jpjgroup.com.

The Company continues to be a 'reporting issuer' under applicable Canadian securities laws. It is therefore obligated to comply with continuous and other timely disclosure requirements and other requirements under such laws in addition to complying with its other obligations. Additional disclosure regarding the Company's corporate governance will be provided in the Company's notice of meeting for the 2019 AGM.

Compliance with corporate governance standards
JPJ Group plc is required to comply with all relevant provisions of the UK Corporate Governance Code published in April 2016 by the Financial Reporting Council (the 'Code') and the Listing Rules of the UK Listing Authority. If the Company does not comply with the Code, it should explain the reasons for non-compliance. The Code is available at www.frc.org.uk. It is the Board's view not to apply exemptions available under the Code for smaller companies due to its commitment to high standards of corporate governance and therefore reports its compliance accordingly.

During 2018, the Board believes that JPJ Group plc has complied with all the principles and provisions of the Code, other than as follows: Provision B.1.1 of the Code requires that the Annual Report shall identify each Non-Executive Director the Board considers to be independent. The Board notes that, during the year, David Danziger, Paul Pathak and Jim Ryan continued to hold share options which could preclude them from being assessed as independent, notwithstanding their independent character and judgement. On 14 December 2018 Jim Ryan agreed to surrender his 30,000 share options that had been awarded on 8 September 2016. Following this surrender, Mr Ryan no longer holds any options over the Company's shares and therefore the Board deems him independent in accordance with the Code and considers that he should continue to be designated as an independent Non-Executive Director.

Mr Danziger and Mr Pathak will not be seeking reappointment and will retire at the 2019 AGM on 13 June 2019 and recruitment is underway for an additional independent Non-Executive Director.

The UK Corporate Governance Code 2018
The Board is reviewing the new requirements and during 2019 will progress a number of actions to deliver its target to comply fully with the Code. The Board has already taken steps in 2018 to develop its engagement with its stakeholders as set out on page 35.

Board responsibilities and activities
The Board and management of JPJ Group plc aim to pursue objectives in the best interests of the Company, its shareholders and other stakeholders, and particularly to create long-term value for shareholders.

As at 31 December 2018, the Board comprised the Executive Chairman, two additional Executive Directors and six Non-Executive Directors, including a Senior Independent Director.

The JPJ Group plc Board has approved a Schedule of Matters reserved to the Board and is responsible for key aspects of governance and performance.

At each scheduled Board meeting, the following items of business are reviewed:
- Minutes of previous meetings.
- Chief Executive Officer's report, including performance against operational KPIs.
- Chief Financial Officer's report, including financial and trading performance.
- Committee reports.
- Investor relations update.
- Regulatory update.
- Meetings of the independent Non-Executive Directors.

During the year ended 31 December 2018, the Board met eight times for scheduled meetings and at other times to deal with specific matters outside of the scheduled meetings. The business considered at the scheduled meetings included:

- Strategy
  - Review of the PR strategy.
  - Review of political developments and the online gaming market.
  - Review of the Group's markets.
  - New territories update.
  - M&A opportunities.

- Business reviews
  - Vera&John division.
  - Jackpotjoy division.

- Approval of the move to premium listing on the Main Market of the London Stock Exchange and associated adviser appointments and reviews

- Approval of the 2019 budget
  - Approval of quarterly financial statements and Management Discussion and Analysis (MDA) reports, Annual Information Form and the 2018 interim report.

- Approval of the 2018 Annual Report

- Approval of the appointment of Andria Vidler to the Board

- Advisers
  - Presentation by the corporate brokers.
  - Approval of appointments of second corporate broker and public relations adviser.
  - Presentation on the General Data Protection Regulation.

- Regulatory and policies
  - Review of the requirements of the UK Corporate Governance Code.
  - Review of whistleblower policy.
  - Approval of the UK tax policy.
  - Approval of the Modern Slavery Statement.
  - Approval of a Group diversity policy.

In addition, the Board has adopted a delegation of authority mandate which sets out the levels of authority for the Executive Directors and employees below Board level to follow when managing the Group's business day to day. This was reviewed during the year. The Board's November meeting was held in the Bahamas prior to which the Board attended a full strategy day.

The Board considers the interests of all stakeholders by taking a long-term view of how the business needs to develop within its economic market. The Board has considered the technological developments in the wider market to ensure that its assets are managed so as to remain competitive, and that the necessary financing requirements will be available over the medium to long term to implement strategic projects. Further information on stakeholder engagement can be found in the Corporate Social Responsibility ('CSR') report on pages 34 to 41 and overleaf.

Roles and responsibilities

The Board has agreed a written statement which sets out the division of responsibilities between each Executive Director; the Executive Chairman, the Chief Executive Officer, Jackpotjoy Operations Ltd. ('the CEO JPJ Ops'), and the Chief Financial Officer.

The Executive Chairman's principal responsibility is the effective running of the Board, ensuring that the Board as a whole plays a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives. The CEO JPJ Ops is responsible for the running of the Company through the executive team. Neil Goulden, as Executive Chairman, is responsible for leading the development and execution of the Group's long-term strategy and other executive duties including management of the Group's corporate head office.

Board meetings and composition

During 2018, the Board held eight scheduled meetings and additional meetings held for specific matters. In 2019, up to the date of the approval of this report, a further scheduled Board meeting was held. Members of senior management attend Board meetings by invitation to deliver presentations on the status of projects and performance of business units.

The table below sets out the attendance of each current Director at scheduled Board and Board Committee meetings, together with the AGM, in 2018.

The Board considers that the following Non-Executive Directors – Andria Vidler, Colin Sturgeon, David Danziger, Jim Ryan, Nigel Brewster and Paul Pathak to be independent in character and judgement, and free from any business or other relationship that could materially interfere with the exercise of their independent judgement, in compliance with the Code.

At least half the Board, excluding the Executive Chairman, comprises Non-Executive Directors deemed independent, and each of the principal Board Committees is comprised of Independent Non-Executive Directors. The Audit & Risk Committee and the Remuneration Committee are chaired by Non-Executive Directors. The Nomination Committee is chaired by the Executive Chairman. To comply fully with the Code, the Board considers further independent representation is required and, as mentioned, recruitment is underway for an additional independent Non-Executive Director to join the Board.

Jim Ryan is a Director of another online bingo company, and excuses himself from any Board discussions concerning this entity. Notwithstanding this interest, Mr Ryan is regarded as independent. The Board has, as stated above, satisfied itself that there is no compromise to the independence of, or existence of conflicts of interest for, those Directors who serve on the boards of outside entities.

Board expertise

The Board has determined that, as a whole, it has the appropriate skills and experience necessary to discharge its functions. Executive and Non-Executive Directors have the experience required to contribute meaningfully to the Board's deliberations and resolutions. Non-Executive Directors assist the Board by constructively challenging and helping develop strategy proposals.

	Board	RemCo	Audit & RiskCo	NomCo
Total number of meetings[1]	**8**	**5**	**6**	**2**
Neil Goulden	8/8	–	–	2/2
Keith Laslop	8/8	–	–	–
Simon Wykes	8/8	–	–	–
David Danziger	8/8	–	6/6	2/2
Paul Pathak	8/8	5/5	–	–
Jim Ryan	8/8	–	6/6	–
Colin Sturgeon	8/8	5/5	–	2/2
Nigel Brewster	8/8	5/5	6/6	–
Andria Vidler (appointed 7 June 2018)	4/4	2/2	–	–

1. Attendance shown relates to the scheduled meetings. There were additional meetings held for specific individual matters.

Corporate Governance Report continued

Induction and professional development
The Executive Chairman is responsible for ensuring that there is a properly constructed and timely induction for new Directors upon joining the Board. Directors have full access to a regular and comprehensive supply of financial, operational, strategic and regulatory information to help them discharge their responsibilities.

Upon appointment, Ms Andria Vidler was provided with a comprehensive induction; meeting with key members of management, receiving a full briefing from the Company Secretary and site visits being arranged.

Performance evaluation
An internal questionnaire-based Board evaluation was conducted facilitated by the Company Secretary. Detailed questionnaires were distributed to all Directors for their response and comment. The results were collated and discussed by the Board as a whole. Board performance was deemed to be satisfactory.

The Board will consider undertaking an externally facilitated performance evaluation in Q4 of 2019, in line with the full requirements of the Code.

Board committees
The Board is supported in its work by its principal committees, namely the Audit & Risk Committee, the Remuneration Committee and the Nomination Committee.

Each committee has written terms of reference, approved by the Board, summarising its role and responsibilities.

The Company Secretary acts as secretary to each of the committees and provides support as required. An explanation of the roles and authorities delegated by the Board to each committee is available on the Group's website: www.jpjgroup.com.

The role and composition of each committee

Committee name	Function	Composition
Audit & Risk Committee	Audit, financial reporting, risk management and controls	Three members are independent Non-Executive Directors.
Nomination Committee	Selection and nomination of Board members	Two members are independent Non-Executive Directors. The Committee is chaired by the Executive Chairman.
Remuneration Committee	Remuneration of Board members and top management	Four members are independent Non-Executive Directors.

Stakeholder engagement

The Board engages with all its stakeholders via various communication channels such as; investors through organised roadshows and briefings (see below); regulators with compliance reporting and meetings; and customers through social media. Further information on engagement with customers, the industry and regulators can be found in the CSR Report on page 35 and steps to improve Board-level CSR engagement on page 34.

Shareholder engagement

The Company continues to encourage shareholder engagement. The AGM was held on 7 June 2018 and all Directors, including all Committee Chairs, were in attendance. All shareholders are welcome to attend, ask questions and discuss issues with individual Directors at the AGM in 2019.

The Executive Chairman, supported by the Chief Financial Officer, briefs analysts and institutional investors fully after the publication of the Company's half-year and full-year results.

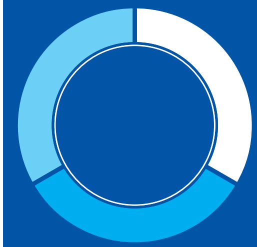
The Senior Independent Director, Colin Sturgeon, was available throughout the year, and remains available to meet shareholders if there are any concerns around the governance of the Group. He is expected to be available to meet with shareholders at the AGM.

The Board recognises the need to ensure that all Directors are fully aware of the views of major shareholders about the Group. Copies of all analysts' research relating to the Group are circulated to all Directors, and monthly analyses of the shareholder register are made available to the Board.

The 2019 AGM will be held on Thursday 13 June 2019. The business of the AGM will be conducted in accordance with provision 18 of the new 2018 UK Corporate Governance Code and relevant provisions of the Guidance on Board Effectiveness 2018 and all applicable laws. The Chairman of the Board and the chairmen of each of the Board committees will be available to answer questions put forward to them by shareholders of the Company. The Annual Report and Accounts and the Notice of the AGM will be sent to shareholders at least 20 working days prior to the date of the meeting.

Nomination Committee

COMMITTEE ACTIVITIES DURING 2018 AND ALLOCATION OF AGENDA TIME



- Succession planning
- Director recruitment
- Board evaluation

2018 activities
- Recruitment of new independent Non-Executive Director
- Extended Board capabilities and skills matching business requirements

2019 focus
- Improve Board independence
- Recruit new independent Non-Executive Director

WE SUPPORT MOVES TO DEVELOP BOARDROOM DIVERSITY WHILST EVALUATING THE BALANCE OF SKILLS, EXPERIENCE AND INDEPENDENCE SUITABLE FOR JPJ GROUP PLC

Dear Shareholder,

2018 has been a year of consolidation following the Group's move to the Main Market of the London Stock Exchange 2017.

Responsibilities

The Nomination Committee (the 'Committee') assists the Board in discharging its responsibilities relating to the composition and make-up of the Board. The Committee is responsible for evaluating the balance of skills, experience, independence and knowledge on the Board, the size, structure and composition of the Board, retirements and appointments of additional and replacement Directors, and will make appropriate recommendations to the Board on such matters. The Committee also considers succession planning, taking into account the skills and expertise that the Board will require in the future.

The Committee is composed of three members, two of whom are independent Non-Executive Directors (David Danziger and Colin Sturgeon), and Neil Goulden, the Executive Chairman of the Board. Neil Goulden is its Chairman.

The Committee meets formally at least twice a year and otherwise as required.

Boardroom diversity

JPJ Group plc recognises the benefits that diverse viewpoints can make to decision-making. To that end, when Board positions become available, JPJ Group plc is committed to considering a diverse range of candidates, and has in mind the Hampton Alexander Review which now recommends that FTSE 350 companies adopt a target 33.3% as the minimum level of female representation on boards by 2020. JPJ Group plc also notes Sir John Parker's recommendation to improve ethnic and cultural diversity for UK-listed boards. Appointments will continue to be based on merit, measured against objective criteria and the skills and experience the individual offers. During the year, two key steps were taken in relation to the diversity of the Board.

Firstly, the Board approved a Group Diversity Policy.

Secondly, in April, the Committee recommended to the Board the appointment of Andria Vidler as an independent Non-Executive Director. Andria is the first female Director to be appointed to the Board.

Board appointments process

Blackwood Group were engaged to support the Committee with its search for a new Non-Executive Director and, after taking into account the feedback from the Board evaluation process, a shortlist of candidates was prepared. After interviews, Ms Vidler was selected by the Committee to be the preferred candidate and met with all Board members prior to being recommended to the Board and joining the Company. The Group's only other relationship with the Blackwood Group is supporting the recruitment of a further independent Non-Executive Director utilising this year's Board evaluation feedback.

Succession planning

The Committee reviews the balance of skills and experience of Board members and their tenure to manage Board succession. The Committee also discusses and reviews executive management succession planning, as required.

Activities

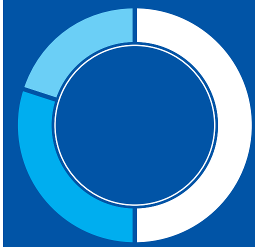
During 2018, the Committee met to consider and make recommendations to the Board in relation to the appointment of a new independent Non-Executive Director to the Board. The Committee has further considered progress with both short-term and long-term succession planning and the appointment process for Non-Executive Directors. It also considered the output from the internal Board evaluation exercise and oversaw the evaluation of the performance of the Chairman by the Non-Executive Directors (taking account of the views of the Executive Directors).

I will be available at the AGM and will be happy to answer any questions on the work of the Committee.

Neil Goulden
Chairman of the Nomination Committee
18 March 2019

Audit & Risk Committee

COMMITTEE ACTIVITIES DURING 2018 AND ALLOCATION OF AGENDA TIME



- Scrutiny of the Group's financial reporting
- Oversee the Group's risk and control assessment
- Review of the Group's supporting policies and procedures

2018 activities

- Review of the Group's risk matrix and establishing risk registers and oversight of testing thereof
- Oversee the Group's approach to GDPR compliance

2019 focus

- Establish internal risk management and internal audit function
- Continued review of the Group's risk framework

WE ARE COMMITTED TO THE CONTINUED DEVELOPMENT OF INTERNAL CONTROLS AND RISK MANAGEMENT

Dear Shareholder,

I am pleased to report on the work of the Audit & Risk Committee.

Responsibilities

The Audit & Risk Committee (the 'Committee') assists the Board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including: reviewing the Company's annual financial statements; reviewing and monitoring the extent of the non-audit work undertaken by external auditors; advising on the appointment, reappointment, removal and independence of external auditors; and reviewing the effectiveness of the Company's internal audit activities, internal controls and risk management systems. The ultimate responsibility for reviewing and approving the Annual Report and Accounts and the interim financial statements, including the half-yearly reports, remains with the Board.

The Committee is also responsible for: (i) advising the Board on the Company's risk strategy, risk policies and current risk exposures; (ii) overseeing the implementation and maintenance of the overall risk management framework and systems; (iii) reviewing the Company's risk assessment processes and capability to identify and manage new risks; and (iv) establishing, reviewing and maintaining procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

The Committee has, on behalf of the Board, reviewed the effectiveness of the Group's risk management and internal control. Such matters are also regularly considered by the Board. As a result of the review, the Committee has recommended to the Board that it considers the measures that have been in effect throughout the year ended 31 December 2018, or are planned to be implemented, are appropriate to the Group's circumstances.

The Board is committed to the continued development of internal controls and risk management. Notwithstanding that the Group's internal control systems accord with the 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting', and that no significant failings or weaknesses are in evidence, the Board engaged PwC to provide further support on the implementation of the revised framework and to carry out specific controls testing through 2018.

An internal audit function does not currently exist within the Group. The Group has engaged PwC and EY to undertake specific internal audit reviews of the framework for risk management and internal controls over financial reporting, respectively. The Committee is satisfied that this is appropriate and, for 2019, intends to establish such function to incorporate risk management and internal audit oversight and testing.

The membership of the Committee comprises three independent Non-Executive Directors, with Keith Laslop attending from time to time as an observer. Each of the members of the Committee is considered 'financially literate' and Nigel Brewster is its Chairman.

The Committee meets formally at least four times a year and otherwise as required.

Activities

During 2018, the Committee met six times and its activities included the following:

Financial reporting:	– Review and recommendation to the Board for approval of the audited financial statements for the year to 31 December 2017; the interim financial statements for the three months to 31 March 2018, the six months to 30 June 2018 and the nine months to 30 September 2018 and, in each case, associated Management Discussion and Analysis (MD&A). – Oversee the application of new accounting standards, IFRS 9 and 15. – Review of the significant accounting policies and judgement areas in relation to the preparation of the full-year financial statements, including revenue recognition, taxation, goodwill impairment and contingent consideration.
External audit:	– Review of the report of the external auditor, BDO, on the audited financial statements for the year to 31 December 2017; the interim financial statements for the three months to 31 March 2018, the six months to 30 June 2018, the nine months to 30 September 2018 and associated MD&As. – Review of the scope of and letter of engagement for the 2018 full-year audit and audit planning.
Risk:	– Reviews of the Company's risk matrix.
Internal controls:	– Review of the Company's response to the General Data Protection Regulation. – Review of PwC's work regarding the framework for risk management and associated internal controls.
Internal audit:	– Review of the Company's need for an internal audit function.
Whistleblowing:	– Approval of amendments to the Company's whistleblowing policy.
Other:	– Approval of EY's engagement letter in relation to N1 52-109 Certification (being a Canadian securities filing requirement) regarding the effectiveness and suitability of the Group's internal controls over financial reporting.

Audit & Risk Committee continued

Significant issues and judgements that were considered in respect of the 2018 financial statements for the Company included:

- Accounting standards – the Committee oversaw the Group's implementation of IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers), both standards effective from 1 January 2018. The Committee reviewed the Group's reporting and approved changes required, as proposed by management, to fully comply with these new standards.
- Mandalay – the Committee considered the proposed sale of the Mandalay business and whether or not an IFRS 5 (Non-current assets held-for-sale and discontinued operations) disclosure was required. Due to the level of uncertainty at the end of 2018, management recommended that no such disclosure was required. The Committee agreed with management's recommendation.
- Goodwill impairment – with the assistance of external professional valuers, the Group performs an annual goodwill impairment review which tests the Group's two operating segments. Each operating segment represents a cash-generating unit ('CGU'). The Committee reviewed the impairment report verifying that key judgements, estimates and assumptions used (such as pre-tax discount rates and growth rates) were reasonable. The Committee concurred with management's assessment that goodwill in each of the Group's CGUs was not impaired.
- Taxation – during the year the Board reviewed the tax operating manuals for JPJ Group plc and Jackpotjoy Operations Ltd. verifying their respective approaches to decision-making and interactions with both UK third parties and other Group entities.
- Laws and regulations – the Committee reviewed the Group's compliance with laws and regulations including compliance with gaming regulations and licences.

The Company's external auditor, BDO, was appointed in 2014 shortly after the formation of the Intertain group. Since that time, the audit partner responsible for the audit opinion on the Group's financial statements has been Kieran Storan. The Committee has reviewed the effectiveness of the external audit process. This was based on the Committee's interaction with BDO and through feedback from the Group's finance team. The Committee has satisfied itself that BDO continues to provide an effective audit service and the Committee has made a recommendation to the Board for the re-appointment of BDO to be proposed at the AGM on 13 June 2019.

The Committee has established a policy regarding the appointment of external auditors to perform non-audit services for the Group and keeps this under continual review, receiving a report at each Committee meeting. This policy dictates that in the Company's financial year, the total fees for non-audit services provided by the external auditor, excluding non-audit fees for due diligence for acquisitions and other specific matters noted below, should not exceed 70% of the average of the total fees for audit services they provided in the preceding three-year period. In the year ended 31 December 2018, the total non-audit fees as a percentage of the audit fees paid to the external auditor was 36%.

In addition to their statutory duties, BDO LLP is also employed where, as a result of their position as auditor or for their specific expertise, they either must, or the Committee accepts they are best placed to, perform the work in question. In the year ended 31 December 2018 this related to matters such as the premium listing application and regulatory filings. In such circumstances, the Committee will separately review the specific service requirements and consider any impact on objectivity and independence of the auditor and any appropriate safeguards to this. As such, the Committee believes it appropriate for these non-audit services to be excluded from the 70% cap calculation set out above. In the year ended 31 December 2018, the total fees paid to the external auditor in respect of the Group's move to a premium listing amounted to £218,000.

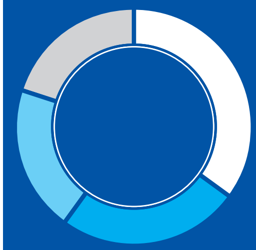
On 15 March 2019, the Committee considered: (i) a review of the going concern basis of preparing the statutory accounts; (ii) a review of the system of internal control; (iii) an assessment of the principal risks and uncertainties; (iv) review of the policy for the provision of non-audit services by the external auditor; and (v) determination of the period over which it is appropriate to assess the Company's prospects with a view to preparing a viability statement as required by Provision C.2.2 of the Code.

I will be available at the AGM and will be happy to answer any questions on the work of the Committee.

Nigel Brewster
Chairman of the Audit & Risk Committee
18 March 2019

Directors' Remuneration Report

COMMITTEE ACTIVITIES DURING 2018 AND ALLOCATION OF AGENDA TIME



- Executive remuneration
- Workforce remuneration and incentive arrangements
- Review industry and market developments
- Directors' remuneration reporting

2018 activities

- Review and approve executive remuneration, bonus and LTIP awards
- Considered and implemented new wider workforce bonus scheme
- Recommended changes to the Committee's terms of reference in light of the new UK Corporate Governance Code requirements

2019 focus

- Implementation of new all-employee share scheme
- Approval of 2019 performance objectives
- Review of Non-Executive Director fees
- Review of Committee's remit having regard to the introduction of the new Corporate Governance Code

WE TAKE A DISCIPLINED APPROACH TO EXECUTIVE REMUNERATION, ENSURING THAT WE INCENTIVISE AND REWARD THE RIGHT BEHAVIOURS

Directors' Remuneration Report continued

Letter from the Chairman of the Remuneration Committee

Dear Shareholder,

As the Chair of the Remuneration Committee (the 'Committee'), I am pleased to present our Directors' Remuneration Report for the year ended 31 December 2018.

In accordance with the requirements of the applicable remuneration reporting regulations, this report is presented in two sections:

- Extracts from our Directors' Remuneration Policy (the 'Policy') approved at the 2018 Annual General Meeting, with over 90% of all votes cast in favour of it. The Committee considers the Policy remains appropriate and, accordingly, shareholder approval for a new policy will not be sought at the 2019 Annual General Meeting. Although the relevant regulations do not require us to include the Policy in the Directors' Remuneration Report, we have included those parts we think shareholders will find most useful. The full Policy as approved by shareholders at the 2018 Annual General Meeting is included in the Company's 2018 Annual Report and Accounts, which is available at https://www.jpjgroup.com/investors/financial-reports-and-presentations/annual-reports/.
- The Annual Report on Remuneration – this provides details of the amounts earned by Directors in respect of the year ended 31 December 2018 and how the Policy will be operated for the year commencing 1 January 2019. This will be subject to an advisory vote at the 2019 Annual General Meeting ('AGM').

Our core principles of remuneration

We take a disciplined approach to executive remuneration, ensuring that we incentivise and reward the right behaviours to support the overall strategy of the Group. Our policy on executive remuneration is designed to promote the long-term success of the Company, in line with our focus on profitability and growth.

The policy aligns the interests of shareholders and executives by the use of shareholding guidelines. Executive Directors are expected to acquire shares with the value equal to 200% of salary. Until the specified level of shareholding is achieved, Executive Directors are expected to retain 50% of all shares acquired under the LTIP (net of tax). The 200% of salary shareholding level will also apply to the Executive Chairman.

Reflecting best practice and to ensure alignment with shareholders, LTIP awards are subject to an additional two-year holding period after the end of the vesting period.

Taking into account the introduction of the new Corporate Governance Code, we are making some changes to the way in which we implement the Policy, including the enhancement of the recovery provisions applying to variable remuneration, as discussed below and the adoption of a post-cessation shareholding requirement as discussed on page 69. Our approach will be formally enshrined in the Policy when we next seek shareholder approval for it.

Performance and annual bonus outturn in 2018

As outlined in the Chairman's Statement on pages 4 and 5, 2018 was another record year in terms of revenues and EBITDA for JPJ Group plc; our new name for the Company which became effective from June. We also substantially completed the earn-out payments to Gamesys for the assets we acquired in 2015. Gaming revenues grew 10% to £319.6 million, while adjusted EBITDA increased 9% to £112.7 million. We finished the year with adjusted net debt of £302.1 million and adjusted net leverage of 2.68x was therefore considerably lower than the 3.57x at the end of 2017.

For the financial year ended 31 December 2018, Keith Laslop and Simon Wykes were eligible for a maximum bonus of up to 100% of base salary. The bonus was assessed against Adjusted EBITDA (50%), Net Leverage (15%), share price (15%) and personal objectives (20%), with the personal objectives subject to an additional requirement that a threshold EBITDA performance level be achieved.

Neil Goulden was eligible for a maximum bonus of up to 150% of base salary. The bonus opportunity up to 100% of base salary was subject to the same weightings and performance measures as applied to Keith Laslop and Simon Wykes. A further 50% of base salary was based on the achievement of strategic objectives reflecting the Group's strategy. The additional bonus opportunity for Neil Goulden reflected his non-participation in the LTIP in 2018 and was not subject to the EBITDA underpin.

As set out on page 65, based on the performance of the Group in relation to Adjusted EBITDA, Net Leverage, share price and the performance of Executive Directors against personal objectives and strategic objectives (in the case of Neil Goulden) bonuses for the year equal to 92.3%, 57.3% and 57.3% of salary have been earned by Neil Goulden, Keith Laslop and Simon Wykes, respectively. For Neil Goulden, 50% of the after-tax bonus will be invested into shares of JPJ Group plc for a period of three years. During the year, the Committee exercised their discretion to recalibrate the Adjusted EBITDA and Net Leverage targets from those originally set, to reflect the disposal of the Group's social gaming business and to ensure that performance is measured on a like-for-like basis. The Committee is satisfied that the recalibrated targets are appropriate, having regard to the changes to the Group, and are no less stretching than the original targets.

There were no LTIP awards which were capable of vesting in respect of performance ending in 2018.

During the course of 2018 it was determined that it would be more effective for Simon Wykes to carry out his global duties for the Group from a base outside of the UK. Accordingly, the Committee agreed to reimburse Simon in respect of certain relocation costs, up to a maximum value of £370,000. We have agreed with Simon that any costs must be incurred by no later than 31 December 2019 and that a clawback arrangement will apply if Simon ceases employment with the Group before 1 November 2020. No costs were incurred during 2018. In addition, we have agreed to make available to Simon a company flat in Malta for a period of at least two years from 28 December 2018.

On 14 December 2018, Jim Ryan surrendered an option over 30,000 shares, following which he no longer holds any options. This option was a legacy holding resulting from the more common use of share options to compensate Non-Executive Directors in North America. Under the existing Policy approved at the 2018 AGM, Non-Executive Directors are not eligible to participate in any of the Company's share schemes or incentive schemes in the future.

Implementation of our Policy in 2019
No changes to the Policy are proposed for 2019. A summary of the application of the Policy in 2019 is described below.

Fixed pay
The Executive Directors' base salaries were reviewed in February 2019. Following that review, Keith Laslop's, Simon Wykes' and Neil Goulden's salaries were increased by 2.5%, to $578,000, £379,250 and £307,500 respectively with effect from 1 January 2019, broadly in line with increases applied to the wider workforce.

The Executive Directors are entitled to a pension contribution or salary supplement in lieu of pension contributions of up 10% of salary. The Executive Chairman will not receive a pension contribution or salary supplement.

The Non-Executive Directors' fees will not be increased in respect of 2019. A review of Non-Executive Directors' fees will be undertaken as part of the Board's next evaluation.

2019 annual bonus
The Policy provides for a maximum annual bonus opportunity for Executive Directors, other than the Executive Chairman, of 125% of salary. Notwithstanding this, the maximum opportunity for FY19 will remain at 100% of salary for Keith Laslop and Simon Wykes, consistent with the approach in 2018. For 2019, the bonus opportunity will be based on EBITDA (50% of salary), Net Leverage (25% of salary) and individual personal objectives (25% of salary), with any vesting under the individual personal objectives being subject to the achievement of the threshold EBITDA target.

The Executive Chairman will not participate in the LTIP for 2019 and, in recognition of this, his annual bonus opportunity will remain at 150% of salary, consistent with 2018. For 2019, the Executive Chairman's bonus opportunity will be based on the same performance measures and weightings as for the other Executive Directors, as regards a bonus of up to 100% of salary; the remaining 50% of salary opportunity will be based on key strategic objectives and will not be subject to the EBITDA underpin. To ensure appropriate alignment with shareholders, at least 50% of the Executive Chairman's bonus (net of tax) must be invested in shares which must ordinarily be retained until the end of a period of three years from the date on which the bonus is determined.

The Committee considers that EBITDA and Net Leverage are closely aligned to the Group's key performance metrics and encourage sustainable growth year by year, and that the use of individual/strategic objectives provides an appropriate link to the Group's longer-term strategy. The share price performance measure has been excluded from the 2019 annual bonus, as its inclusion in the 2018 annual bonus had been to support the specific delivery of the Company's application to a premium listing on the London Stock Exchange. The Company successfully completed the premium listing application on 26 July 2018 and thus, the performance measure is no longer required.

2019 LTIP
The Policy provides for a maximum LTIP annual award of 125% of salary (or 250% in exceptional circumstances). Awards were granted in 2018 at the level of 125% of salary. It is the Committee's intention to grant FY19 LTIP awards. The performance measures will take into account external market conditions. The Executive Chairman will not participate in the LTIP for 2019. As outlined above, reflecting best practice and to ensure alignment with shareholders, LTIP awards are subject to an additional two-year holding period after the end of the vesting period.

Reflective of the new Corporate Governance Code, we have extended the circumstances in which recovery provisions ('malus' and 'clawback') may be applied to the annual bonus and LTIP awards, including as a 'trigger' event to these actions corporate failure and serious reputational damage. In practice, corporate failure is already included in the LTIP Plan Rules.

All-employee incentive plans consistent with aligning and incentivising the Group's international workforce have been considered. The Committee has decided to seek shareholder approval at the Company's AGM on 13 June 2019, for both a Share Incentive Plan and Save As You Earn plan. In line with the current policy the Executive Directors have agreed not to participate. The details of both plans will be put out in the Company's Notice of Meeting.

I hope our Directors' Remuneration Report will give our shareholders a clear understanding of our approach to executive remuneration and assurance that we are adopting an approach which properly incentivises the achievement of the Company's objectives. I will be happy to answer questions on executive remuneration at the AGM and I hope that shareholders will give the Directors' Remuneration Report their firm backing at that meeting.

Colin Sturgeon
Chairman of the Remuneration Committee
18 March 2019

Directors' Remuneration Report continued

Directors' Remuneration Policy

JPJ Group plc's Directors' Remuneration Policy was approved by shareholders at the 2018 Annual General Meeting held on 7 June 2018 and took effect from the close of that meeting. That Policy will continue to apply in 2019 and, accordingly, shareholder approval for the Policy will not be sought at the 2019 Annual General Meeting. We have set out below those parts of the Policy approved at the 2018 Annual General Meeting that we think shareholders will find most useful, with date-specific provisions removed. The full Policy is included in the Company's 2017 Annual Report and Accounts which are available on the Company's website at https://www.jpjgroup.com/investors/financial-reports-and-presentations/annual-reports/.

The Policy is determined by the Committee.

The Company's remuneration package for Executive Directors has been designed with the following aims:

- to attract, retain and motivate high-calibre senior management talent, and to focus these individuals on the delivery of the Group's strategic and business objectives;
- to have a competitive mix of base salary and short-term and long-term incentives, with an appropriate proportion of the package determined by stretching targets linked to the Company's performance;
- to promote and maintain a strong and sustainable culture of performance in the Group, with transparent and stretching performance conditions that are rigorously applied;
- to provide appropriate alignment between strategic goals, shareholder return and executive reward;
- to provide incentives that promote responsible growth for the Group's various businesses; and
- to align the interests of senior management with those of shareholders.

Policy for Executive Directors

BASE SALARY

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Core element of fixed remuneration reflecting individual's role and experience.	The Committee ordinarily reviews base salaries annually taking into account a number of factors, including (but not limited to) the value of the individual, their skills and experience and performance. The Committee also takes into consideration: – pay increases generally; and – Group organisation, profitability and prevailing market conditions.	Whilst there is no maximum salary, increases will normally be within the range of salary increases awarded (in percentage of salary terms) to other employees of the Group. However, higher increases may be awarded in certain circumstances, such as: – on promotion or in the event of an increase in scope of the role or individual's responsibilities; – where an individual has been appointed to the Board at a lower than typical market salary to allow for growth in the role, in which case larger increases may be awarded to move salary positioning to a typical market level as the individual gains experience; – change in size and complexity of the Group; and/or – significant market movement. Such increases may be implemented over such time period as the Committee deems appropriate.	While no formal performance conditions apply, an individual's performance in their role is taken into account in determining any salary increase.

BENEFITS

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Core element of benefits provided on a market competitive basis.	The Company provides benefits in line with market practice and includes the use of a fully expensed car (or car allowance), medical cover for the Executive Director and his/her spouse and dependent children, permanent health insurance and life assurance scheme. Other benefits may be based on individual circumstances, which may include relocation costs, travel and accommodation expenses. Reimbursed expenses may include a gross-up to reflect any tax or social security due in respect of the reimbursement.	Whilst the Committee has not set an absolute maximum on the level of benefits Executive Directors may receive, the value is set at a level which the Committee considers to be appropriately positioned taking into account relevant market levels based on the nature and location of the role and individual circumstances.	Not applicable.

RETIREMENT BENEFITS

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Provide a competitive means of saving to deliver appropriate income in retirement.	The Company may make a contribution to a defined contribution scheme or a personal pension. In appropriate circumstances, an Executive Director may receive a salary supplement in lieu of a contribution to a pension scheme.	Up to 10% of salary.	Not applicable.

Directors' Remuneration Report continued

Directors' Remuneration Policy continued

ANNUAL BONUS

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
The executive bonus scheme rewards Executive Directors for performance in the year against targets and objectives linked to the delivery of the Company's strategy.	Targets and objectives are reviewed annually and any payout is determined by the Committee after the year end. The Committee has discretion to amend the payout should any formulaic output not reflect the Committee's assessment of overall business performance. Recovery provisions apply, as referred to below. At least 50% of the Executive Chairman's after-tax bonus for any year in which he does not participate in the Long-Term Incentive Plan ('LTIP') must be invested in shares in the Company which must ordinarily be retained until the end of a period of at least three years from the date on which the bonus is determined.	For Executive Directors other than the Executive Chairman, the maximum annual bonus opportunity is 125% of base salary. The Executive Chairman's maximum annual bonus opportunity is 150% of salary for any year in which he does not participate in the LTIP, and 125% of salary for any other year.	Targets (which may be based on financial or strategic measures) and individual objectives are determined to reflect the Company's strategy. At least 50% of the bonus opportunity is based on financial measures which may include, but are not limited to, EBITDA, Net Leverage and a measure of profit. The balance of the bonus opportunity will be based on financial measures and/or the delivery of strategic/individual measures.

LONG-TERM INCENTIVE PLAN ('LTIP')

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
The LTIP provides a clear link between the remuneration of the Executive Directors and the creation of value for shareholders by rewarding the Executive Directors for the achievement of longer-term objectives aligned to shareholders' interests. The Executive Chairman will not participate in the LTIP.	Under the LTIP, the Committee may grant awards as conditional shares, as nil (or nominal) cost options or as cash-settled equivalents. Awards will usually vest following the assessment of the applicable performance conditions, but will not be released (so that the participant is entitled to acquire shares) until the end of a holding period of two years beginning on the vesting date. Alternatively, awards may be granted on the basis that the participant is entitled to acquire shares following the assessment of the applicable performance conditions but that (other than as regards sales to cover tax liabilities) the award is not released (so that the participant is able to dispose of those shares) until the end of the holding period. An additional payment (in the form of cash and shares) may be made in respect of shares which vest under the LTIP to reflect the value of dividends which would have been paid on those shares during the period beginning with the date of grant and ending with the release date (this payment may assume that dividends had been reinvested in JPJ Group plc shares on a cumulative basis). The Committee may, at its discretion, structure awards as Qualifying LTIP Awards, consisting of a tax-qualifying Company Share Option Plan ('CSOP') option with a per share exercise price equal to the market value of a share at the date of grant and an ordinary nil-cost LTIP award, with the ordinary award scaled back at exercise to take account of any gain made on exercise of the CSOP option. Recovery provisions apply.	The maximum award level in respect of any financial year is 125% of salary, or 250% of salary in exceptional circumstances. If a qualifying LTIP is granted, the value of shares subject to the CSOP option will not count towards the limit referred to above, reflecting the provisions for the scale back of the ordinary LTIP award.	Performance measures under the LTIP will be based on financial measures (which may include, but are not limited to, EPS and relative TSR). Awards will vest as to 25% for threshold performance, rising to 100% for maximum performance.

Directors' Remuneration Report continued

Directors' Remuneration Policy continued

Recovery provisions (malus and clawback)

Malus: The annual bonus opportunity may be cancelled or reduced before payment and an LTIP award may be cancelled or reduced before vesting in the event of material error or misstatements of results, material failure of risk management, material misconduct by the Executive Director or information coming to light which if it had been known previously would have affected the grant or vesting decision.

Clawback: For up to two years following payment of a bonus or the vesting of an LTIP award, the bonus paid may be recovered or the LTIP award cancelled or reduced (if it has not been exercised) or the Executive Director may be required to make a payment to the Company in respect of some or all of the shares acquired in the event of material error or misstatements of results, material failure of risk management, material misconduct by the Executive Director or information coming to light which if it had been known previously would have affected the grant or vesting decision.

Malus and clawback may be applied to any CSOP option granted under the LTIP to the extent permitted by the applicable tax legislation.

Explanation of performance metrics

Performance measures for the LTIP and annual bonus are selected to reflect the Company's strategy. Stretching performance targets are set each year by the Committee taking into account a number of different factors.

Annual bonus

The annual bonus can be assessed against financial, strategic and/or individual targets determined by the Committee with at least 50% subject to financial targets.

For 2019, the bonus opportunity for the Executive Directors will be based on EBITDA (50% of salary), Net Leverage (25% of salary), and individual strategic objectives (25% of salary), with any vesting under the individual strategic objectives being subject to the achievement of the threshold EBITDA target.

For 2019, the Executive Chairman's bonus opportunity will be based on the same performance measures and weightings as for the other Executive Directors, as regards a bonus of up to 100% of salary; the remaining 50% of salary opportunity will be based on key strategic objectives with 50% of any bonus paid to be invested in shares and held for a minimum of three years. The Committee considers that EBITDA and Net Leverage are closely aligned to the Group's key performance metrics and encourage sustainable growth year by year, and that the use of individual/strategic objectives provides an appropriate link to the Group's longer-term strategy.

LTIP

Long-term performance measures are chosen by the Committee to provide a robust and transparent basis on which to measure the Company's performance over the longer term and to provide alignment with the business strategy. Currently, the application of EPS and TSR targets to the LTIP is considered to align management's objectives with those of shareholders for the longer term.

The Committee may vary or substitute any performance measure if an event occurs which causes it to determine that it would be appropriate to do so (including to take account of acquisitions or divestments, a change in strategy or a change in prevailing market conditions), provided that any such variation or substitution is fair and reasonable and (in the option of the Committee) the change would not make the measure less demanding than the original measure would have been but for the event in question. If the Committee were to make such a variation, an explanation would be given in the next Directors' Remuneration Report.

Operation of share plans

The Committee may amend the terms of awards and options under its share plans in accordance with the plan rules in the event of a variation of JPJ Group plc's share capital or a demerger/merger, special dividend or other similar event or otherwise in accordance with the rules of those plans. The Committee may operate any such plan in accordance with its rules. Share awards granted under any such plan may be settled in cash, although the Committee would only do so where the particular circumstances made this the appropriate course of action (for example, where a regulatory reason prevented the delivery of shares).

Shareholding guidelines

To align interests of Executive Directors with those of shareholders, the Committee has adopted formal shareholding guidelines. Executive Directors are expected to retain half of all shares acquired under the LTIP (after sales to cover tax) until such time as their holding has a value equal to 200% of gross salary. Shares subject to LTIP awards which have vested but have not been released (that is, which are in a holding period), or which have been released but have not been exercised, count towards the guidelines on a net of assumed tax basis.

Policy for Non-Executive Directors

FEES AND BENEFITS

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
To provide fees within a market competitive range reflecting the experience of the individual, responsibilities of the role and the expected time commitment. To provide benefits, where appropriate, which are relevant to the requirements of the role.	The fees of the Non-Executive Directors are determined by the Board. On appointment of a Non-Executive Chairman, his or her fees would be determined by the Committee. Non-Executive Directors are not eligible to participate in any of the Company's share schemes, incentive schemes or pension schemes. Non-Executive Directors may be eligible to receive benefits such as travel and other reasonable expenses.	Fees are set taking into account the responsibilities of the role and expected time commitment.	Non-Executive Directors are paid a basic fee, with additional fees paid for chairing of Committees. An additional fee is also paid for the role of Senior Independent Director. Where benefits are provided to Non-Executive Directors they will be provided at a level considered to be appropriate taking into account the individual circumstances.

Directors' Remuneration Report continued

Annual Report on Remuneration

The table below sets out the total remuneration for each person who served as a Director in the period ended 31 December 2018. The table shows the remuneration for each such person in respect of the year ended 31 December 2018 and 31 December 2017.

Single total figure table of remuneration (audited)

	Salary and fees[a] £000's		Benefits[b] £000's		Annual bonus[c] £000's		Pension[d] £000's		Total remuneration £000's	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Executive Directors										
Neil Goulden[1]	**300**	50	**7**	–	**277**	–	**–**	–	**584**	50
Keith Laslop[2, 3]	**423**	407	**38**	28	**242**	277	**–**	–	**703**	712
Simon Wykes[4]	**370**	62	**–**	–	**212**	25	**44**	–	**626**	87
Non-Executive Directors										
Neil Goulden[5]	**–**	192	**–**	–	**–**	–	**–**	–	**–**	192
Nigel Brewster	**70**	84	**–**	–	**–**	–	**–**	–	**70**	84
David Danziger	**65**	61	**–**	–	**–**	–	**–**	–	**65**	61
Paul Pathak	**65**	61	**–**	–	**–**	–	**–**	–	**65**	61
Jim Ryan	**65**	62	**–**	–	**–**	–	**–**	–	**65**	62
Colin Sturgeon	**80**	95	**–**	–	**–**	–	**–**	–	**80**	95
Andria Vidler[6]	**37**	–	**–**	–	**–**	–	**–**	–	**37**	–
Total	**1,475**	1,074	**45**	28	**731**	302	**44**	–	**2,295**	1,404

1. Neil Goulden was appointed Executive Chairman on 1 November 2017. The 2017 Executive Director figures reflect his remuneration as an Executive Director from 1 November 2017 to 31 December 2017.
2. Keith Laslop has a service agreement with the Company and a service agreement with Jackpotjoy Operations Ltd. (its wholly owned subsidiary). The sums in the above table include remuneration earned under each agreement where required.
3. Keith Laslop's remuneration is paid in Dollars ($). For the purposes of the above table, these have been converted into pounds Sterling (£) using an exchange rate of 0.7501 for 2018 (0.7744 for 2017).
4. Simon Wykes was appointed Chief Executive Officer, Jackpotjoy Operations Limited on 1 November 2017; the 2017 figures reflect his remuneration from 1 November 2017 to 31 December 2017.
5. Neil Goulden was appointed Executive Chairman on 1 November 2017; the 2017 figures reflect his remuneration as Non-Executive Chairman up to the point of his executive appointment.
6. Andria Vidler was appointed as a Non-Executive Director on 7 June 2018; the 2018 figures reflect her remuneration as a Non-Executive Director from 7 June 2018 to 31 December 2018.

The figures in the single figure table above are derived from the following:

(a)	Salary and fees	The amount of salary/fees earned in respect of the year.
		2017 In addition to fees of £142,000, Neil Goulden earned an additional sum of £50,000 to reflect additional work undertaken in the year and associated time commitment, including in relation to Admission and the transition of the Company's executive team. £20,000 earned by each of Nigel Brewster and Colin Sturgeon from Intertain in respect of work done in connection with the Admission prior to their appointment to the Board on 19 January 2017, as referred to on page 303 of the prospectus. This is in addition to their basic and additional Non-Executive Director fees as set out on page 65.
(b)	Benefits	**2018** The taxable value of the benefits received in the year. In the case of Neil Goulden, Keith Laslop and Simon Wykes, these are principally private medical insurance, car allowance and social expenses. **2017** The taxable value of benefits received in the year. These are principally private medical insurance, car allowance and social expenses.
(c)	Annual bonus	The cash value of the bonus earned in respect of the financial year. A description of performance against the performance measures which applied for the financial year is provided on page 65.
(d)	Pension	The pension figure represents the cash value of pensions contributions to the defined contribution pension arrangements and any cash payments in lieu of pension contributions made in the year.

Additional disclosures in respect of the single figure table (audited)

Base salary and fees

Details of annual base salaries for Executive Directors are set out below.

	Salaries from 1 January 2018	Salaries from 1 January 2017 (or date of appointment if later)	Increase %
Neil Goulden	£300,000	£300,000	N/A
Keith Laslop	US$563,750	US$550,000[1]	2.5%
Simon Wykes	£370,000	£370,000	N/A

1. Keith Laslop's salary effective from 1 July 2017.

Details of Chairman and Non-Executive Directors' fees are set out below. The Non-Executive Director fees were not increased in respect of 2018.

	Fees from 1 January 2018
Chairman's fee	N/A[1]
Basic fee paid to all Non-Executive Directors	£65,000
Supplementary fees:[2]	
Senior Independent Director	£10,000
Remuneration Committee Chairman	£5,000
Audit & Risk Committee Chairman	£5,000

1. The Company's Executive Chairman's salary is disclosed in the table above.
2. There is no supplementary fee for chairing the Nomination Committee.

Annual incentive plan (audited)

For the financial year ended 31 December 2018, Keith Laslop and Simon Wykes were awarded a maximum bonus opportunity equal to 100% of base salary. The bonus was assessed against the following performance measures:

- 50% adjusted EBITDA
- 15% Net Leverage
- 15% share price
- 20% personal objectives

The personal objectives performance measure is subject to an adjusted EBITDA underpin of £114.3 million, to ensure the threshold level of EBITDA performance is achieved before any payout is made under the personal objectives element of the bonus.

Neil Goulden was awarded a maximum bonus opportunity equal to 150% of base salary. The bonus opportunity up to 100% of salary was subject to the same weightings and performance measures as applied to Keith Laslop and Simon Wykes. A further 50% of salary was based on the achievement of strategic objectives reflecting the Group's strategy. The additional bonus opportunity for Neil Goulden reflected his non-participation in the LTIP in 2018 and is not subject to the EBITDA underpin. During the year, the Committee exercised their discretion to recalibrate the Adjusted EBITDA and Net Leverage targets from those originally set, to reflect the disposal of the Group's social gaming business in September 2018 and to ensure that performance is measured on a like-for-like basis. The Committee is satisfied that the recalibrated targets are appropriate having regard to the changes to the Group and are no less stretching than the original targets. For transparency we have included below both the targets originally set and the adjusted targets.

Bonuses equal to the following percentages of salary were earned by the Executive Directors:

- Neil Goulden: 92.3%
- Keith Laslop: 57.3%
- Simon Wykes: 57.3%

For Neil Goulden, 50% of the after-tax bonus will be invested into shares of JPJ Group plc for a period of three years from the date on which the bonus is determined.

The following tables set out the performance outturns against the applicable measures:

Adjusted EBITDA[1]

	Performance level required (original) (£m)	Performance level required (recalibrated) (£m)	Vesting (% of salary)[2]	Actual performance	Bonus earned (% of salary)
Threshold	£117.7	£114.3	25%	£118.1m	33.4%
Maximum	£129.4	£125.7	50%		

1. For bonus purposes, an amended adjusted EBITDA is used.
2. Vesting is on a straight-line basis.

Directors' Remuneration Report continued

Annual Report on Remuneration continued

Net Leverage[1]

	Performance level required (original)	Performance level required (recalibrated)	Vesting (% of salary)[2]	Actual performance	Bonus earned (% of salary)
Threshold	2.61x	2.66x	7.5%	2.58x	9.9%
Maximum	2.35x	2.39x	15%		

1. For bonus purposes, an amended Net Leverage is used.
2. Vesting is on a straight-line basis.

Share price

	Performance (£)	Vesting (% of salary)[1]	Actual performance	Bonus earned (% of salary)
Base[2] + 11.6%	£9.25	7.5%	£6.38	0%
Base[2] + 38.3%	£11.50	15%		

1. Vesting is on a straight-line basis.
2. Base share price is the share price as at 31 December 2017 (£8.285).

Personal objectives/strategic business element – outturn

The personal objectives element of the bonus was measured on the achievement of clear personal objectives and targets which supported the strategic objectives of the business. The objectives, achievements and overall outturn are summarised below for each Executive Director.

Keith Laslop	Keith Laslop's personal objectives centred around preparing the Company for a premium listing, disposing of our social gaming assets and improving management information in our global business. During the year, the Group successfully achieved a premium listing and disposed of our social (non-real money) gaming assets. Management information and controls were improved but remain work in progress. Awarded 14% from a maximum 20%.
Simon Wykes	Simon Wykes' personal objectives focused on preparing the Company operationally for internalisation in 2019, managing the balance between enhanced responsibility measure and business growth and developing improved managerial controls over a growing global business. During the year, a new management team was put in place and managerial controls were significantly improved. The implementation of new regulatory measures in the UK were well managed with no regulatory sanctions imposed on the business and plans to internalise marketing functions from Gamesys are well advanced. Awarded 14% from a maximum 20%.
Neil Goulden	As Executive Chairman Neil Goulden's personal and strategic objectives focused on maintaining an appropriate capital structure for the Group, maintaining a positive relationship with shareholders, debt providers and corporate advisers, leading the move to a premium listing, recruiting a high-quality Non-Executive Director as part of the Group's Board transition from Canada, development of an effective long-term strategy for the Group and culturally ensuring that responsible gambling was at the heart of our customer offer. During the year, the Group reduced adjusted net leverage from 3.57x to 2.68x, Andria Vidler joined the Board and recruitment is underway for a further Non-Executive Director. Several new institutions joined the share register and Canadian-held exchangeables reduced during the year from 11,5550,179 to 5,048,158. A new CSR and responsible gaming strategy was launched and the Group successfully achieved a premium listing. Awarded 49% from a maximum of 70%.

Long-term incentives (audited)

Awards granted during the financial year

Awards were granted to the Executive Directors on 28 March 2018 on the following basis:

	Type of award	Maximum opportunity	Number of shares	Face value at grant (£000's)	% of award vesting at threshold	Performance period[2]
Keith Laslop	LTIP	125% of salary	61,786	498,119[1]	25%	January 2018–December 2020
Simon Wykes	LTIP	125% of salary	57,365	462,477	25%	January 2018–December 2020

1. Keith Laslop is paid partly in Dollars ($). For the purposes of determining the number of shares subject to his award, that part of his salary was converted into pounds Sterling (£) using an exchange rate of $1:£1.8215, the exchange rate applying on the day before the date of grant. For these purposes, the face value of the award is calculated by multiplying the number of shares over which the award was granted by £8.0620, the average closing share price for each of the five business days prior to the date of grant.
2. Each award is subject to performance conditions assessed over the period January 2018 to December 2020 (as described further overleaf). To the extent the awards vest following the end of the performance period, they will be released so that the Executive Director can acquire the shares following the end of a two-year holding period.

A summary of the performance conditions for these awards is set out in the table below.

Each award is subject to a performance condition based on the Company's total shareholder return ('TSR') compared to the TSR of the companies constituting the FTSE 250 Index (excluding investment trusts and financial service companies) as regards 50% of the award. For these purposes, TSR is assessed over three years commencing on 1 January 2018.

TSR	Percentage of award vesting
Below median	0%
Median	25%
Between median and upper quartile	On a straight-line basis between 25% and 100%
Upper quartile or above	100%

Each award is subject to a performance condition based on the Company's compound annual growth rate in earnings per share ('EPS') between a base year of 2017 and a final year of assessment of 2020 as regards 50% of the award. For these purposes, EPS shall be underlying basic earnings per share as disclosed in the Annual Report and Accounts for that year and assessed over three years commencing on 1 January 2018.

EPS compound annual growth rate	Percentage of award vesting
Less than 5.5% p.a.	0%
5.5% p.a.	25%
Between 5.5% p.a. and 14.0% p.a.	On a straight-line basis between 25% and 100%
14.0% p.a. or above	100%

Payments made to former Directors and payments for loss of office during the year (audited)

No payments for loss of office and no payments to any former Director of the Company were made other than those payments that were disclosed on page 63 of the Annual Report 2017.

Statement of Directors' shareholding and share interests (audited)

The interests of the Directors and their connected persons in the Company's ordinary shares as at 31 December 2018 were as set out below. There have been no changes to those interests between 31 December 2018 and the date of this report.

Actual shares owned:

	At 01/01/2018 (or, if later, date of appointment)	**At 31/12/2018**
Executive Directors		
Neil Goulden	40,000	**95,000**
Keith Laslop	738,606	**908,606**
Simon Wykes	–	**7,031**
Non-Executive Directors		
Nigel Brewster	5,000	**5,000**
David Danziger	21,243[1]	**21,243**[1]
Paul Pathak	3,000[2]	**3,000**[2]
Jim Ryan	10,000	**10,000**
Colin Sturgeon	5,000	**5,000**
Andria Vidler[3]	–	**–**

1. Mr Danziger also holds an aggregate of 20,982 exchangeable shares directly or indirectly. Each exchangeable share may be converted into one ordinary share of JPJ Group plc at the prescribed exchangeable share transfer price.
2. Mr Pathak also holds 28,225 exchangeable shares directly or indirectly. Each exchangeable share may be converted into one ordinary share of JPJ Group plc at the prescribed exchangeable share transfer price.
3. Andria Vidler was appointed as a Non-Executive Director on 7 June 2018.

Directors' Remuneration Report continued

Annual Report on Remuneration continued

Awards under share plans:

	Award	At 01/01/2018	Granted in the year	Lapsed/ forfeited in the year	Exercised in the year	Exercise price	At 31/12/2018	Status
Executive Directors								
Neil Goulden	2016 share options[3]	85,000	–	–	–	£6.79	85,000	Fully vested on 8 March 2019 and exercisable up to 8 September 2021
Keith Laslop	2018 LTIP	–	61,786	–	–	–	61,786	Unvested, subject to performance conditions[1]
	2017 LTIP	88,520	–	–	–	–	88,520	Unvested, subject to performance conditions[2]
	2014 share options[3]	340,076	–	–	(170,000)	£2.42	170,076	Fully vested on 11 February 2017 and exercisable up to 11 February 2019
Simon Wykes	2018 LTIP	–	57,365	–	–	–	57,365	Unvested, subject to performance conditions[1]

	Award	At 01/01/2018	Granted in the year	Lapsed/ forfeited in the year	Exercised in the year	Exercise price	At 31/12/2018	Status
Non-Executive Directors								
David Danziger	2016 share options[3]	50,000	–	–	–	£6.79	50,000	Fully vested on 8 March 2019 and exercisable up to 8 September 2021
	2015 share options[3]	55,000	–	–	–	£9.73	55,000	Fully vested on 13 February 2016 and exercisable up to 11 February 2020
	2014 share options[3]	27,206	–	–	–	£2.42	27,206	Fully vested on 11 February 2017 and exercisable up to 11 February 2019
Paul Pathak	2016 share options[3]	50,000	–	–	–	£6.79	50,000	Fully vested on 8 March 2019 and exercisable up to 8 September 2021
	2015 share options[3]	55,000	–	–	–	£9.73	55,000	Fully vested on 13 February 2016 and exercisable up to 11 February 2020
	2014 share options[3]	27,206	–	–	–	£2.42	27,206	Fully vested on 11 February 2017 and exercisable up to 11 February 2019
Jim Ryan	2016 share options[4]	30,000	–	(30,000)	–	£6.79	–	Surrendered

1. The performance conditions applying to the 2018 LTIP are set out on page 67.
2. The performance conditions applying to the 2017 LTIP are set out on page 63 of the Annual Report 2017.
3. These options over shares in JPJ Group plc, were granted pursuant to JPJ Group plc's Share Option Plan (the 'Plan') upon implementation of the Plan of Arrangement. These options were originally granted by Intertain over common shares of Intertain, all as disclosed on page 304 of the prospectus. Under the rules of the Plan the exercise period for options which expire during a Blackout Period (as defined in the Plan rules) is extended by ten business days immediately following the end of the Blackout Period.
4. On 8 September 2018, Jim Ryan surrendered an option over 30,000 shares, following which he no longer holds any options.

The aggregate gain made by Directors on the exercise of options during 2018 was £969,000.

The Committee has adopted a shareholding guideline for the Executive Directors, which specifies a shareholding equivalent to 200% of base salary, as further described in the Directors' Remuneration Policy. The Executive Directors' achievement of this guideline at 31 December 2018 is summarised below:

Executive Director	Shares counting towards the guideline at 31 December 2018[4]	Value of shares counting towards the guideline[5]	Value of shares as a percentage of 2018 salary
Neil Goulden[1]	95,000	£606,100	>200%
Keith Laslop[2]	908,606	£5,796,906	>200%
Simon Wykes[3]	7,031	£44,858	12%

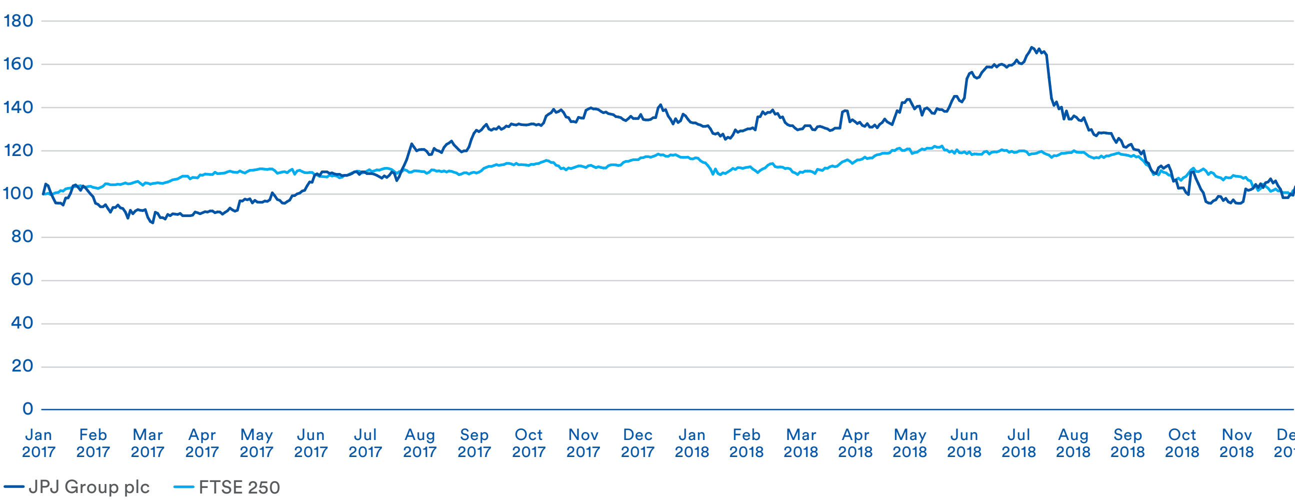
1. Appointed on 15 August 2016. 55,000 shares were acquired during 2018 with the remaining 40,000 shares acquired in previous years.
2. Appointed on 5 September 2016 (formerly CFO of Intertain Group Ltd. since January 2015) 170,000 shares were retained during 2018 following the exercise of options with the remaining 738,606 shares acquired in previous years.
3. Appointed on 1 November 2017. 7,031 shares were acquired during 2018.
4. Include market purchased and those retained following vesting of the Company's Share Option Plan. No shares have yet vested under LTIP.
5. Based on a share price of £6.38, being the prevailing mid-market closing share price on 31 December of the given year.

Reflecting best practice, the Committee has adopted, with effect from January 2019, a post-cessation shareholding requirement. This requires that for the first 12 months following cessation, an Executive Director must retain shares with a value (as at cessation) equal to 200% of base salary, and that for the following 12 months he or she must retain shares with a value equal to 100% of base salary. If the Executive Director holds less than the required number of shares at any time, he or she must retain the share he or she holds. This requirement does not apply to shares which the Executive Director has purchased. The Committee retains discretion to vary the post-cessation shareholding requirement in appropriate circumstances and will continue to review the requirement in light of developing market practice before formally enshrining it in the next Policy.

Performance graph

The graph below shows the TSR performance for the Company's shares in comparison to the FTSE 250 for the period from Main Market Admission on 25 January 2017 to 31 December 2018, reflecting that the FTSE 250 Index is used as the TSR comparator group for the purposes of the Company's LTIP. For the purposes of the graph, TSR has been calculated as the percentage change during the period in the market price of the shares, assuming that dividends are reinvested. The graph shows the value, by 31 December 2018, of £100 invested in shares in the Company on 25 January 2017 compared with £100 invested in the FTSE 250.

Total shareholder return (rebased to £100)



Historical Chief Executive Officer remuneration

The table below shows details of the total remuneration and annual bonus and LTIP vesting (as a percentage of the maximum opportunity) for the Chief Executive Officer over the last two financial years, the same period as is covered by the TSR performance graph above.

	Total single figure remuneration £000's	Annual bonus payout (% of maximum opportunity)	LTIP vesting (% of maximum number of shares)
2018 (Simon Wykes[1])	626	57.8%	N/A[2]
2017 (Andrew McIver)	625	15.0%	N/A[2]

1. Since the departure of the Company's previous Chief Executive Officer, Simon Wykes, (Chief Executive Officer of Jackpotjoy Operations Ltd.) has taken over the day-to-day management responsibilities of the Company in conjunction with the Executive Chairman and Chief Financial Officer, as described in the Governance Report on page 47. Therefore, for the purposes of the above table, Simon Wykes is designated the 'Chief Executive Officer' for the purposes of this disclosure in respect of 2018.
2. There were no LTIP awards which vested in respect of performance ending during the relevant year.

Directors' Remuneration Report continued

Annual Report on Remuneration continued

CEO pay increase in relation to all employees

The table below sets out the percentage change in base salary, value of taxable benefits and bonus for the Chief Executive Officer compared with the average percentage change for all employees.

	Percentage change between 2017 and 2018 for the Chief Executive Officer[1]	Percentage change between 2017 and 2018 for the wider workforce[2]
Salary	(26%)	(11%)
Taxable benefits	–	98%
Annual bonus	183%	7%

1. Since the departure of the Company's previous Chief Executive Officer, Simon Wykes (Chief Executive Officer, Jackpotjoy Operations Ltd.) has taken over the day-to-day management responsibilities of the Company in conjunction with the Executive Chairman and Chief Financial Officer, as described in the Governance Report on page 47. Therefore, for the purposes of the above table, Simon Wykes is designated the 'Chief Executive Officer' for the purposes of this disclosure in respect of 2018. The salary, taxable benefits and annual bonus for 2017 is based on the previous Chief Executive Officer, Andrew McIver.
2. For these purposes, the wider workforce is consolidated Group employees (including Directors and excluding Gamesys employees).

Spend on pay

The following table sets out the percentage change in dividends and the overall expenditure on pay (as a whole across the organisation).

	2018 £000's	2017 £000's	Percentage change
Dividends and share buybacks	N/A	N/A	N/A
Overall expenditure on pay[1]	18,762	15,112	24%

1. Figures relate to full and part-time employees only and include severance costs.

External directorships

The Company encourages Executive Directors (including the Executive Chairman) to take up non-executive appointments, with prior consent of the Company, in the belief that such appointments broaden their skills and the contribution which they can make to the Company's performance. There must be no conflict of interest and the time devoted to the external appointment must be reasonable in relation to the individual's commitment to the Company. Fees paid for external appointments may be retained by the individual concerned.

During 2018, Neil Goulden and Simon Wykes were Non-Executive Directors of Britbet LLP, Nottingham Trent University, Clarion Housing Group, Ambitious About Autism Charity and the Sue Ryder Charity (in the case of Neil Goulden) and Leisure Electronics Limited and Wexel Gaming (in the case of Simon Wykes). Neil Goulden received £115,000 in fees and Simon Wykes received no fees.

Implementation of the Directors' Remuneration Policy for the financial year commencing 1 January 2019

Information on how JPJ Group plc intends to implement the Directors' Remuneration Policy for the financial year commencing on 1 January 2019 is set out below.

Salary/fees and benefits

The Executive Director's base salaries were reviewed in February 2019. Following that review, Keith Laslop's, Simon Wykes' and Neil Goulden's salaries were increased by 2.5%, to $578,000, £379,250 and £307,500 respectively, with effect from 1 January 2019, broadly in line with increases applied to the wider workforce.

Annual bonus

The maximum bonus opportunity for FY19 will remain at 100% of salary for Keith Laslop and Simon Wykes. The bonus will be subject to stretching performance measures weighted 50% EBITDA, 25% Net Leverage and 25% based on the achievement of personal objectives. The personal objectives performance measure will be subject to an adjusted EBITDA underpin, to ensure the threshold level of EBITDA performance is achieved before any payout is made under the personal objectives element of the bonus. The Committee considers the targets are commercially sensitive matters as they provide competitors with insight into our business plans and expectations and therefore they should remain confidential to the Group. However, the Committee intends to disclose the performance targets and performance against them retrospectively in the FY19 Directors' Remuneration Report, as it has done on page 65 in respect of the targets for the FY18 bonus.

Neil Goulden shall be eligible to earn a bonus of up to 150% of salary for FY19. The bonus opportunity up to 100% of salary will be subject to the same weightings and performance measures as apply to Keith Laslop and Simon Wykes. Mr Goulden will be able to earn a bonus of up to a further 50% of salary based on the achievement of strategic objectives reflecting the Group's strategy. The additional bonus opportunity for Mr Goulden reflects that he will not participate in the LTIP in 2019 and will not be subject to the EBITDA underpin.

LTIP

It is the Committee's intention to grant FY19 LTIP awards. The maximum opportunity will be 125% of salary and the performance measures will take into account external market conditions. Neil Goulden will not participate in the LTIP in 2019.

Statement of Voting at previous Annual General Meeting

The Company remains committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. The following table sets out actual voting in respect of the advisory vote on the Directors' Remuneration Report and the binding vote on the remuneration policy at the Company's Annual General Meeting on 7 June 2018:

Resolution	Votes for	% of vote	Votes against	% of vote	Votes withheld
To approve Directors' Remuneration Report	35,711,642	99.71%	103,952	0.29%	2,942
To approve Directors' Remuneration Policy	33,849,091	96.66%	1,168,790	3.34%	800,655

Service contracts

Details of the Executive Directors' service contracts and Non-Executive Directors' letters of appointment are set out below.

The Company's policy is for service agreements with Executive Directors to be capable of termination by the Company by the giving of 12 months' notice.

Keith Laslop may terminate his service agreement by giving six months' notice, other than if he terminates employment for certain 'good reason' circumstances (including a takeover of the Company or any substantially adverse change in his title, status or position) in which case he may terminate his employment immediately with no further payments post his termination date.

		Notice period[2]		
Name[1]	Commencement date	Director	Company	Unexpired term remaining as at 31 December 2018
Neil Goulden	1 November 2017	6 months	12 months	N/A
Keith Laslop[3]	1 July 2017	6 months	12 months	N/A
Simon Wykes	1 November 2017	6 months	12 months	N/A
Nigel Brewster	19 January 2017	1 month	1 month	1 year 18 days
David Danziger	2 November 2016	1 month	1 month	305 days
Paul Pathak	2 November 2016	1 month	1 month	305 days
Jim Ryan	2 November 2016	1 month	1 month	305 days
Colin Sturgeon	19 January 2017	1 month	1 month	1 year 18 days
Andria Vidler	7 June 2018	1 month	1 month	2 years 158 days

1. All continuing Directors will offer themselves for election or re-election, as the case may be, at the 2019 AGM.
2. Each Executive Director, other than Mr Laslop, is employed under a rolling service agreement which may be terminated by the Executive Director giving six months' notice or the employer giving 12 months' notice. Each Non-Executive Director is appointed pursuant to a letter of appointment for an initial fixed term of three years.
3. Keith Laslop has a service agreement with both the Company and Jackpotjoy Operations Ltd. (formerly Intertain (Bahamas) Ltd). The latter agreement's commencement date is 1 July 2017. These service agreements replaced Keith Laslop's legacy employment contract with The Intertain Group Limited dated 1 January 2015, as amended on 21 February 2016 (the Legacy Contract).

The service agreements for the current Executive Directors and the letters of appointment for the current Non-Executive Directors are available for inspection on request during normal business hours at the Company's head office.

Consideration by the Directors of matters relating to Directors' remuneration

In 2018 until 7 June, the membership of the Remuneration Committee comprised of three independent Non-Executive Directors (Colin Sturgeon, Paul Pathak and Nigel Brewster). On 7 June 2018, Andria Vidler was appointed as an independent Non-Executive Director and joined the Company's Remuneration Committee. Neil Goulden, the Chairman of the Company, attends Remuneration Committee meetings from time to time, as an observer. Colin Sturgeon is the Chairman of the Remuneration Committee.

The Remuneration Committee met a total of five times and all members of the Remuneration Committee attended these meetings. The Committee's key responsibilities are:

– reviewing the ongoing appropriateness and relevance of remuneration policy;
– reviewing and approving the remuneration packages of the Executive Directors;
– recommending and monitoring the level and structure of remuneration of senior management; and
– production of the Annual Report on Remuneration.

Directors' Remuneration Report continued

Annual Report on Remuneration continued

Advisers

The following people have provided advice to the Committee during the year in relation to its consideration of matters relating to Directors' remuneration:

- Executive Chairman, Chief Executive Officer, Jackpotjoy Operations Ltd., Chief Financial Officer, Chief Legal Officer and Company Secretary.
- Deloitte LLP ('Deloitte').

Deloitte is retained to provide objective and independent advice to the Committee as required. Deloitte is a member of the Remuneration Consultants Group and, as such, voluntarily operated under the Code of Conduct in relation to executive remuneration consulting in the UK. Deloitte's fees for providing remuneration advice to the Committee were £15,826 for the year ended 31 December 2018. The Committee assesses from time to time whether this appointment remains appropriate or should be put out to tender and takes into account the Remuneration Consultants Group Code of Conduct when considering this. Deloitte was appointed by the Committee and has provided share scheme advice and general remuneration advice to the Company. No additional services were provided by Deloitte to JPJ Group plc.

Additional information

Additional information with respect to remuneration paid by the Group, including to its Directors and 'Named Executive Officers' (as defined under Canadian securities laws) required pursuant to applicable Canadian securities laws will be available on the appendices to our Notice of Meeting to be sent to shareholders in connection with our upcoming AGM.

Approval

This report was approved by the Board on 18 March 2019 and signed on its behalf by:

Colin Sturgeon
Chairman of the Remuneration Committee
18 March 2019

Directors' Report

Introduction

In accordance with section 415 of the Companies Act 2006, the Directors of JPJ Group plc present their report to shareholders for the financial year ending 31 December 2018. The Directors' Report comprises the Directors' Report section of this report, together with the sections of the Annual Report incorporated by reference. As permitted by legislation, some of the matters normally included in the Directors' Report have instead been included in other sections of the Annual Report, as indicated below.

The Company was incorporated under the name Goldilocks Topco plc as a public company limited by shares on 29 July 2016 under registered number 10303804. On 15 August 2016, Goldilocks Topco plc changed its name to Jackpotjoy plc. Jackpotjoy plc listed on the Main Market of the London Stock Exchange on 25 January 2017. On 27 June 2018, Jackpotjoy plc changed its name to JPJ Group plc.

Results and dividends	The Group results for the year-ended 31 December 2018 are set out on page 19 of the Strategic Report. The Company's aim is to generate long-term value for its stakeholders and design a shareholder distribution policy that reflects the growth prospects and profitability of the Company while maintaining appropriate levels of operational liquidity. Subject to ensuring sufficient cash remains in the business, including to meet forecast working capital requirements, contingent and financial liabilities (including with respect to the Jackpotjoy division earn-out payments) and other capital requirements, the Board intends to target an annual total dividend of 50% of the Group's adjusted net income (a non-IFRS measure), as defined and calculated from time to time by the Company. The Board intends to introduce such a policy once the Group's leverage has reduced to levels commensurate with its UK-listed peers. When implemented, it is envisaged that interim dividends would be paid in November of each financial year, and that final dividends would be paid in May of the next financial year. It is intended that the interim and final payments would represent approximately one-third and two-thirds of the total annual dividend, respectively. The Board will continue to reassess the Company's shareholder distribution policy from time to time. The introduction and payment of dividends by the Company will be subject to its ongoing assessment of its financial liabilities, leverage and operational working capital needs, as well as various additional factors, including those outside of the direct control of the Group. There can therefore be no assurance that the Company will introduce a dividend or, if one is paid, that it will be of the quantum or on the timelines outlined above. The Company's dividend policy is explained above. In line with that policy, no interim dividend was paid for the half-year ended 30 June 2018 and no final dividend is recommended for the year ended 31 December 2018.
Share capital	Details of the Company's share capital are set out in note 21 to the Consolidated Financial Statements, including details on the movements in the Company's issued share capital during the year. The Company's issued ordinary share capital ranks pari passu in all respects and carries the right to receive all dividends and distributions declared, made or paid on or in respect of the ordinary shares. There are currently no redeemable non-voting preference shares or subscriber shares of the Company in issue.
Authority to purchase own shares	Details of the Company's authority to purchase its own shares, which will be sought at the Company's forthcoming Annual General Meeting, will be set out in the Notice of Meeting for that AGM.
Directors	Information about the Directors, including details of their appointments and resignations is set out in the Corporate Governance section on pages 42 to 43. All of the continuing Directors will stand for re-election at the AGM to be held on Thursday 13 June 2019.
Directors' interests	Information on share ownership by Directors can be found in this report and in the Remuneration Report on page 67.
Directors' indemnities and Director and officer liability insurance	As at the date of this report, the Company has granted qualifying third-party indemnities to each of its Directors against any liability that attaches to them in defending proceedings brought against them, to the extent permitted by the Companies Act. In addition, Directors and officers of the Company and its subsidiaries have been and continue to be covered by Director and officer liability insurance.
Powers of Directors	Subject to the Company's Articles of Association, UK legislation and to any directions given by special resolution, the business of the Company is managed by the Board, which may exercise all the powers of the Company. The Articles of Association contain specific provisions concerning the Company's power to borrow money and also provide the power to make purchases of any of its own shares. The Directors have the authority to allot shares or grant rights to subscribe for or to convert any security into shares in the Company. Further details of the proposed authorities are set out in the Notice of the AGM.
Research and development	JPJ Group plc outsources some of its software development activities and engages in research and development activity within its Vera&John division.
Sustainable development	The Corporate Social Responsibility section of this report focuses on the health and safety, environmental and employment performance of the Company's operations, and outlines the Company's core values and commitment to the principles of sustainable development and development of community relations programmes. Details of the Company's policies and performance are provided in the Corporate Social Responsibility section on pages 39 to 40.
Political donations	No political contributions were made in 2018.

Directors' Report continued

Greenhouse gas emissions	In 2017, in accordance with the requirements of the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013, JPJ Group plc undertook to assess full emissions of greenhouse gases from facilities under its control. Details can be found in the Corporate Social Responsibility section on page 41.
Employees	Information regarding the Company's employees can be found in the Our People section on pages 39 to 40.
Overseas branches	JPJ Group plc does not have any branches. A full list of the Group's controlled subsidiaries is disclosed in note 2 of the Consolidated Financial Statements.
Financial risk management and financial instruments	Information regarding the financial risk management and internal control processes and policies, as well as details of hedging policy and exposure to the risks associated with financial instruments, can be found in note 2 to the Consolidated Financial Statements, the Corporate Governance, Risk Management and Internal Control sections on pages 44 to 54, and the Financial Review on pages 19 to 25.
Going concern	The financial position and performance of the Group and its cash flows are set out in the Financial Review section of the report on pages 19 to 25. The Directors have considered the Group's cash flow projections and an analysis of projected debt covenants compliance for the period to the end of December 2021. The Board is satisfied that the Group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Group and the Parent Company will continue in operation over a period of 12 months from the date of approval of the financial statements and has neither the intention nor the need to liquidate or materially curtail the scale of its operations. For this reason, the Group continues to adopt the going concern basis in preparing its financial statements. More details are provided in note 2 to the Consolidated Financial Statements on page 90.
Future developments	Information on the Group and its subsidiaries' future developments is provided in the Strategic Report on pages 12 and 13.
Events since the reporting date	The major events after 31 December 2018 are disclosed in note 31 to the Consolidated Financial Statements on page 117.
Annual General Meeting ('AGM')	The 2019 AGM will be held on 13 June 2019 in London. At the AGM, shareholders will have the opportunity to put questions to the Board, including the Chairs of the Board Committees. Full details of the AGM, including explanatory notes, are contained in the Notice of the AGM, which will be distributed at least 20 working days before the meeting. The Notice sets out the resolutions to be proposed at the AGM and an explanation of each resolution. All documents relating to the AGM are available on the Company's website at www.jpjgroup.com.
Corporate Governance Statement	The Disclosure and Transparency Rules (DTR 7.2) require certain information to be included in a Corporate Governance Statement set out in a company's Directors' Report. In common with many companies, JPJ Group plc has an existing practice of issuing, within its Annual Report, a Corporate Governance Report that is separate from its Directors' Report.
Electronic communications	A copy of the 2018 Annual Report, the Notice of the AGM and other corporate publications, reports and announcements are available on the Company's website at the following link: www.jpjgroup.com. Shareholders may elect to receive notification by email of the availability of the Annual Report on the Company's website instead of receiving paper copies.

Major shareholdings

The Company's issued share capital at of 31 December 2018 was 74,328,930 ordinary shares and at 18 March 2019 was 74,339,510 ordinary shares. No shares are held in treasury. Thus, the total voting rights are 74,339,510 ordinary shares.

At 31 December 2018, the Company had been notified pursuant to the Financial Conduct Authority's Disclosure and Transparency Rule (DTR 5) of the following notifiable interests in the Company's issued share capital:

	Number of ordinary shares	% of issued ordinary shares
HG Vora Special Opportunities Master Fund Limited	12,950,000	17.42
Goldman Sachs International	5,290,742	7.12
Merrill Lynch International	4,602,383	6.19
DNB Asset Management A/S	4,495,281	6.05
Intertain JerseyCo Ltd[1]	4,267,828	5.74
Mr Noel Hayden	2,427,708	3.27

1. Intertain JerseyCo Ltd ('JerseyCo') was incorporated in order to facilitate the exercise of voting rights in the Company by the holders of exchangeable shares in The Intertain Group Limited. JerseyCo holds underlying shares in the Company, the voting rights of which are directed by holders in exchangeable shares in The Intertain Group Limited pursuant to a power of attorney granted by JerseyCo to a voting trustee. See page 75 for more information. When Intertain exchangeable shareholders exchange their exchangeable shares for ordinary shares in the Company, JerseyCo transfers the relevant number of ordinary shares to such holder. JerseyCo does not carry on any business except in connection with these functions and does not sit within the Group.

As at 18 March 2019, being the latest practicable date before the approval of the Annual Report and Accounts, the Company had been notified pursuant to DTR 5 that the above positions have not changed.

Changes in interests that have been notified to the Company pursuant to DTR 5 since 16 March 2018 can be found in the Regulatory News section of the Investors page of the Company's corporate website: https://www.jpjgroup.com/investors/.

Listing Rule disclosures

The information required to be disclosed by LR 9.8.4R can be found in the following locations:

Item	Location
Interest capitalised	Note 18 to the Consolidated Financial Statements
Detail of long-term incentive schemes	Note 21 to the Consolidated Financial Statements, Remuneration Report
Contracts of significance with a controlling shareholder	Relationship Agreement section below
Agreements with controlling shareholder	Relationship Agreement section below

There is no other relevant information to disclose for the purposes of LR 9.8.4R.

Significant contractual arrangements

Relationship Agreement

The Board is satisfied that the Company is capable of carrying on its business independently of Intertain JerseyCo Ltd ('JerseyCo') and that the Board makes its decisions in a manner consistent with its duties to the Company and stakeholders of JPJ Group plc. JerseyCo was incorporated in order to facilitate the exercise of voting rights in the Company by the holders of exchangeable shares in The Intertain Group Limited. JerseyCo holds underlying shares in the Company, the voting rights of which are directed by holders in exchangeable shares in The Intertain Group Limited pursuant to a power of attorney granted by JerseyCo to a voting trustee. See below for more information. When Intertain exchangeable shareholders exchange their exchangeable shares for ordinary shares in the Company, JerseyCo transfers the relevant number of ordinary shares to such holder. JerseyCo does not carry on any business except in connection with these functions and does not sit within the Group.

Other agreements

In December 2017 JPJ Group plc (then called Jackpotjoy plc) entered into a senior facilities agreement with, amongst others, certain banks as mandated lead arrangers (the 'Senior Facilities Agreement'). Pursuant to the Senior Facilities Agreement, debt financing has been made available to JPJ Group plc and certain of its subsidiaries in an aggregate Sterling equivalent amount of £388,492,000, comprised of Euro and Sterling-denominated term loans and a revolving facility. If a change of control occurs, then each lender under the Senior Facilities Agreement will have an individual right to cancel its commitments and require all amounts owed to it to be prepaid at par within 30 days of being notified of the change of control. Such right is exercisable by a lender within 30 days of being notified of a change of control. In the context of a takeover bid, an acquirer would normally look to obtain a waiver from the lenders in respect of any change of control or else arrange for substitute facilities.

Articles of Association

The Company's Articles of Association were adopted pursuant to a resolution passed at a general meeting of the Company held on 19 August 2016 and contain, amongst others, provisions on the rights and obligations attaching to the Company's shares, including the redeemable non-voting preference shares and the subscriber shares. The Articles of Association may only be amended by special resolution at a general meeting of the shareholders.

Share rights

Without prejudice to any rights attached to any existing shares, the Company may issue shares with rights or restrictions as determined by either the Company by ordinary resolution or, if the Company passes a resolution, the Directors. The Company may also issue shares that are, or are liable to be, redeemed at the option of the Company or the holder and the Directors may determine the terms, conditions and manner of redemption of any such shares.

Voting rights

There are no other restrictions on voting rights or transfers of shares in the Articles other than those described in these paragraphs. Details of deadlines for exercising voting rights and proxy appointment will be set out in the Notice of the 2019 AGM.

At a general meeting, subject to any special rights or restrictions attached to any class of shares on a poll, every member present in person or by proxy has one vote for every share that he or she holds.

A proxy is not entitled to vote where the member appointing the proxy would not have been entitled to vote on the resolution had he or she been present in person. Unless the Directors decide otherwise, no member shall be entitled to vote either personally or by proxy or to exercise any other right in relation to general meetings if any sum due from him or her to the Company in respect of that share remains unpaid.

The trustee of the Company's Employee Share Trust is entitled, under the terms of the trust deed, to vote as it sees fit in respect of the shares held on trust. The trustee, under the Voting and Exchange Trust Agreement, to which JPJ Group plc is a party in connection with the Group's exchangeable share structure described in the prospectus, holds a power of attorney granted by JerseyCo pursuant to which it will vote the shares of JPJ Group plc held by JerseyCo in the manner directed by the holders of exchangeable shares on the basis of one vote for each exchangeable share held.

Directors’ Report continued

Transfer of shares

The Company’s Articles provide that transfers of certificated shares must be effected in writing, and duly signed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect of those shares. Transfers of uncertificated shares may be effected by means of CREST unless the CREST Regulations provide otherwise.

The Directors may refuse to register an allotment or transfer of shares in favour of more than four persons jointly.

Audit information

Each of the Directors who were members of the Board at the date of the approval of this report confirms that:

- So far as he or she is aware, there is no relevant audit information of which the Company’s auditors are unaware.
- He or she has taken all the reasonable steps that he or she ought to have taken as a Director to make him or herself aware of any relevant audit information and to establish that the Company’s auditors are aware of the information.

The confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The JPJ Group plc Directors’ Report has been prepared in accordance with applicable UK company law and was approved by the Board on 18 March 2019.

By the order of the Board

Dan Talisman
Chief Legal Officer & Company Secretary
JPJ Group plc

Directors' responsibility statements

Statement of Directors' responsibilities in relation to the Annual Report and financial statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under the law, the Directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and applicable law and have elected to prepare the Parent Company financial statements on the same basis.

Under the Companies Acts, the Directors must not approve the Group and Parent Company financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group and Parent Company for that period. In preparing each of the Group and Parent Company financial statements the Directors are required to:

- present fairly the financial position, financial performance and cash flows of the Group and Parent Company;
- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and accounting estimates that are reasonable and prudent;
- make an assessment as to the Company's ability to continue as a going concern;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and Parent Company's financial position and financial performance; and
- state whether the Group and Parent Company financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, with respect to the Group financial statements, Article 4 of the IAS Regulation.

They are also responsible for safeguarding the assets of the Group and Parent Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for preparing the Strategic Report, Directors' Report, the Directors' Remuneration Report and the Corporate Governance Report in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules of the United Kingdom Listing Authority. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement under the Disclosure and Transparency Rules

Each of the Directors whose names and functions are listed on pages 42 and 43 confirm that to the best of their knowledge:

- the Consolidated Financial Statements of JPJ Group plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole (the 'Group'); and
- the Annual Report and Accounts, including the Strategic Report, include a fair review of the development and performance of the business and the financial position of the Company and the Group, together with a description of the principal risks and uncertainties that they face.

Statement under the UK Corporate Governance Code

The Board considers that the Annual Report and Accounts taken as a whole, which incorporates the Strategic Report and Directors' Report, is fair, balanced and understandable, and that it provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

By the order of the Board

Neil Goulden
Executive Chairman
JPJ Group plc
18 March 2019

Independent auditor’s report to the members of JPJ Group plc

Opinion

We have audited the financial statements of JPJ Group plc (the ‘Parent Company’) and its subsidiaries (the ‘Group’) for the year ended 31 December 2018 which comprise the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, the consolidated statement of cash flows, the Parent Company balance sheet, the Parent Company statement of changes in equity, the Parent Company statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion the financial statements:
- give a true and fair view of the state of the Group’s and of the Parent Company’s affairs as at 31 December 2018 and of the Group’s profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (‘ISAs (UK)’) and applicable law. Our responsibilities under those standards are further described in the ‘Auditor’s responsibilities for the audit of the financial statements’ section of our report. We are independent of the Group and of the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:
- the disclosures in the Annual Report set out on pages 26 to 33 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors’ confirmation set out on page 27 in the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors’ statement set out on page 74 in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors’ identification of any material uncertainties to the Group and the Parent Company’s ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- whether the Directors’ statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors’ explanation set out on page 25 in the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How we addressed the matter in our audit
Revenue recognition The Group's revenue of £319.6 million (2017: £289.3 million) is comprised of B2C real money gaming revenues of £311.5 million (2017: £282.4 million and B2B revenues of £8.1 million (2017: £6.9 million). For its B2C revenue streams, the Group is reliant on a number of IT platforms which are either outsourced under licencing agreements or operated by third parties with the Group receiving a revenue share, or which are owned and operated by the Group. These IT systems record all gaming transactions including deposits, withdrawals, wagers, wins and losses and their ability to process data accurately is critical. Any possibility of weaknesses in the IT systems would constitute a risk of material misstatement. B2B revenue is a source of income which gives rise to risks in the proper presentation of revenue based on the contractual arrangements entered into. There is a potential risk that revenue is recorded incorrectly from a timing perspective and/or inappropriately recognised on a gross versus net basis. Alongside traditional affiliate income streams the Group has also entered into contracts to resell gaming software and enter into other partnership arrangements. International Standards on Auditing (UK) presume there to be an inherent risk of fraud in revenue recognition. Given the complex systems relied upon we identified the occurrence of revenue as a significant risk of material misstatement. The Group's accounting policy for revenue recognition is disclosed in note 3 and the financial statements disclose further detail concerning the Group's revenues in note 5.	We assessed the design, implementation and operating effectiveness of the controls over the gaming systems which process the Group's B2C transactions from the front-end gaming platforms through the various interfaces surrounding the data warehouse to the Group's financial reporting systems. This work was performed at the Group's largest outsourced platform provider (for Jackpotjoy real money gaming revenues) and the largest in-house system (for Vera&John gaming revenues) to determine whether appropriate controls were in place to ensure the proper reporting of transactions with customers. On this foundation, involving our IT specialists, we planned and performed a range of substantive and IT controls-based audit procedures to validate the completeness and accuracy of gaming revenue and player balances reported in the financial statements. These procedures included, inter alia, live environment test bets and re-performance of reconciliations between revenue, cash and player balances. In relation to other third-party hosted IT systems we compared the Group's reported revenues and, as applicable, direct costs to information provided by the third parties. We assessed whether the revenue recognition policies adopted by the Group comply with accounting standards as well as industry practices. Particular areas of focus were the appropriateness of the presentation of customer bonuses and incentives on B2C revenues in the statement of comprehensive income and verifying that management had correctly determined the treatment of and presented revenues and costs on the basis of the Group acting as the principal rather than as an agent in relation to its B2B contractual arrangements. We have not identified any material misstatements in revenue recognised for the year and the related disclosures in the financial statements are appropriate.
Compliance with Laws and Regulations The Group operates in a highly regulated industry across multiple jurisdictions. There are compliance requirements with laws and regulations in each jurisdiction in relation to licensing, money laundering, data protection, fraud, responsible gambling, direct and indirect taxation as well as other legislative matters. The legal and licensing framework for UK customers, where the majority of the Group's customers are located, is an area of particular focus for the UK Gambling Commission. Given the current regulatory landscape and compliance requirements required across all jurisdictions in which the Group operates, there is a risk that non-compliance with laws and regulations may adversely affect existing licences or may expose the Group to regulatory sanctions.	We assessed the controls and processes in operation to address the prevention and detection of non-compliance with laws and regulations. We held discussions with, and obtained evidence from the Group's in-house legal and regulatory experts to understand the control framework in place and the policies and procedures in operation. In addition, due to the significance of the operations undertaken by the Group's largest outsourced platform provider under the services agreement with the Group, we also held discussions directly with the in-house team of that platform provider and reviewed the regulatory reports prepared for JPJ Group governance reviews in this respect. We reviewed the reports prepared by the Group's internal and external legal and regulatory experts and relevant Board minutes. We obtained and reviewed relevant correspondence with regulators to assess for any material liability or contingent liability relating to penalties or fines. We obtained representations from management that they were not aware of any other issues that may adversely affect the Group's ability to trade or that may give rise to the possibility of significant penalties. We have concluded that management have appropriately assessed the financial implications of non-compliance with laws and regulations.

Independent auditor's report to the members of JPJ Group plc continued

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Level of materiality applied and rationale

We consider Adjusted Profit before Tax to be the most appropriate performance measure for the basis of materiality in respect of the audit of the Group as this measure reflects the Group's profitability excluding the impact of certain non-recurring and business acquisition-related items. Adjusted Profit Before Tax is calculated for this purpose as Net Profit for the Year Before Taxes from continuing operations, adjusted for accretion of liabilities arising in connection with acquisitions of businesses and non-compete clauses, amortisation of acquisition-related purchase price intangibles and non-compete clauses, severance costs, realised losses on the cross currency swap, fair value adjustments on contingent consideration, transaction-related costs, foreign exchange, and gain on sale of intangible assets (totalling to a net £71.5 million increase in profit (2017: £139.6 million increase in profit)). Using this benchmark, we set materiality at £4.2 million (2017: £3.6 million) being 4.7% of Adjusted Profit before Tax (2017: 5% of Adjusted Profit before Tax).

Materiality in respect of the audit of the Parent Company has been set at £2.2 million, based on 50% (2017: £1.8 million based on 50%) of Group materiality.

Performance materiality was set at 65% of materiality for both the Group and Parent Company audits. In setting the level of performance materiality, we considered a number of factors including the control environment and the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.

Component materiality

We set materiality for each component of the Group based on a percentage of between 25% and 50% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £1.0 million to £2.2 million. In the audit of each component, we further applied a performance materiality level of 65% of the component materiality level to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

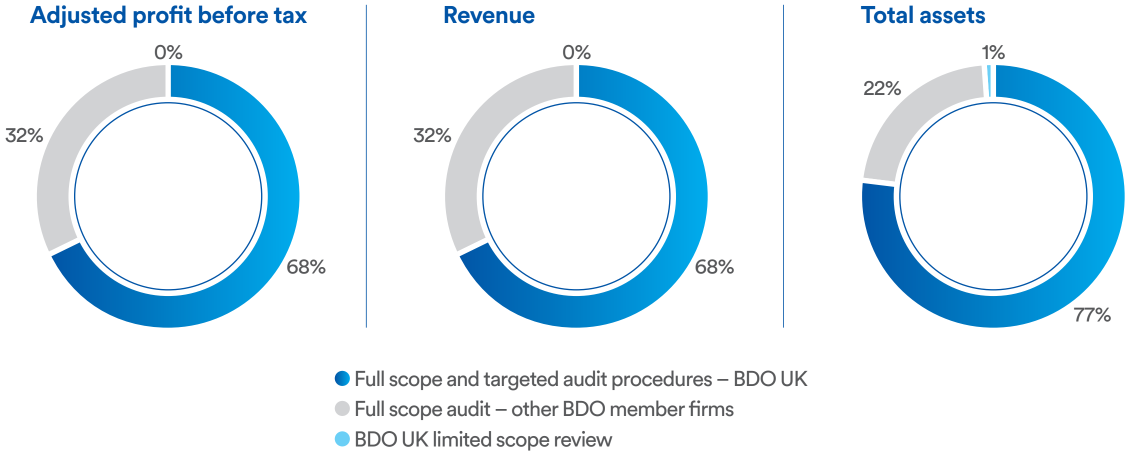
Agreement with the Audit Committee

We agreed with the Audit Committee that we would report to the Committee all audit differences individually in excess of £160k (2017: £160k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

We tailored the scope of our audit to ensure that enough work was performed to be able to issue an opinion on the financial statements as a whole, whilst taking into consideration the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

During the planning of our Group audit, we confirmed our strategy for the procedures to be performed across the Group's three operating segments as set out in note 5 of the financial statements, which also make up the components which we evaluated for our Group audit strategy. All audit work was undertaken by the Group engagement team with the exception of the Vera&John component in Sweden where we engaged with component auditors BDO Sweden. Our strategy is summarised as follows:



In relation to the component auditor's work on the Vera&John component, we considered the level of involvement required by us to determine whether sufficient appropriate audit evidence had been obtained. We discussed the planned procedures ahead of the audit, examined the conduct, results and findings of their audit and participated in their closing discussions with component management.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of non-compliance or fraud by the Group. We designed audit procedures to detect material misstatements due to fraud and error. We note that it can be harder to detect those arising due to fraud as they may involve deliberate concealment or collusion. We focused on laws and regulations that could give rise to a material misstatement in the Group and Parent Company financial statements, including, but not limited to, the Companies Act 2006, the UK Listing Rules and significant regulations relating to the sector in which the Group operates as referred to in the Key Audit Matters noted above. Our tests included, but were not limited to, agreement of the financial statement disclosures to underlying supporting documentation, review of correspondence with regulators and legal advisers, enquiries of management, review of significant component auditors' working papers and review of internal audit reports. There are inherent limitations in the audit procedures described above and the more removed from the financial transactions, the less likely we would become aware of non-compliance with laws and regulations.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report with regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 77** – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting set out on pages 52 to 54** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 46** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8 10R (2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 77, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditor's report to the members of JPJ Group plc continued

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Audit Committee on 24 September 2014 to audit the financial statements for the year ending 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement is five years, covering the years ending 31 December 2014 to 31 December 2018 inclusive.

Non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kieran Storan (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
18 March 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statements of comprehensive income

	Notes	**Year ended 31 December 2018 (£000's)**	Year ended 31 December 2017 (£000's)
Gaming revenue	5	**319,588**	289,258
Costs and expenses			
Distribution costs	5,6	**158,865**	140,736
Administrative costs	6	**109,444**	107,412
Severance costs	5	**850**	700
Transaction-related costs	5	**1,888**	6,710
Foreign exchange loss	5	**354**	9,857
Total costs and expenses		**271,401**	265,415
Gain on sale of intangible assets		**–**	(1,271)
Fair value adjustments on contingent consideration	19	**7,208**	27,562
Realised loss on cross currency swap		**–**	12,512
Interest income	8	**(349)**	(182)
Interest expense	8	**19,821**	30,189
Accretion on financial liabilities	8	**2,993**	25,049
Financing expenses		**29,673**	95,130
Net income/(loss) for the year before taxes from continuing operations		**18,514**	(70,016)
Current tax provision	23	**853**	1,128
Deferred tax recovery	23	**(395)**	(427)
Net income/(loss) for the year after taxes from continuing operations		**18,056**	(70,717)
Net (loss)/income from discontinued operation	7	**(3,579)**	2,820
Net income/(loss) for the year attributable to owners of the parent		**14,477**	(67,897)
Other comprehensive income/(loss): Items that will or may be reclassified to profit or loss in subsequent periods			
Foreign currency translation gain		**394**	27,607
Unrealised loss on cross currency swap		**–**	(7,737)
Reclassification of loss on cross currency swap		**–**	7,737
Unrealised loss on interest rate swap	13	**(1,141)**	–
Total comprehensive income/(loss) for the year attributable to owners of the parent		**13,730**	(40,290)
Net income/(loss) for the year per share			
Basic	9	**£0.20**	£(0.92)
Diluted	9	**£0.19**	£(0.92)
Net income/(loss) for the year per share – continuing operations			
Basic		**£0.24**	£(0.96)
Diluted		**£0.24**	£(0.96)

The accompanying notes form an integral part of the financial statements.

Consolidated balance sheets

ASSETS	Notes	As at 31 December 2018 (£000's)	As at 31 December 2017 (£000's)
Current assets			
Cash	10,19	**84,383**	59,033
Restricted cash	10,19	**6,161**	208
Customer deposits	19	**9,032**	8,180
Trade and other receivables	11,19	**17,070**	19,379
Taxes receivable		**7,313**	6,432
Total current assets		**123,959**	93,232
Non-current assets			
Tangible assets		**2,232**	1,339
Intangible assets	14	**226,324**	292,223
Goodwill	14	**288,355**	296,781
Other long-term receivables	12,19	**5,036**	5,604
Total non-current assets		**521,947**	595,947
Total assets		**645,906**	689,179
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	15,19	**20,606**	17,821
Other short-term payables	13,16,19	**9,709**	12,151
Interest payable	19	**264**	924
Payable to customers	19	**9,032**	8,180
Convertible debentures	19,21	**–**	254
Current portion of contingent consideration	19	**4,540**	51,866
Provision for taxes		**8,169**	7,273
Total current liabilities		**52,320**	98,469
Non-current liabilities			
Contingent consideration	19	**–**	7,717
Other long-term payables	13,19,20	**1,817**	8,245
Deferred tax liability		**1,196**	1,204
Long-term debt	18,19	**371,450**	369,487
Total non-current liabilities		**374,463**	386,653
Total liabilities		**426,783**	485,122
Equity			
Retained earnings		**182,435**	167,799
Share capital	21	**7,434**	7,407
Share premium		**2,068**	1,342
Other reserves		**27,186**	27,509
Total equity		**219,123**	204,057
Total liabilities and equity		**645,906**	689,179

The accompanying notes form an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 19 March 2019.

Neil Goulden
Executive Chairman

Keith Laslop
Chief Financial Officer

Consolidated statements of changes in equity

	Notes	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)	Hedge Reserve (£000's)	Retained (Deficit)/ Earnings (£000's)	Total (£000's)
Balance at 1 January 2017		7,298	403,883	(6,111)	50	8,667	(3,958)	–	(170,361)	239,468
Comprehensive income/ (loss) for the year:										
Net loss for the year (continued and discontinued operations)		–	–	–	–	–	–	–	(67,897)	(67,897)
Loss on cross currency swap		–	–	–	–	–	–	(7,737)	–	(7,737)
Reclassification of loss on cross currency swap		–	–	–	–	–	–	7,737	–	7,737
Other comprehensive income		–	–	–	–	–	27,607	–	–	27,607
Total comprehensive income/(loss) for the year:		–	–	–	–	–	27,607	–	(67,897)	(40,290)
Contributions by and distributions to shareholders:										
Conversion of debentures	21	92	2,986	–	–	–	–	–	–	3,078
Exercise of options	21	17	405	–	–	(125)	–	–	125	422
Cancellation of redeemable shares		–	–	–	(50)	–	–	–	–	(50)
Cancellation of share premium	2	–	(405,932)	–	–	–	–	–	405,932	–
Share-based compensation	21	–	–	–	–	1,429	–	–	–	1,429
Total contributions by and distributions to shareholders:		**109**	**(402,541)**	**–**	**(50)**	**1,304**	**–**	**–**	**406,057**	**4,879**
Balance at 1 January 2018		**7,407**	**1,342**	**(6,111)**	**–**	**9,971**	**23,649**	**–**	**167,799**	**204,057**
Comprehensive income/ (loss) for the year:										
Net income for the year (continued and discontinued operations)		–	–	–	–	–	–	–	14,477	14,477
Other comprehensive income/(loss)		–	–	–	–	–	394	(1,141)	–	(747)
Total comprehensive income/(loss) for the year:		**–**	**–**	**–**	**–**	**–**	**394**	**(1,141)**	**14,477**	**13,730**
Contributions by and distributions to shareholders:										
Conversion of debentures	21	6	186	–	–	–	–	–	–	192
Exercise of options	21	21	540	–	–	(159)	–	–	159	561
Share-based compensation	21	–	–	–	–	583	–	–	–	583
Total contributions by and distributions to shareholders:		**27**	**726**	**–**	**–**	**424**	**–**	**–**	**159**	**1,336**
Balance at 31 December 2018		**7,434**	**2,068**	**(6,111)**	**–**	**10,395**	**24,043**	**(1,141)**	**182,435**	**219,123**

The accompanying notes form an integral part of the financial statements.

Consolidated statements of cash flows

	Notes	Year ended 31 December 2018 (£000's)	Year ended 31 December 2017 (£000's)
Operating activities			
Net income/(loss) for the year		**14,477**	(67,897)
Add (deduct) items not involving cash			
Amortisation and depreciation		**61,994**	63,042
Share-based compensation expense	21	**583**	1,429
Current tax provision	23	**853**	1,128
Deferred tax recovery	23	**(395)**	(427)
Interest expense, net	8	**22,465**	55,056
Gain on sale of intangible assets		**–**	(1,271)
Fair value adjustments on contingent consideration	19	**7,208**	27,562
Realised loss on cross currency swap		**–**	12,512
Foreign exchange loss		**317**	10,051
Loss on sale of discontinued operation, net of tax	7	**4,477**	–
		111,979	101,185
Restriction of cash balances		**(5,900)**	(72)
Trade and other receivables		**950**	(3,009)
Other long-term receivables		**(74)**	640
Accounts payable and accrued liabilities		**2,705**	6,363
Other short-term payables		**(2,871)**	(3,170)
Cash generated from operations		**106,789**	101,937
Income taxes paid		**(3,325)**	(6,899)
Income taxes received		**2,484**	5,860
Total cash provided by operating activities		**105,948**	100,898
Financing activities			
Proceeds from exercise of options		**561**	422
Proceeds from cross currency swap settlement		**–**	26,094
Proceeds from long-term debt	18	**–**	367,743
Debenture settlement	21	**(62)**	–
Proceeds from long-term loan receivable		**645**	–
Repayment of non-compete liability	20	**(8,000)**	(5,333)
Interest repayment		**(21,007)**	(30,874)
Payment of contingent consideration	19	**(63,455)**	(94,218)
Principal payments made on long-term debt	18	**–**	(373,962)
Total cash used in financing activities		**(91,318)**	(110,128)
Investing activities			
Purchase of tangible assets		**(1,450)**	(981)
Purchase of intangible assets		**(5,250)**	(3,212)
Proceeds from sale of intangible assets		**1,450**	1,002
Secured convertible loan	12	**–**	(3,500)
Disposal of discontinued operation	7	**16,140**	–
Total cash provided by/(used in) investing activities		**10,890**	(6,691)
Net increase/(decrease) in cash during the year		**25,520**	(15,921)
Cash, beginning of year		**59,033**	68,485
Exchange (loss)/gain on cash and cash equivalents		**(170)**	6,469
Cash, end of year		**84,383**	59,033

The accompanying notes form an integral part of the financial statements.

Parent Company balance sheet

ASSETS	Notes	As at 31 December 2018 (£000's)	As at 31 December 2017 (£000's)
Current assets			
Cash	10,19	**626**	5,422
Restricted cash	10,19	**74**	74
Trade and other receivables	11,19	**399**	444
Intercompany receivable	11,19	**237,971**	238,394
Total current assets		**239,070**	244,334
Non-current assets			
Tangible assets		**32**	49
Investment in subsidiaries	2,29	**416,258**	415,807
Total non-current assets		**416,290**	415,856
Total assets		**655,360**	660,190
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	15,19	**1,709**	972
Other short-term payables	13,16,19	**97**	277
Interest payable	19	**90**	672
Total current liabilities		**1,896**	1,921
Non-current liabilities			
Other long-term payables	13,19	**388**	–
Long-term debt	18,19	**246,988**	246,584
Total non-current liabilities		**247,376**	246,584
Total liabilities		**249,272**	248,505
Equity			
Retained earnings		**396,022**	401,655
Share capital	21	**7,434**	7,407
Share premium		**2,068**	1,342
Other reserves		**564**	1,281
Total equity		**406,088**	411,685
Total liabilities and equity		**655,360**	660,190

The accompanying notes form an integral part of the financial statements.

The Parent Company has taken advantage of the exemption allowed under s408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the Parent Company for the year was £5,792,000 (2017: £4,327,000).

The financial statements were approved by the Board of Directors and authorised for issue on 19 March 2019.

Neil Goulden
Executive Chairman

Keith Laslop
Chief Financial Officer

Parent Company statements of changes in equity

	Notes	Share Capital (£000's)	Share Premium (£000's)	Redeemable Shares (£000's)	Share-Based Payment Reserve (£000's)	Translation Reserve (£000's)	Hedge Reserve (£000's)	Retained (Deficit)/ Earnings (£000's)	Total (£000's)
Balance at 1 January 2017		–	–	50	–	–	–	–	50
Comprehensive loss for the year:									
Net loss for the year		–	–	–	–	–	–	(4,327)	(4,327)
Other comprehensive loss		–	–	–	–	–	–	–	–
Total comprehensive loss for the year:		–	–	–	–	–	–	(4,327)	(4,327)
Contributions by and distributions to shareholders:									
Issuance of ordinary shares, net of costs		7,372	405,932	–	–	–	–	–	413,304
Conversion of debentures	21	29	937	–	–	–	–	–	966
Exercise of options	21	6	405	–	(50)	–	–	50	411
Cancellation of share premium and redeemable shares	2	–	(405,932)	(50)	–	–	–	405,932	(50)
Share-based compensation	21	–	–	–	1,331	–	–	–	1,331
Total contributions by and distributions to shareholders:		7,407	1,342	(50)	1,281	–	–	405,982	415,962
Balance at 1 January 2018		7,407	1,342	–	1,281	–	–	401,655	411,685
Comprehensive loss for the year:									
Net loss for the year		–	–	–	–	–	–	(5,792)	(5,792)
Other comprehensive loss		–	–	–	–	–	(1,141)	–	(1,141)
Total comprehensive loss for the year:		**–**	**–**	**–**	**–**	**–**	**(1,141)**	**(5,792)**	**(6,933)**
Contributions by and distributions to shareholders:									
Conversion of debentures	21	6	186	–	–	–	–	–	192
Exercise of options	21	21	540	–	(159)	–	–	159	561
Share-based compensation	21	–	–	–	583	–	–	–	583
Total contributions by and distributions to shareholders:		**27**	**726**	**–**	**424**	**–**	**–**	**159**	**1,336**
Balance at 31 December 2018		**7,434**	**2,068**	**–**	**1,705**	**–**	**(1,141)**	**396,022**	**406,088**

The accompanying notes form an integral part of the financial statements.

Parent Company statements of cash flows

	Notes	Year ended 31 December 2018 (£000's)	Year ended 31 December 2017 (£000's)
Operating activities			
Net loss for the year		**(5,792)**	(4,327)
Add (deduct) items not involving cash			
Amortisation and depreciation		**16**	12
Share-based compensation expense	21	**131**	1,331
Interest expense, net		**(907)**	(87)
Foreign exchange loss		**(7)**	–
		(6,559)	(3,071)
Trade and other receivables		**45**	(444)
Accounts payable and accrued liabilities		**459**	1,299
Intercompany balances		**429**	(2,014)
Total cash used in operating activities		**(5,626)**	(4,230)
Financing activities			
Restriction of cash balances		**–**	(74)
Debenture settlement	21	**(62)**	–
Proceeds from exercise of options		**561**	411
Interest repayment		**(15,660)**	–
Proceeds from intercompany interest		**15,991**	–
Proceeds from long-term debt	18	**–**	246,566
Total cash provided by financing activities		**830**	246,903
Investing activities			
Purchase of tangible assets		**–**	(61)
Issuance of intercompany loan		**–**	(237,190)
Total cash used in investing activities		**–**	(237,251)
Net (decrease)/increase in cash during the year		**(4,796)**	5,422
Cash, beginning of year		**5,422**	–
Cash, end of year		**626**	5,422

The accompanying notes form an integral part of the financial statements.

Notes to the audited consolidated financial statements
31 December 2018

1. Corporate information

JPJ Group plc, formerly Jackpotjoy plc, is an online gaming holding company that was incorporated under the *Companies Act 2006* (England and Wales) on 29 July 2016. On 27 June 2018, Jackpotjoy plc changed its name to JPJ Group plc. JPJ Group plc's registered office is located at 35 Great St. Helen's, London, United Kingdom. Unless the context requires otherwise, use of 'Group' in these accompanying notes means JPJ Group plc and its subsidiaries, as applicable, and use of 'Parent Company' refers to JPJ Group plc.

The Group currently offers bingo, casino and other games to its customers using the Jackpotjoy, Starspins, Botemania, Vera&John, InterCasino, Solid Gaming and other brands. The Jackpotjoy, Starspins, and Botemania brands operate off proprietary software owned by the Gamesys Group, the Group's principal B2B software and support provider. The Vera&John, InterCasino and Solid Gaming brands operate off proprietary software owned by the Group.

These Consolidated Financial Statements were authorised for issue by the Board of Directors of JPJ Group plc (the 'Board of Directors') on 19 March 2019.

2. Basis of preparation

Basis of presentation

These Consolidated Financial Statements have been prepared by management on a going concern basis, are presented in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. The impact of the first time adoption of IFRS 9 – *Financial Instruments* and IFRS 15 – *Revenue from Contracts with Customers* is explained in note 3.

These Consolidated Financial Statements have been prepared under the historical cost convention, other than for the measurement at fair value of the Group's Interest Rate Swap (as defined in note 13), contingent consideration, certain hedged loan instruments, and certain loans receivable.

On 1 February 2017, having been approved in the High Court, the Group's share premium was cancelled. Accordingly, the balance has been reallocated within equity reserves to the Group's retained earnings account by way of a restatement of the comparatives, which did not originally include this transaction. This is now shown in the Consolidated Statements of Changes in Equity as an adjustment to the balances on the Group's equity reserves in the year ended 31 December 2017. While there is no impact on the income statement, on earnings per share or on total equity, share premium has been reduced and retained earnings increased by £405.9 million.

Basis of consolidation

JPJ Group plc's 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 within the Group are eliminated on consolidation.

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

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

The subsidiaries of JPJ Group plc, all of which have been included in these Consolidated Financial Statements, are wholly owned by the Group and constitute investment in subsidiaries on the Parent Company's Balance Sheets, are as follows:

Name of Business	Country of Incorporation and Principal Place of Business	Registered Address
Intertain CallCo ULC	Canada	P.O. Box 997 Halifax, NS, B3J 3N2, Canada
The Intertain Group Limited	Canada	24 Duncan Street, Floor 2, Toronto, ON, M5V 2B8, Canada
Plain Management Bahamas Ltd. Libita Group Ltd. Ludus Group Ltd. Jackpotjoy Operations Ltd. Wagerlogic Bahamas Ltd. Golden Hero Group Ltd. JPJ (Sweden) Ltd. JPJ Maple Ltd. Stockwell Ltd.	Bahamas	303 Shirley Street, P.O. Box N-492, Nassau, The Bahamas
Mandalay Media Ltd. Jet Management Group Ltd.	Bahamas	Suite 205A, Saffrey Square, Bank Lane & Bay Street, P.O. Box N-4244, Nassau, The Bahamas

2. Basis of preparation continued

Name of Business	Country of Incorporation and Principal Place of Business	Registered Address
JPJ Group Jersey Finance Ltd. JPJ Holdings II Ltd. JPJ Group Holdings Ltd. JPJ Holding Jersey Ltd. JPJ Jersey Ltd.	Jersey	22 Grenville Street, St Helier, Jersey JE4 8PX, Channel Islands
Dumarca Holdings Ltd. Dumarca Services Ltd. Dumarca Gaming Ltd.	Malta	The Emporium, Level 3, St Louis Street, MSD 1421, Msida, Malta
Wagerlogic Malta Holdings Ltd. Cryptologic Operations Ltd. Cryptologic Trading Ltd.	Malta	Office 1/4457, Level G Quantum House, 75 Abate Rigord Street, Ta'Xbiex, XBX 1120 Malta
JPJ Maple II Ltd. JPJ Spain PLC Simplicity Malta Ltd.	Malta	Office 1/5457, Level G Quantum House, 75 Abate Rigord Street, Ta'Xbiex, XBX 1120 Malta
Wagerlogic Alderney Ltd.	Alderney	Inchalla, La Val, GY9 3UL, Alderney
Wagerlogic Israel Ltd.	Israel	4 Berkowitz Street, 7th Floor, P.O. Box 33111, Tel Aviv, 61330, Israel
Jet Media Ltd.	Gibraltar	Suite 2B, 143 Main Street, Gibraltar
Fifty States (Gibraltar) Ltd.	Gibraltar	Suite 23, Portland House, GX11 1AA, Gibraltar
Solid Innovations Ltd.	Gibraltar	6.20 World Trade Center, 6 Bayside Road, GX11 1AA, Gibraltar
Intertain Management (UK) Ltd.	United Kingdom	3 Bunhill Row, London, EC1Y 8YZ United Kingdom
JPJ Marketing Support Services Ltd.	United Kingdom	35 Great St Helen's, London, EC3A 6AP United Kingdom
Plain Support SA	Costa Rica	San Jose Mata Redonda, Del Am-Pm, 200 Oeste Y 25 Sur, Costa Rica
Dumarca Asia Ltd.	Hong Kong	Office L, 17th Floor, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong
Simplicity V8 Hong Kong Ltd.	Hong Kong	8/F, Times Media Centre No. 1333 Wan Chai Road, Wan Chai, Hong Kong
Intertainment Asia Inc.	British Virgin Islands	Palm Grove House, Road Town, Tortola, PO BOX438, British Virgin Islands
Entserv Asia Ltd.	British Virgin Islands	Akara Bldg., 24 De Castro Street, Wickhams Cay 1, Road Town, Tortola, VG 1110, British Virgin Islands

Notes to the audited consolidated financial statements continued
31 December 2018

2. Basis of preparation continued

Name of Business	Country of Incorporation and Principal Place of Business	Registered Address
Silverspin AB	Sweden	P.O. Box 113, SE-541 23, SKOVDE, Sweden
Intertain Financial Services AB	Sweden	Ingemar Bergmansgata 2, SE114 34, Stockholm, Sweden
Fifty States Ltd.	Isle of Man	Fort Anne, Douglas, IM1 5PD Isle of Man
Solid (IOM) Ltd.	Isle of Man	49 Victoria Street, Douglas, IM1 2LD, Isle of Man
Intertain Group Finance LLC	United States of America	2711 Centerville Road, New Castle Country, Wilmington, 19808, Delaware
Luxembourg Investment Company 192 S.a.r.l.	Luxembourg	6, rue Eugene Ruppert, Luxembourg

3. Summary of significant accounting policies

Business combinations and goodwill

The acquisition method of accounting is used to account for the acquisition of subsidiaries by JPJ Group plc, whereby the purchase consideration is allocated to the identifiable assets and liabilities on the basis of fair value at the date of acquisition. Provisional fair values allocated at a reporting date are finalised as soon as the relevant information is available, within a period not to exceed a year from the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred, and equity interests issued by JPJ Group plc. Consideration also includes the fair value of any contingent consideration. Subsequent to the acquisition, contingent consideration that is based on an earnings target and classified as a liability is measured at fair value with any resulting gain or loss recognised in net income. Transaction-related costs are expensed as incurred.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to JPJ Group plc's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Makers. The Chief Operating Decision Makers, who are responsible for allocating resources and assessing the performance of the operating segments, have been identified as the management team comprising of Executive Chairman, Chief Executive Officer, Jackpot Operations Ltd. and the Chief Financial Officer.

Revenue recognition

Effective from 1 January 2018, the Group adopted IFRS 15 – *Revenue from Contracts with Customers* ('IFRS 15'), which replaces IAS 18 – *Revenue*. While the standard is adopted on the full retrospective basis, applying this standard did not impact the Group's financial information as the revenue recognition policy applied by the Group prior to 1 January 2018 was already in compliance with the key principles outlined in IFRS 15. As a result, there was no change in how the Group identifies timing of revenue recognition or determines its transaction price and performance obligations.

The Group earns its revenue from operating online bingo and casino websites ('Net Gaming Revenue'). Other revenue streams, which the Group does not consider material, comprise of licencing of its proprietary platform to a third party ('B2B revenue'), affiliate aggregation services ('Affiliate Revenue'), and game aggregation services ('Game Aggregation Revenue'). Up to 31 August 2018, the Group also earned revenue from social gaming.

Net Gaming Revenue

Revenue from online bingo and casino consists of the difference between total amounts wagered by players less all winnings payable to players, bonuses allocated and jackpot contributions. Players transact with the Group's businesses under agreed terms, which forms the basis for the contractual arrangement. The Group does not consider that there are any significant judgements required in applying IFRS 15 to these arrangements.

Net Gaming Revenue is recognised upon satisfaction of the Group's performance obligation to the customer, which is the point in time when the customer completes one of the games offered by the Group and the outcome of the game is honoured with the appropriate payout being made.

3. Summary of significant accounting policies continued

There is no significant degree of uncertainty involved in quantifying the amount of Net Gaming Revenue earned, including bonuses, jackpot contributions, and loyalty points. Bonuses, jackpot contributions and loyalty points are measured at face value when credited to the player's account.

As discussed in note 7, the social gaming part of the business was sold on 31 August 2018, at which point social gaming ceased to be a revenue stream for the Group. Prior to this sale, social gaming revenue was recognised once the customer made a deposit, at which point the Group's obligation was fulfilled as such deposits were non-refundable.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market accessible by the Group for the asset or liability.

JPJ Group plc uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the Consolidated Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

Foreign currency translation

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective entity of JPJ Group plc, using the exchange rates prevailing at the dates of the transactions (spot rates). Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates as at the reporting date. Foreign exchange gains and losses resulting from the settlement or translation of monetary items are recognised in profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item.

Financial instruments

Effective from 1 January 2018, the Group adopted IFRS 9 – *Financial Instruments* ('IFRS 9'). The adoption of the new standard solely impacts the provision for expected credit losses, which are quantified and disclosed in note 11. Treatment of the Group's remaining financial instruments was already in compliance with the key principles of IFRS 9.

Financial assets and financial liabilities are recognised when JPJ Group plc becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire, or when the financial asset and all substantial risks and rewards are transferred. Financial liabilities are derecognised when extinguished, discharged, cancelled, or when they expire.

The Group classifies its financial assets and liabilities under the following categories: fair value through profit or loss ('FVPL'), fair value through other comprehensive income ('FVOCI'), financial assets at amortised cost, and financial liabilities at amortised cost. All financial instruments are recognised initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of a financial instrument classified as other than at FVPL are added to the carrying amount of the asset or liability.

The accretion of these costs is recognised over the life of the instrument in accretion on financial liabilities under the effective interest rate method described below.

Fair value through profit or loss

Financial instruments classified as FVPL include contingent consideration and an interest rate swap. Any gains or losses are recorded in net income in the period in which they arise.

Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. After initial measurement, such instruments are subsequently measured at amortised cost using the effective interest rate ('EIR') method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income or expense in the Consolidated

Notes to the audited consolidated financial statements continued
31 December 2018

3. Summary of significant accounting policies continued
Statements of Comprehensive Income. This category generally applies to cash, restricted cash, customer deposits, trade and other receivables, and other long-term receivables.

The Group has adopted the simplified Expected Credit Loss model ('ECL') ('ECL Model') for JPJ Group plc's trade receivables in accordance with IFRS 9. Other receivables have been evaluated under the standard ECL Model. Under the ECL Model, JPJ Group's trade receivables are classified in stage 1 – financially healthy assets that are expected to perform in line with their contractual terms and which show no signs of increased credit risk.

In order to determine the amount of ECL to be recognised in the Consolidated Financial Statements, JPJ Group plc has set up a provision matrix based on its historical credit loss experience. The matrix is adjusted for forward looking estimates and establishes that ECL should be calculated as follows:
- 0-30 days past due: 1% of carrying value
- 31-60 days past due: 15% of carrying value
- 61-90 days past due: 19% of carrying value
- More than 90 days past due: 25% of carrying value

Financial liabilities at amortised cost
With the exception of contingent consideration and derivatives, all financial liabilities are measured at amortised cost using the effective interest rate method. This category generally applies to interest payable, accounts payable and accrued liabilities, other short-term payables, payable to customers, long-term debt, and other long-term payables. All interest-related charges are reported in profit or loss within interest expense.

Impairment of financial assets
The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Financial assets are assessed for impairment using the ECL approach discussed above.

Factors considered:
- likelihood of breach based on analysis of historical settlement patterns; and
- regulatory environments in the issuers' or counterparties' respective jurisdictions.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Impairment of receivables is presented in the Consolidated Statements of Comprehensive Income within administrative costs, if applicable.

Compound financial instruments
The Group's compound financial instruments comprise of a convertible loan receivable that can be converted to equity of the loan party after 12 months following the date of the loan agreement.

The convertible loan receivable is shown as a single asset and is measured at fair value through profit or loss. Fair value is established using a risk neutral simulation model.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Balance Sheets if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments
From time to time JPJ Group plc uses derivative instruments for risk management purposes. JPJ Group plc does not use derivative instruments for speculative trading purposes. All derivatives are recorded at fair value on the Consolidated Balance Sheets. The method of recognising unrealised and realised fair value gains and losses depends on whether the derivatives are designated as hedging instruments. For derivatives not designated as hedging instruments, unrealised gains and losses are recorded in interest income/expense on the Consolidated Statements of Comprehensive Income. For derivatives designated as hedging instruments, unrealised and realised gains and losses are recognised according to the nature of the hedged item and where the hedged item is a non-financial asset, amounts recognised in the hedging reserve are reclassified and the non-financial asset is adjusted accordingly.

In relation to the Gaming Realms Transaction (as defined in note 12), the Group no longer separates the embedded derivative from its host contract and the entire asset is measured at fair value through profit or loss. Also in relation to this transaction, the adoption of IFRS 9 resulted in balances shown as other long-term receivables and other long-term assets at 31 December 2017 being combined into a single figure and shown as other long-term receivables at 31 December 2018.

Hedge accounting
The Group uses derivative financial instruments, such as interest rate swaps to hedge its interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value at each reporting period end. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in the Statements of Other Comprehensive Income and later reclassified to profit or loss when the hedge item affects profit or loss.

3. Summary of significant accounting policies continued

The Group elected to use hedge accounting for the purposes of recognising realised and unrealised gains and losses associated with the Interest Rate Swap.

IFRS 9 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.

For the purpose of hedge accounting, hedges are classified as:
- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a risk associated with a recognised asset or liability or a highly probable forecast transaction; and
- hedges of a net investment in a foreign operation.

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the Consolidated Statements of Comprehensive Income as a financing expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the Consolidated Statements of Comprehensive Income as a financing expense. For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the effective interest rate method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

At 31 December 2018, the Group had no hedges designated as fair value hedges.

Cash flow hedges

The Group uses interest rate contracts as hedges of its exposure to interest rate risk in forecast transactions and firm commitments. The effective portion of the gain or loss on the hedging instrument is recognised in the Statements of Other Comprehensive Income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss. The ineffective portion relating to interest rate contracts is recognised in financing expenses. Amounts recognised in the Statements of Other Comprehensive Income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs.

If the hedging instrument or hedged item expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in the Statements of Other Comprehensive Income remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

Effective from 16 February 2018, the Group designated its Interest Rate Swap (as defined in note 13) as a cash flow hedge.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in the Statements of Other Comprehensive Income, while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to profit or loss.

Effective from 14 December 2017, the Group elected to use its EUR Term Facility as a hedge of its exposure to foreign exchange risk on its investments in EUR foreign subsidiaries. Gains or losses on the retranslation of this borrowing are transferred to the Statements of Other Comprehensive Income to offset any gains or losses on translation of the net investments in the subsidiaries.

At 31 December 2018, no material ineffectiveness arising on net investment hedge was included in the Consolidated Statements of Comprehensive Income.

Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognised in the Consolidated Statements of Comprehensive Income. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities are recognised for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred taxes are not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realised or the liability settled.

Notes to the audited consolidated financial statements continued
31 December 2018

3. Summary of significant accounting policies continued
The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the Consolidated Statements of Comprehensive Income in the period that substantive enactment occurs.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. To the extent that the Group does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Cash and cash equivalents
Cash and cash equivalents include cash in hand and deposits held at call with banks, as well as balances with payment processors which are subject to an insignificant risk of change in value.

Cash and cash equivalents exclude restricted cash. Restricted cash is made up of cash held on deposit for the purpose of applying for a business licence, as well as reserves held with payment service providers.

The effect on the Consolidated Statements of Cash Flows of restrictions either taking effect on, or being lifted from, cash balances are reported with regard to the linkage principle, under which changes in cash are classified based on the purpose for which the restricted cash is used. Under this principle, changes (such as cash, which is restricted for the purposes of applying for a business licence and payment service provider reserves) are treated as an operating cash outflow.

Tangible assets
Tangible assets are recorded at cost less accumulated depreciation. These assets are depreciated over their estimated useful lives as follows:

Computer hardware	33% per annum
Office furniture	20% per annum
Leasehold improvements	Over the term of the lease

Depreciation is recorded under administrative costs in the Consolidated Statements of Comprehensive Income.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Amortisation expense is reflected in the Consolidated Statements of Comprehensive Income. Amortisation for the material categories of finite life intangible assets is recorded under administrative costs and is calculated at the following rates:

Brand	5% per annum
Gaming licences	5% per annum
Software	20% – 33% per annum
Customer relationships and partnership agreements	8% – 25% per annum (variable, according to the expected pattern of consumption)

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit ('CGU') level. If any indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows independently of other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell (measured according to Level 3 in the fair value hierarchy) and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

In instances when a part of a particular CGU is disposed of, the value of goodwill associated with the disposal is measured on the basis of the relative value of the operation disposed of as a portion of the unit retained. The relative value is derived by analysing various metrics available for the asset being disposed of and concluding on the metric that is most appropriate for each individual disposal.

3. Summary of significant accounting policies continued

Investments in subsidiaries

Investments comprise direct shareholdings of the ordinary share capital in the Group's subsidiaries, all of which are included in the Consolidated Financial Statements. For a list of all the subsidiaries which are wholly owned by the Group, including name and country of incorporation, refer to note 2 of these Consolidated Financial Statements.

Share-based compensation and long-term incentive plan

Compensation expense for equity-settled stock options awarded under the share option plan is measured at the fair value at the grant date using the Black-Scholes valuation model and is recognised using the graded vesting method over the vesting period of the options granted. Compensation expense for equity-settled stock options awarded under the LTIP and LTIP2 (as defined in note 21) is measured at the fair value at the grant date using the Black-Scholes valuation model for the EPS and EPS CAGR Tranches (as defined in note 21) and the Monte Carlo model for the TSR Tranches (as defined in note 21).

Compensation expense recognised is adjusted to reflect the number of options that has been estimated by management for which conditions attached to service will be fulfilled as of the grant date until the vesting date so that the ultimately recognised expense corresponds to the options that have actually vested. The compensation expense credit is attributed to contributed surplus when the expense is recognised in the Consolidated Statements of Comprehensive Income.

Earnings per share

Basic earnings per share are calculated by dividing the net income or loss for the period attributed to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated using the same method as for basic earnings per share and adjusting the weighted average of common shares outstanding during the period to reflect the dilutive impact, if any, of options and warrants assuming they were exercised for that number of common shares calculated by applying the treasury stock method. The treasury stock method assumes that all proceeds received by JPJ Group plc when options and warrants are exercised will be used to purchase common shares at the average market price during the reporting period. Convertible debt is considered in the calculation of diluted earnings per share to the extent that it is dilutive.

Provisions

Provisions are recognised when the Group has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins the same month the asset is recognised and is amortised over the period of expected future economic benefit to the Group. During the period of development, the asset is tested for impairment annually.

Leases

JPJ Group plc has classified its rental leases as operating leases. Operating lease payments are recognised on a straight-line basis over the lease term. Operating lease payments are recorded under administrative costs in the Consolidated Statements of Comprehensive Income unless they are attributable to qualifying assets, in which case they are capitalised.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

IFRS 16 – *Leases* ('IFRS 16') has not been applied to these Consolidated Financial Statements. IFRS 16 will be applicable for annual reporting periods commencing 1 January 2019. The Group will be applying IFRS 16 using the modified retrospective approach and, therefore, the comparative information will not be restated and will continue to be reported under IAS 17 – *Leases* and related interpretations. Impact of IFRS 16 is further discussed in note 30 of these Consolidated Financial Statements.

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4. Summary of significant accounting estimates and assumptions

The preparation of JPJ Group plc's Consolidated Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The effect of a change in an accounting estimate is recognised prospectively by including it in the Consolidated Statements of Comprehensive Income in the period of the change, if the change affects that period only; or in the period of the change and future periods if the change affects both.

The estimates and judgements that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Business combinations and contingent consideration

Business combinations require management to exercise judgement in measuring the fair value of the assets acquired, equity instruments issued, and liabilities, and contingent consideration incurred or assumed. In particular, a high degree of judgement is applied in determining the fair value of the separable intangible assets acquired, their useful economic lives and which assets and liabilities are included in a business combination.

In certain acquisitions, the Group may include contingent consideration which is subject to the acquired company achieving certain performance targets. At each reporting period, JPJ Group plc estimates the future earnings of acquired companies, which are subject to contingent consideration in order to assess the probability that the acquired company will achieve their performance targets and thus earn their contingent consideration. Any changes in the fair value of the contingent consideration between reporting periods are included in the determination of net income. Changes in fair value arise as a result of changes in the estimated probability of the acquired business achieving its earnings targets and the consequential impact of amounts payable under these arrangements.

Goodwill and intangible assets

Goodwill and intangible assets are reviewed for impairment annually, or more frequently when there are indicators that impairment may have occurred, by comparing the carrying value to its recoverable amount. Management uses judgement in estimating the recoverable values of the Group's CGUs and uses internally developed valuation models that consider various factors and assumptions including forecasted cash earnings, growth rates and discount rates. The use of different assumptions and estimates could influence the determination of the existence of impairment and the valuation of goodwill.

Taxes

Group companies may be subject to indirect taxation on transactions, which have been treated as exempt supplies of gambling, or on supplies which 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. Revenue 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, its financial position or its reported results. 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.

5. Segment information

Segments are reported in a manner consistent with internal reporting provided to the Chief Operating Decision Makers (as defined in note 3).

The Vera&John segment consists of the online casino operating results of various brands, including Vera&John, InterCasino and Solid Gaming. The Jackpotjoy segment consists of the real money operating results of the Jackpotjoy, Starspins, Botemania brands and various online bingo websites operated off the Dragonfish platform and the operating results of affiliate portal websites.

In March 2018, the Group determined that its reportable operating segments had changed such that the Mandalay segment was aggregated with the Jackpotjoy segment with effect from 1 January 2018, as Mandalay no longer met the criteria for a reportable operating segment, set out in IFRS 8 – *Operating Segments*. Mandalay was therefore aggregated with the Jackpotjoy segment, consistent with the Group's other third-party platform hosted operations. Additionally, as discussed in note 7, the Group sold its social gaming business in the current year. All current year and 2017 comparative segment figures have been restated accordingly. The social gaming business was previously reported as a part of the Jackpotjoy segment.

5. Segment information continued

The following tables present selected financial results for each segment and the Unallocated Corporate Costs:

Year ended 31 December 2018:

	Jackpotjoy (£000's)	Vera&John (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Gaming revenue	216,015	103,573	–	319,588
Distribution costs	105,616	53,186	63	158,865
Amortisation and depreciation	50,318	10,131	390	60,839
Compensation, professional, and general and administrative expenses	17,424	19,549	11,632	48,605
Severance costs	–	850	–	850
Transaction-related costs	–	139	1,749	1,888
Foreign exchange loss/(gain)	238	200	(84)	354
Financing, net	5	(120)	29,788	29,673
Net income/(loss) for the year before taxes from continuing operations	42,414	19,638	(43,538)	18,514
Taxes	–	122	336	458
Net income/(loss) for the year after taxes from continuing operations	42,414	19,516	(43,874)	18,056
Net income/(loss) for the year after taxes from continuing operations	42,414	19,516	(43,874)	18,056
Interest expense/(income), net	5	(120)	19,587	19,472
Accretion on financial liabilities	–	–	2,993	2,993
Taxes	–	122	336	458
Amortisation and depreciation	50,318	10,131	390	60,839
EBITDA	92,737	29,649	(20,568)	101,818
Share-based compensation	–	–	583	583
Severance costs	–	850	–	850
Fair value adjustments on contingent consideration	–	–	7,208	7,208
Transaction-related costs	–	139	1,749	1,888
Foreign exchange loss/(gain)	238	200	(84)	354
Adjusted EBITDA	92,975	30,838	(11,112)	112,701
Net income/(loss) for the year after taxes from continuing operations	42,414	19,516	(43,874)	18,056
Share-based compensation	–	–	583	583
Severance costs	–	850	–	850
Fair value adjustments on contingent consideration	–	–	7,208	7,208
Transaction-related costs	–	139	1,749	1,888
Foreign exchange loss/(gain)	238	200	(84)	354
Amortisation of acquisition-related purchase price intangibles	50,251	7,945	–	58,196
Accretion on financial liabilities	–	–	2,993	2,993
Adjusted net income/(loss)	92,903	28,650	(31,425)	90,128

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31 December 2018

5. Segment information continued

Year ended 31 December 2017:

	Jackpotjoy (£000's)	Vera&John (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Gaming revenue	216,091	73,167	–	289,258
Distribution costs	104,008	36,582	146	140,736
Amortisation and depreciation	50,546	9,956	380	60,882
Compensation, professional, and general and administrative expenses	15,028	18,558	12,944	46,530
Severance costs	–	–	700	700
Transaction-related costs	–	–	6,710	6,710
Foreign exchange (gain)/loss	(95)	599	9,353	9,857
Gain on sale of intangible assets	(269)	(1,002)	–	(1,271)
Financing, net	4	(166)	95,292	95,130
Net income/(loss) for the year before taxes from continuing operations	46,869	8,640	(125,525)	(70,016)
Taxes	–	701	–	701
Net income/(loss) for the year after taxes from continuing operations	46,869	7,939	(125,525)	(70,717)
Net income/(loss) for the year after taxes from continuing operations	46,869	7,939	(125,525)	(70,717)
Interest expense/(income), net	4	(166)	30,169	30,007
Accretion on financial liabilities	–	–	25,049	25,049
Taxes	–	701	–	701
Amortisation and depreciation	50,546	9,956	380	60,882
EBITDA	97,419	18,430	(69,927)	45,922
Share-based compensation	–	–	1,429	1,429
Severance costs	–	–	700	700
Fair value adjustments on contingent consideration	–	–	27,562	27,562
Realised loss on cross currency swap	–	–	12,512	12,512
Transaction-related costs	–	–	6,710	6,710
Gain on sale of intangible assets	(269)	(1,002)	–	(1,271)
Foreign exchange (gain)/loss	(95)	599	9,353	9,857
Adjusted EBITDA	97,055	18,027	(11,661)	103,421
Net income/(loss) for the year after taxes from continuing operations	46,869	7,939	(125,525)	(70,717)
Share-based compensation	–	–	1,429	1,429
Severance costs	–	–	700	700
Fair value adjustments on contingent consideration	–	–	27,562	27,562
Realised loss on cross currency swap	–	–	12,512	12,512
Transaction-related costs	–	–	6,710	6,710
Gain on sale of intangible assets	(269)	(1,002)	–	(1,271)
Foreign exchange (gain)/loss	(95)	599	9,353	9,857
Amortisation of acquisition-related purchase price intangibles	50,499	8,568	–	59,067
Accretion on financial liabilities	–	–	25,049	25,049
Adjusted net income/(loss)	97,004	16,104	(42,210)	70,898

5. Segment information continued

The following table presents net assets per segment and Unallocated Corporate Costs as at 31 December 2018:

	Jackpotjoy (£000's)	Vera&John (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Current assets	**18,055**	**54,394**	**51,510**	**123,959**
Goodwill	**231,322**	**57,033**	**–**	**288,355**
Other non-current assets	**200,642**	**28,152**	**4,798**	**233,592**
Total assets	**450,019**	**139,579**	**56,308**	**645,906**
Current liabilities	**19,758**	**25,788**	**6,774**	**52,320**
Non-current liabilities	**–**	**1,196**	**373,267**	**374,463**
Total liabilities	**19,758**	**26,984**	**380,041**	**426,783**
Net assets	**430,261**	**112,595**	**(323,733)**	**219,123**

The following table presents net assets per segment and Unallocated Corporate Costs as at 31 December 2017:

	Jackpotjoy (£000's)	Vera&John (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Current assets	20,960	41,970	30,302	93,232
Goodwill	240,960	55,821	–	296,781
Other non-current assets	262,471	31,878	4,817	299,166
Total assets	524,391	129,669	35,119	689,179
Current liabilities	27,870	19,877	50,722	98,469
Non-current liabilities	–	1,204	385,449	386,653
Total liabilities	27,870	21,081	436,171	485,122
Net assets	496,521	108,588	(401,052)	204,057

During the years ended 31 December 2018 and 2017, revenue was earned from customers located in the following locations: United Kingdom: 57% (2017: 64%), Sweden: 8% (2017: 10%), Spain: 10% (2017: 8%), Japan: 13% (2017: 8%), rest of Europe: 8% (2017: 6%), rest of world: 4% (2017: 4%).

During the year ended 31 December 2018 and 2017, the Group's B2B Revenue, Affiliate Revenue and Game Aggregation Revenue comprised 3% (2017: 3%) of total Group revenues, with the remaining portion being revenues earned from Net Gaming Revenue operations as described in note 1.

Non-current assets by geographical location as at 31 December 2018 were as follows: Europe £85.2 million (31 December 2017: £87.7 million) and Americas £436.8 million (31 December 2017: £508.2 million).

6. Costs and expenses

As discussed in note 7, the Group sold its social gaming business in the current year. As a result, all current and 2017 comparative figures have been restated accordingly.

	Year ended 31 December 2018 (£000's)	Year ended 31 December 2017 (£000's)
Distribution costs:		
Selling and marketing	**55,535**	48,482
Licensing fees	**44,311**	41,598
Gaming taxes	**40,390**	37,851
Processing fees	**18,629**	12,805
	158,865	140,736
Administrative costs:		
Compensation and benefits	**33,484**	31,943
Professional fees	**4,369**	3,729
General and administrative	**10,752**	10,858
Tangible asset depreciation	**598**	424
Intangible asset amortisation	**60,241**	60,458
	109,444	107,412

Notes to the audited consolidated financial statements continued
31 December 2018

7. Discontinued operations
On 31 August 2018, the Group completed the sale of its social gaming business for cash consideration of £18.0 million, excluding working capital adjustments and costs of disposal paid by the Group. The social gaming business was not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statement of comprehensive income is presented below to show the discontinued operation separately from continuing operations. The results of the social gaming business have been excluded from notes 5 and 6 above.

Results of discontinued operation

	Eight-month period to disposal on 31 August 2018 (£000's)	Year ended 31 December 2017 (£000's)
Social gaming revenue	7,495	15,388
Expenses	6,597	12,568
Results from operating activities	898	2,820
Income tax	–	–
Income for the year	898	2,820
Loss on disposal of discontinued operation	(4,477)	–
Income tax on loss on sale of discontinued operation	–	–
(Loss)/income from discontinued operation, net of tax	(3,579)	2,820
Basic (loss)/income per share	£(0.05)	£0.04
Diluted (loss)/income per share	£(0.05)	£0.04

Cash flows from discontinued operation

	Year ended 31 December 2018 (£000's)	Year ended 31 December 2017 (£000's)
Net cash provided by operating activities	2,016	5,174
Net cash provided by investing activities	16,140	–
Net cash from financing activities	–	–
Net cash flows for the year	18,156	5,174

Effect of disposal on the financial position of the Group

	31 December 2018 (£000's)
Trade and other receivables	184
Non-current assets	10,365
Goodwill	9,638
Net assets	20,187
Working capital adjustment payable[1]	(1,203)
Costs of disposal	(1,118)
Consideration received, satisfied in cash	18,031
Loss on disposal of discontinued operation	(4,477)

1. As at 31 December 2018 £0.4 million remains payable as shown in note 16.

Goodwill disposed of was allocated to the social gaming business on the basis of its earnings before interest, taxes, depreciation and amortisation, relative to that of the overall segment.

8. Interest income/expense

	Year ended 31 December 2018 (£000's)	Year ended 31 December 2017 (£000's)
Interest earned on cash held during the year	**136**	182
Interest earned on long-term loan receivable	**213**	–
Total interest income	**349**	182
Interest paid and accrued on long-term debt	**19,815**	30,144
Interest paid and accrued on convertible debentures	**6**	45
Total interest expense	**19,821**	30,189
Accretion of discount recognised on contingent consideration	**1,204**	6,052
Interest accretion recognised on convertible debentures	**8**	42
Debt issue costs and accretion recognised on long-term debt[1]	**576**	17,095
Interest accretion recognised on other long-term liabilities	**1,205**	1,860
Total accretion on financial liabilities	**2,993**	25,049

1. 2017 figure includes accelerated accretion of costs of £14.1 million as a result of debt refinancing that took place in December 2017.

9. Earnings per share

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

	Year ended 31 December 2018 (£000's)	Year ended 31 December 2017 (£000's)
Numerator:		
Net income/(loss) – basic	**14,477**	(67,897)
Net income/(loss) – diluted[1]	**14,477**	(67,897)
Denominator:		
Weighted average number of shares outstanding – basic	**74,241**	73,865
Weighted average effect of dilutive share options	**563**	–
Weighted average effect of convertible debentures[2]	**29**	–
Weighted average number of shares outstanding – diluted[1]	**74,833**	73,865
Instruments, which are anti-dilutive:		
Weighted average effect of dilutive share options	**–**	453
Weighted average effect of convertible debentures[2]	**–**	238
Net income/(loss) per share[3,4]:		
Basic	**£0.20**	£(0.92)
Diluted[1]	**£0.19**	£(0.92)

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 year ended 31 December 2017.
3. Basic income/(loss) per share is calculated by dividing the net income/(loss) attributable to owners of the parent by the weighted average number of shares outstanding during the year.
4. Diluted income per share is calculated by dividing the net income attributable to owners of the parent by the weighted average number of shares outstanding during the year and adjusted for the number of potentially dilutive share options and contingently issuable instruments.

10. Cash and restricted cash

Group

	31 December 2018 (£000's)	31 December 2017 (£000's)
Cash	**84,383**	59,033
Restricted cash	**6,161**	208
Total cash balances	**90,544**	59,241

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31 December 2018

10. Cash and restricted cash continued
Parent Company

	31 December 2018 (£000's)	31 December 2017 (£000's)
Cash	**626**	5,422
Restricted cash	**74**	74
Total cash balances	**700**	5,496

11. Trade and other receivables
Trade and other receivables consist of the following items:

Group

	31 December 2018 (£000's)	31 December 2017 (£000's)
Due from the Gamesys Group	**8,764**	8,634
Due from the 888 Group	**1,665**	3,101
B2B and affiliate revenue receivable	**2,722**	2,481
Receivable for intangible assets sold	**–**	1,450
Prepaid expenses	**2,925**	2,375
Other	**1,994**	1,338
Less: ECL provision for trade and other receivables	**(1,000)**	–
	17,070	19,379

The following table summarises the Group's ECL on its trade receivables and loan receivables:

	0-30 days (£000's)	31-60 days (£000's)	61-90 days (£000's)	90 days + (£000's)	Total (£000's)
Trade and other receivables	–	91	131	417	639
Other long-term receivables	–	–	–	361	361
	–	91	131	778	1,000

Parent Company

	31 December 2018 (£000's)	31 December 2017 (£000's)
Trade and other receivables	**399**	444
Intercompany receivable	**237,971**	238,394
	238,370	238,838

12. Other long-term receivables
Group
On 29 November 2017, the Group entered into a secured convertible loan and services agreement with Gaming Realms plc ('Gaming Realms') (the 'Gaming Realms Transaction').

Key terms of the Gaming Realms Transaction include: (a) five-year secured convertible loan to Gaming Realms in the principal amount of £3.5 million with an interest rate of three month UK LIBOR plus 5.5% per annum; (b) conversion option that allows the Group to convert some or all of the loan (in tranches of £0.5 million) into ordinary shares of Gaming Realms after 12 months; (c) a ten-year services agreement ('Services Agreement') for the supply by Gaming Realms of some of its content to websites of the Group's choosing free-of-charge. The value of the free-of-charge services provided under this Services Agreement will be capped at £3.5 million over the first five years of the agreement, at which point the provision of free-of-charge services will cease.

In connection with this transaction, the Group recognised a long-term receivable of £3.6 million (2017: £3.5 million) for the secured convertible loan, in accordance with IFRS 9, based on the calculation of fair value at 31 December 2018, as explained in note 19.

13. Interest rate swap

Group and Parent Company

On 16 February 2018, JPJ Group plc entered into an interest rate swap agreement (the 'Interest Rate Swap') in order to minimise the Group's exposure to interest rate fluctuations. The Interest Rate Swap has an effective date of 15 March 2018 (the 'Effective Date') and an expiry date of 15 March 2023. Under this agreement, JPJ Group plc will pay a fixed 6.439% rate of interest in place of floating GBP interest payments of GBP LIBOR plus 5.25%. The fixed interest rate will be paid on 60% of the GBP Term Facility (£150.0 million – the 'Notional Amount') to start. The Notional Amount will decrease by £30.0 million every 12 months from the Effective Date. The Interest Rate Swap was designated as a cash flow hedge, as described in note 3.

As at 31 December 2018, the fair value of the Interest Rate Swap was a £0.5 million payable. The Group has included £0.1 million of this payable in current liabilities, as shown in note 16, with the value of the remaining balance, being £0.4 million, included in other long-term payables.

14. Intangible assets and goodwill

Group

As at 31 December 2018:

	Gaming licences (£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 2018	93	337,655	25,211	70,019	12,900	20,434	316,386	782,698
Additions	–	–	5,318	–	–	–	–	5,318
Disposals (note 7)	–	(18,000)	–	–	–	–	(9,638)	(27,638)
Translation	(2)	405	426	307	–	–	2,373	3,509
Balance, 31 December 2018	**91**	**320,060**	**30,955**	**70,326**	**12,900**	**20,434**	**309,121**	**763,887**
Accumulated amortisation/ impairment								
Balance, 1 January 2018	81	139,333	12,551	10,005	4,458	7,661	19,605	193,694
Amortisation	44	40,496	5,518	3,502	1,622	10,214	–	61,396
Disposals (note 7)	–	(7,635)	–	–	–	–	–	(7,635)
Translation	(69)	380	211	70	–	–	1,161	1,753
Balance, 31 December 2018	**56**	**172,574**	**18,280**	**13,577**	**6,080**	**17,875**	**20,766**	**249,208**
Carrying value								
Balance, 31 December 2018	**35**	**147,486**	**12,675**	**56,749**	**6,820**	**2,559**	**288,355**	**514,679**

As at 31 December 2017:

	Gaming licences (£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	–	–	2,708	–	–	–	–	2,708
Disposals[1]	–	(3,822)	–	–	–	–	–	(3,822)
Translation	(1)	550	833	(35)	–	–	(1,443)	(96)
Balance, 31 December 2017	93	337,655	25,211	70,019	12,900	20,434	316,386	782,698
Accumulated amortisation/ impairment								
Balance, 1 January 2017	34	96,811	7,414	6,523	2,824	–	21,477	135,083
Amortisation	41	44,958	4,820	3,504	1,634	7,661	–	62,618
Disposals[1]	–	(2,638)	–	–	–	–	–	(2,638)
Translation	6	202	317	(22)	–	–	(1,872)	(1,369)
Balance, 31 December 2017	81	139,333	12,551	10,005	4,458	7,661	19,605	193,694
Carrying value								
Balance, 31 December 2017	12	198,322	12,660	60,014	8,442	12,773	296,781	589,004

1. On 6 December 2017, the Group entered into an agreement to sell certain affiliate contracts for £1.5 million.

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14. Intangible assets and goodwill continued
Goodwill impairment testing

For the purpose of the annual impairment test, goodwill has been allocated to each operating segment of the business, which also represent the Group CGUs.

The recoverable amount of the Vera&John CGU has been determined based on a fair value less selling costs calculation using cash flow projections from financial forecasts approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 18% (2017: 22%) and cash flows beyond the five-year period are extrapolated using a 2.5% (2017: 2.5%) growth rate.

The recoverable amount of the Jackpotjoy CGU has been determined based on a fair value less selling costs calculation using cash flow projections from financial forecasts approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 14% (2017: 14%) and cash flows beyond the five-year period are extrapolated using a 2.5% (2017: 2.5%) growth rate.

The fair value less selling costs calculations are based on Level 3 in the fair value hierarchy.

As at 31 December 2018, there was no indication of impairment of goodwill, nor do the Directors expect any reasonably possible change in a key assumption that may give rise to an impairment.

15. Accounts payable and accrued liabilities
Accounts payable and accrued liabilities consist of the following items:

Group

	31 December 2018 (£000's)	31 December 2017 (£000's)
Affiliate/marketing expenses payable	**7,038**	6,547
Payable to game suppliers	**3,181**	1,899
Compensation payable	**5,773**	4,868
Professional fees	**1,231**	875
Gaming tax payable	**1,174**	2,101
Other	**2,209**	1,531
	20,606	17,821

Parent Company

	31 December 2018 (£000's)	31 December 2017 (£000's)
Affiliate/marketing expenses payable	**15**	36
Compensation payable	**1,229**	716
Professional fees	**332**	216
Other	**133**	4
	1,709	972

16. Other short-term payables
Other short-term payables consist of:

Group

	31 December 2018 (£000's)	31 December 2017 (£000's)
Transaction-related payables	**516**	3,484
Current portion of other long-term payables (note 20)	**8,667**	8,667
Interest Rate Swap (note 13)	**97**	–
Working capital adjustment payable (note 7)	**429**	–
	9,709	12,151

Parent Company

	31 December 2018 (£000's)	31 December 2017 (£000's)
Transaction-related payables	**–**	277
Interest Rate Swap (note 13)	**97**	–
	97	277

17. Financial risk management

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfil its payment obligations. As at 31 December 2018, the Group is largely exposed to credit risk through its relationship with its service providers, the Gamesys Group, the 888 Group, as well as its cash balances. Credit risk also arises from payment services providers ('PSPs'). Prior to accepting new PSPs, credit checks are performed using a reputable external source, where available. Management monitors PSP balances on a weekly basis and promptly takes corrective action if pre-agreed limits are exceeded. As at 31 December 2018 the Group recognised a £1.0 million provision for potentially uncollectable trade and other receivables as well as other long-term receivables to be in compliance with IFRS 9, as explained in note 3. With the exception of the balances discussed in note 11, no other receivables are considered past due or impaired. Quantitative analysis of the Group's exposure to credit risk arising from its receivables is included in note 11 and analysis of the Group's exposure to its credit risk arising from cash is presented below.

A significant amount of cash is held with the following institutions:

Group

Financial Institution Rating	**31 December 2018 (£000's)**	31 December 2017 (£000's)[1]
AA-	**17,786**	18,209
A+	**–**	7,677
A	**43,946**	7,307
A-	**31**	60
BBB+	**1,969**	2,701
BBB	**5,975**	5,481
BB	**4,002**	9,122

Parent Company

Financial Institution Rating	**31 December 2018 (£000's)**	31 December 2017 (£000's)
A	**626**	5,422

The Group monitors the credit ratings of counterparties regularly and at the reporting date does not expect any losses from non-performance by the counterparties. The Group's policy is to transfer significant concentrations of cash held at lower-rated financial institutions to higher-rated financial institutions as swiftly as possible.

1. 2017 ratings have been restated to match ratings of respective banks at 31 December 2018.

Interest rate risk

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. JPJ Group plc is exposed to cash flow interest rate risk on its credit facilities, described in note 18, which bear interest at variable rates. A one percentage point increase (decrease) in interest rates would have decreased (increased) net earnings before income taxes by approximately £3.7 million for the year ended 31 December 2018 (31 December 2017: £3.5 million), with all other variables held constant.

For the Parent Company, a one percentage point increase (decrease) in interest rates would have decreased (increased) net earnings before income taxes by approximately £2.5 million for the year ended 31 December 2018 (31 December 2017: £0.1 million), with all other variables held constant.

Management monitors movements in the interest rates by reviewing the LIBOR on a frequent basis.

On 16 February 2018, JPJ Group plc entered into an Interest Rate Swap (as defined in note 13) to mitigate its exposure to interest rate volatility. For the Group and the Parent Company, a one percentage point increase (decrease) in interest rates would have increased (decreased) the fair value of the Interest Rate Swap by approximately £2.9 million for the year ended 31 December 2018 (31 December 2017: £nil), with all other variables held constant.

Foreign exchange risk

Foreign exchange risk arises when individual group entities enter into transactions denominated in a currency other than their functional currency. JPJ Group plc's policy is, where possible, to allow the Group's entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where JPJ Group plc's entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within JPJ Group plc.

Apart from these particular cash flows, the Group aims to fund expenses and investments in their respective currencies and to manage foreign exchange risk at a local level by matching the currency in which revenue is generated and expenses are incurred, as well as by matching the currency of its debt structure with the currency cash is generated in.

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17. Financial risk management continued

The following table summarises the Group's discounted net financial assets/liabilities by currency and the approximate effects on total comprehensive income, and therefore total equity as a result of a 10% change in the value of the foreign currencies against pounds Sterling where the Group has significant exposure. The analysis assumes that all other variables remain constant.

At 31 December 2018	Net foreign currency financial assets/ (liabilities) (£000's)	Effect of 10% strengthening in foreign exchange rates on comprehensive income (£000's)	Effect of 10% weakening in foreign exchange rates on comprehensive income (£000's)
Canadian Dollar	**(237)**	**(24)**	**24**
EURO	**(99,546)**	**(9,955)**	**9,955**
United States Dollar	**1,471**	**147**	**(147)**

At 31 December 2017	Net foreign currency financial assets/ (liabilities) (£000's)	Effect of 10% strengthening in foreign exchange rates on comprehensive income (£000's)	Effect of 10% weakening in foreign exchange rates on comprehensive income (£000's)
Canadian Dollar	(480)	(48)	48
EURO	(96,854)	(9,685)	9,685
United States Dollar	5,416	542	(542)

The Parent Company's accounting exposure to foreign exchange risk is not considered material.

Liquidity risk

The Group requires capital and liquidity to fund existing and future operations and future cash payments. The Group's policy is to maintain sufficient capital levels to fund the Group's financial position and meet future commitments and obligations in a cost-effective manner.

Liquidity risk arises from the Group's ability to meet its financial obligations as they become due. The following tables summarise the Group's undiscounted financial and other liabilities as at 31 December 2018 and 31 December 2017:

Group

At 31 December 2018	On demand (£000's)	Less than 1 year (£000's)	2-3 years (£000's)	4-5 years (£000's)	After 5 years (£000's)
Accounts payable and accrued liabilities	**20,606**	**–**	**–**	**–**	**–**
Other payables	**1,612**	**8,097**	**2,388**	**–**	**–**
Payable to customers	**9,032**	**–**	**–**	**–**	**–**
Contingent consideration	**–**	**4,670**	**–**	**–**	**–**
Long-term debt	**–**	**–**	**–**	**–**	**375,692**
Interest payable on long-term debt	**–**	**19,763**	**39,580**	**39,526**	**20,081**
	31,250	**32,530**	**41,968**	**39,526**	**395,773**

At 31 December 2017	On demand (£000's)	Less than 1 year (£000's)	2-3 years (£000's)	4-5 years (£000's)	After 5 years (£000's)
Accounts payable and accrued liabilities	17,821	–	–	–	–
Other payables	4,151	8,000	10,000	–	–
Payable to customers	8,180	–	–	–	–
Contingent consideration	–	53,348	8,750	–	–
Convertible debentures	–	258	–	–	–
Long-term debt	–	–	–	–	374,292
Interest payable on long-term debt	–	20,621	39,461	39,407	39,461
	30,152	82,227	58,211	39,407	413,753

Parent Company

At 31 December 2018	On demand (£000's)	Less than 1 year (£000's)	2-3 years (£000's)	4-5 years (£000's)	After 5 years (£000's)
Accounts payable and accrued liabilities	**1,709**	**–**	**–**	**–**	**–**
Other short-term/long-term payables	**–**	**97**	**388**	**–**	**–**
Long-term debt	**–**	**–**	**–**	**–**	**250,000**
Interest payable on long-term debt	**–**	**14,421**	**28,881**	**28,842**	**14,550**
	1,709	**14,518**	**29,269**	**28,842**	**264,550**

17. Financial risk management continued

At 31 December 2017	On demand (£000's)	Less than 1 year (£000's)	2-3 years (£000's)	4-5 years (£000's)	After 5 years (£000's)
Accounts payable and accrued liabilities	972	–	–	–	–
Other short-term/long-term payables	277	–	–	–	–
Long-term debt	–	–	–	–	250,000
Interest payable on long-term debt	–	15,093	28,881	28,842	28,881
	1,249	15,093	28,881	28,842	278,881

The Group manages liquidity risk by monitoring actual and forecasted cash flows in comparison with the maturity profiles of financial assets and liabilities. The Group does not anticipate fluctuations in its financial obligations as they largely stem from interest payments related to the EUR Term Facility (as defined below) and the GBP Term Facility (as defined below). Management believes that the cash generated from the Group's operating segments is sufficient to fund the working capital and capital expenditure needs of each operating segment in the short and long term, assuming there are no significant adverse changes in the markets in which the Group operates. The Group is actively managing its capital resources to ensure sufficient resources will be in place when Term Facilities (as defined below) repayments and interest payments become due.

Subject to meeting certain financial covenants, the Group may have the ability to draw on the £13.5 million RCF (as defined in note 18) as a further capital resource.

18. Credit facilities

	Parent Company	Rest of Group				
	GBP Term Facility (£000's)	Term Loan (£000's)	Incremental First Lien Facility (£000's)	Second Lien Facility (£000's)	EUR Term Facility (£000's)	Total (£000's)
Balance, 1 January 2017	–	220,016	67,534	83,243	–	370,793
Principal advanced	250,000	–	–	–	122,574	372,574
Repayment	–	(218,793)	(70,000)	(90,000)	–	(378,793)
Debt financing costs incurred	(3,434)	–	–	–	(1,397)	(4,831)
Accretion[1]	18	7,846	2,466	6,757	8	17,095
Foreign exchange translation	–	(9,069)	–	–	1,718	(7,351)
Balance, 31 December 2017	246,584	–	–	–	122,903	369,487
Accretion[1]	**404**	**–**	**–**	**–**	**172**	**576**
Foreign exchange translation	**–**	**–**	**–**	**–**	**1,387**	**1,387**
Balance, 31 December 2018	**246,988**	**–**	**–**	**–**	**124,462**	**371,450**
Current portion	**–**	**–**	**–**	**–**	**–**	**–**
Non-current portion	**246,988**	**–**	**–**	**–**	**124,462**	**371,450**

1. Effective interest rates are as follows: EUR Term Facility – 4.44%, GBP Term Facility – 6.01%.

On 6 December 2017, JPJ Group plc entered into a senior facilities agreement ('Senior Facilities Agreement') pursuant to which debt facilities were made available to JPJ Group plc and certain of its subsidiaries in an aggregate Sterling equivalent amount of approximately £388.5 million, comprised of (i) a €140.0 million term facility (the 'EUR Term Facility', (ii) a £250.0 million term facility (the 'GBP Term Facility' and, together with the EUR Term Facility, the 'Term Facilities') and (iii) a £13.5 million revolving credit facility (the 'RCF' and, together with the Term Facilities, the 'Facilities'). Proceeds from the Term Facilities were used in part to repay the Group's existing First and Second Lien Facilities on 14 December 2017, at which point, the accretion of the remaining debt issue costs on the First and Second Lien facilities was accelerated. Proceeds from the RCF can be applied to, among other things, working capital and general corporate purposes and financing or refinancing capital expenditure.

The Term Facilities are non-amortising and mature in December 2024. The RCF matures in December 2023 and remains undrawn as at 31 December 2018.

The EUR Term Facility has an interest rate of EURIBOR (with a 0% floor) plus an opening margin of 4.25% per annum, subject to a margin ratchet with step downs of 0.25% to 3.50% based on reductions in the senior secured net leverage ratio ('SSLR') and meeting certain ratings requirements. The GBP Term Facility has an interest rate of LIBOR (with a 0% floor) plus an opening margin of 5.25% per annum, subject to a margin ratchet with step downs of 0.25% to 4.50% based on reductions in the SSLR and meeting certain ratings requirements. The RCF has an interest rate of EURIBOR (for Euro loans, with a 0% floor) or LIBOR (for GBP and USD loans, with a 0% floor) plus, in each case, an opening margin of 4.25% per annum, subject to a margin ratchet with step downs of 0.50% to 3.25% based on reductions in the SSLR.

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18. Credit facilities continued
The Senior Facilities Agreement contains certain restrictions on, amongst other things, asset disposals, debt incurrence, loans and guarantees, joint ventures and acquisitions, subject in each case to various permissions. The Senior Facilities Agreement also contains a senior secured leverage ratio maintenance covenant and an interest cover maintenance covenant.

JPJ Group plc was in compliance with the terms of the Senior Facilities Agreement as at 31 December 2018.

19. Financial instruments
The principal financial instruments used by the Group are summarised below:

Group
Financial assets

	Financial assets as subsequently measured at amortised cost	
	31 December 2018 (£000's)	31 December 2017 (£000's)
Cash and restricted cash	**90,544**	59,241
Trade and other receivables	**17,070**	19,379
Other long-term receivables	**1,462**	2,104
Customer deposits	**9,032**	8,180
	118,108	88,904

Financial liabilities

	Financial liabilities as subsequently measured at amortised cost	
	31 December 2018 (£000's)	31 December 2017 (£000's)
Accounts payable and accrued liabilities	**20,606**	17,821
Other short-term payables	**9,612**	12,151
Other long-term payables	**1,429**	8,245
Interest payable	**264**	924
Payable to customers	**9,032**	8,180
Convertible debentures	**–**	254
Long-term debt	**371,450**	369,487
	412,393	417,062

Parent Company
Financial assets

	Financial assets as subsequently measured at amortised cost	
	31 December 2018 (£000's)	31 December 2017 (£000's)
Cash and restricted cash	**700**	5,496
Trade and other receivables	**399**	444
Intercompany receivable	**237,971**	238,394
	239,070	244,334

Financial liabilities

	Financial liabilities as subsequently measured at amortised cost	
	31 December 2018 (£000's)	31 December 2017 (£000's)
Accounts payable and accrued liabilities	**1,709**	972
Other short-term payables	**–**	277
Interest payable	**90**	672
Long-term debt	**246,988**	246,584
	248,787	248,505

The carrying values of the financial instruments noted above approximate their fair values.

19. Financial instruments continued

Other financial instruments

Group

	Financial instruments at fair value through profit or loss – assets/(liabilities)	
	31 December 2018 (£000's)	31 December 2017 (£000's)
Interest Rate Swap	**(485)**	–
Contingent consideration	**(4,540)**	(59,583)
Other long-term receivables	**3,574**	3,500
	(1,451)	(56,083)

Parent Company

	Financial instruments at fair value through profit or loss – assets/(liabilities)	
	31 December 2018 (£000's)	31 December 2017 (£000's)
Interest Rate Swap	**(485)**	–
	(485)	–

Fair value hierarchy

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

	Level 2		Level 3	
	31 December 2018 (£000's)	31 December 2017 (£000's)	**31 December 2018 (£000's)**	31 December 2017 (£000's)
Interest Rate Swap	**(485)**	–	**–**	–
Other long-term receivables	**3,574**	3,500	**–**	–
Contingent consideration	**–**	–	**(4,540)**	(59,583)

The Interest Rate Swap balance represents the fair value of expected cash outflows under the Interest Rate Swap agreement.

Other long-term receivables represent the fair value of the loan receivable from Gaming Realms. The key inputs into the fair value estimation of this balance include the share price of Gaming Realms on the date of cash transfer, a five-year risk-free interest rate of 1.386%, and an estimated share price return volatility rate of Gaming Realms of 48.3%.

A discounted cash flow valuation model was used to determine the value of the contingent consideration at 31 December 2017. The model considered the present value of the expected payments, discounted using a risk-adjusted discount rate of 7%. The expected payments were determined by considering the possible scenarios of forecast EBITDA, the amount to be paid under each scenario and the probability of each scenario.

On 15 June 2018, the Group made a final earn-out payment of £58.5 million for the Botemania brand, its Spanish business within the Jackpotjoy segment, and a £5.0 million milestone payment related to certain performance achievements within the Jackpotjoy segment. This final payment was met using existing cash resources.

At year-end, the Group reviewed the two remaining milestone payments related to the Jackpotjoy segment and concluded that it is highly unlikely that the last milestone balance will become payable. As a result, the last milestone balance was revalued to £nil.

As at 31 December 2018, the entire contingent consideration balance relates to one remaining milestone payment for the Jackpotjoy segment.

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19. Financial instruments continued
The movement in Level 3 financial instruments is detailed below:

	(£000's)
Contingent consideration, 1 January 2017	120,187
Fair value adjustments	27,562
Payments	(94,218)
Accretion of discount	6,052
Contingent consideration, 31 December 2017	59,583
Fair value adjustments[1]	7,208
Payments	(63,455)
Accretion of discount	1,204
Contingent consideration, 31 December 2018	**4,540**
Current portion	**4,540**
Non-current portion	**–**

1. The figure is made up of an earn-out fair value adjustment of £11.4 million, less a £4.2 million revaluation of the last milestone payment.

20. 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, as shown in note 16 (31 December 2017: £8.7 million), with the discounted value of the remaining balance, being £1.4 million (31 December 2017: £8.2 million), included in other long-term payables. During the year ended 31 December 2018, the Group has paid a total of £8.0 million (year ended 31 December 2017: £5.3 million) in relation to the additional non-compete clauses.

As at 31 December 2018, the other long-term payables figure of £1.8 million (31 December 2017: £8.2 million) also includes the non-current portion of the Group's Interest Rate Swap (as discussed in note 13).

21. Share capital
As at 31 December 2018, JPJ Group plc's issued share capital consisted of 74,328,930 ordinary shares, each with a nominal value of £0.10.

Group

	(£000's)	Ordinary shares of £0.10 Number
Balance, 1 January 2017	7,298	72,983,277
Conversion of convertible debentures, net of costs	92	916,498
Exercise of options	17	165,156
Balance, 31 December 2017	7,407	74,064,931
Conversion of convertible debentures, net of costs	**6**	**56,499**
Exercise of options	**21**	**207,500**
Balance, 31 December 2018	**7,434**	**74,328,930**

Parent Company

	(£000's)	Ordinary shares of £0.10 Number
Balance, 1 January 2017	–	–
Issuance of ordinary shares, net of costs	7,372	73,718,942
Conversion of convertible debentures, net of costs	29	288,165
Exercise of options	6	57,824
Balance, 31 December 2017	7,407	74,064,931
Conversion of convertible debentures, net of costs	**6**	**56,499**
Exercise of options	**21**	**207,500**
Balance, 31 December 2018	**7,434**	**74,328,930**

21. Share capital continued

Convertible debentures

During the year ended 31 December 2018, debentures at an undiscounted value of £0.2 million were converted into 56,499 ordinary shares of JPJ Group plc. The remaining convertible debentures were redeemed in full to the value of £0.1 million on 1 June 2018.

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 JPJ Group plc on equivalent terms and subject to the same vesting conditions under Intertain's share option plan. The strike price of each grant was 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.

The changes in the number of share options outstanding during the year ended 31 December 2018 were as follows:

	Number of options	Weighted average exercise price (£)
Outstanding, 1 January 2017	3,251,146	6.62
Forfeited	(58,000)	9.26
Exercised	(165,156)	2.71
Outstanding, 31 December 2017	3,027,990	6.79
Forfeited	(425,000)	9.51
Exercised	(207,500)	2.70
Outstanding, 31 December 2018	**2,395,490**	**6.66**

Share Option Plan

As at 31 December 2018, 2,392,005 options are exercisable (31 December 2017: 2,923,726). The range of exercise prices of share options issued is £2.42 to £3.98 for options granted in 2014, £9.24 to £11.19 for options granted in 2015 and £6.79 for options granted in 2016. The weighted average remaining contractual life of share options outstanding as at 31 December 2018 is approximately 1.8 years (31 December 2017: 2.6 years).

During the year ended 31 December 2018, the Group recorded £0.3 million (2017: £1.3 million) in share-based compensation expense relating to the Share Option Plan with a corresponding increase in the share-based payment reserve.

Long-term incentive plan

On 24 May 2017, JPJ Group 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. At 31 December 2018, the number of ordinary shares that may be allotted under the Group's 2017 LTIP awards is 170,190 (2017: 332,052).

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.

On 26 March 2018, JPJ Group plc granted an equity-settled mirror award ('Mirror Award') over ordinary shares of JPJ Group plc. The Mirror Award is on the same commercial terms as the Group's LTIP for key management personnel. At 31 December 2018, the number of ordinary shares that may be allotted under the Group's Mirror Award is 57,435.

On 28 March 2018, JPJ Group plc granted additional equity-settled awards over ordinary shares of JPJ Group plc under the Group's long-term incentive plan ('LTIP2') for key management personnel. The awards will (i) vest on the date on which the Remuneration Committee determines the extent to which the performance conditions (as described below) have been met and (ii) are subject to a holding period of two years beginning on the vesting date. At 31 December 2018, the number of ordinary shares that may be allotted under the Group's 2018 LTIP2 awards is 251,893.

The performance condition as it applies to 50% of each LTIP2 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 1 January 2018 (the 'TSR Tranche'). The performance condition as it applies to the remaining 50% of the award is based on the compound annual growth rate ('CAGR') of the Group's earnings per share in the last financial year of that performance period ('EPS CAGR Tranche') and vests as to 25% if the EPS CAGR equals 5.5%, between 25% and 100% (on a straight-line basis) if final year EPS CAGR is more than 5.5% but less than 14%, and 100% if final year EPS CAGR is 14% or more.

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21. Share capital continued
Each award under LTIP and LTIP2 is equity-settled and long-term incentive plan compensation expense is based on the awards' estimated fair value. The fair value has been estimated using the Black-Scholes model for the EPS and EPS CAGR Tranches and the Monte Carlo model for the TSR Tranche.

At 31 December 2018, the total number of ordinary shares that may be allotted under the Group's LTIP and LTIP2 awards is 479,518 (2017: 332,052).

During the year ended 31 December 2018, the Group recorded £0.3 million (2017: £0.1 million), in share-based compensation expense relating to LTIP and LTIP2 with a corresponding increase in share-based payment reserve.

Reserves
The following describes the nature and purpose of each reserve within the Group's Consolidated Statements of Changes in Equity.

Share capital
The purpose of this reserve is to show JPJ Group plc's issued share capital at its nominal value of £0.10.

Share premium
The purpose of this reserve is to show amount subscribed for JPJ Group plc's issued share capital in excess of nominal value.

Merger reserve
The purpose of this reserve is to present the Consolidated Statements of Changes in Equity under the merger method of accounting, as if JPJ Group plc has always been the Parent Company and owned all of the subsidiaries.

The reserve arises from the application of merger accounting for the 2017 plan of arrangement and represents the difference between the nominal value of the shares issued by the Group and the amount shown as paid in capital in the accounting records of the previous Parent Company of the Group.

Redeemable shares
The purpose of this reserve is to show redeemable shares issued by JPJ Group plc on 15 August 2016 and cancelled following the plan of arrangement transaction.

Share-based payment reserve
The purpose of this reserve is to show cumulative share-based compensation expense relating to the Group's Share Option Plan, LTIP and LTIP2.

Translation reserve
The purpose of this reserve is to show gains and losses arising on retranslating the financial information of the Group companies with functional currencies other than GBP.

Hedge reserve
The purpose of this reserve is to show unrealised gains and losses arising from the changes in the fair value of the Group's Interest Rate Swap.

Retained (deficit)/earnings
The purpose of this reserve is to show cumulative net gains and losses recognised in the Consolidated Statements of Comprehensive Income.

22. Capital management
JPJ Group plc defines the capital that it manages as its aggregate shareholders' equity. Its principal source of cash is operating activities and, in earlier periods, the issuance of common shares, and long-term debt. JPJ Group plc's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital to meet its financial obligations as they become due. To maintain or adjust the capital structure, JPJ Group plc may attempt to issue new shares, issue new debt, or acquire or dispose of assets.

The Group monitors its SSLR, which is calculated in accordance with the Senior Facilities Agreement, on a frequent basis as this ratio impacts, among other things, the amount of excess cash flow required to be applied in prepayment of the Term Facilities. Commencing on 31 December 2018, if the Group's SSLR is greater than 2.5, 50% of the Group's excess cash flow is required to be applied in prepayment of the Term Facilities. If the Group's SSLR falls between 2.0 and 2.5, 25% of the Group's excess cash flow is required to be applied in prepayment of the Term Facilities. If the Group's SSLR falls below 2.0, 0% of the Group's excess cash flow is required to be applied in prepayment of the Term Facilities. At 31 December 2018 the Group's SSLR is greater than 2.5.

Excess cash flow is calculated in accordance with the Senior Facilities Agreement and is based on consolidated EBITDA (also calculated in accordance with the Senior Facilities Agreement) to which certain adjustments are made (such as the deduction of certain items such as debt prepayments). JPJ Group plc is not subject to any externally imposed capital requirements. JPJ Group plc manages the Group's capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Group's underlying assets.

There have been no changes to JPJ Group plc's approach to capital management or in the items the Group manages as capital during the year ended 31 December 2018.

23. Taxes and deferred taxes

Group

	Year ended 31 December 2018 (£000's)	Year ended 31 December 2017 (£000's)
Current tax expense		
Total current tax on profits for the year	**853**	1,128
Deferred tax		
Origination and reversal of temporary differences related to business combinations	**(395)**	(427)
Total tax expense	**458**	701

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	Year ended 31 December 2018 (£000's)	Year ended 31 December 2017 (£000's)
Gain/(loss) for the year before taxes	**14,935**	(67,196)
Tax using JPJ Group plc's domestic tax rate of 19% (2017: 19.25%)	**2,838**	(12,935)
Effect of different tax rates applied in overseas jurisdictions	**(3,754)**	9,998
Non-capital loss for which no tax benefit has been recorded	**1,374**	3,638
Total tax expense	**458**	701

As at 31 December 2018, taxes receivable and payable balances consist of taxes owing and recoverable related to the 2017 and 2018 fiscal years.

The Group generated unused UK tax losses of approximately £7.1 million (2017: £18.9 million) that are available indefinitely for offsetting against future taxable profits. There is no certainty over the use or timing of use of tax losses and as a result, no deferred tax assets have been recognised in the year.

24. Contingent liabilities

Group

Indirect taxation

JPJ Group plc subsidiaries 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. Revenue 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 31 December 2018, the Group had recognised £nil (31 December 2017: £nil) related to potential contingent indirect taxation liabilities.

25. Related party transactions

Compensation of key management

Key management is comprised of the Board of Directors, officers, and members of management of the Group. Key management personnel compensation for service rendered is as follows:

	Year ended 31 December 2018 (£000's)	Year ended 31 December 2017 (£000's)
Salaries, bonuses and benefits	**4,619**	3,062
Severance costs	**–**	700
Stock-based compensation	**404**	936
	5,023	4,698

Related party transactions

As disclosed in note 12, the Group entered into loan and services agreements with Gaming Realms plc. Jim Ryan is a Director of both JPJ Group plc and Gaming Realms plc. Mr. Ryan recused himself from all discussions related to these agreements.

Notes to the audited consolidated financial statements continued
31 December 2018

26. Employees
Group

	Year ended 31 December 2018 (£000's)	Year ended 31 December 2017 (£000's)
Wages and salaries[1]	**16,071**	13,801
Pensions	**545**	160
Social security	**1,846**	1,032
Benefits	**300**	119
	18,762	15,112

Parent Company

	Year ended 31 December 2018 (£000's)	Year ended 31 December 2017 (£000's)
Wages and salaries[1]	**2,709**	2,214
Pensions	**93**	54
Social security	**214**	189
Benefits	**43**	14
	3,059	2,471

1. Wages and salaries figures for Group and Parent Company include severance costs.

Parent Company Directors' remuneration details are provided in the Directors' remuneration report.

The average headcount of employees on a full-time and part-time basis during the year was as follows:

	31 December 2018 Number	31 December 2017 Number
Group	**281**	218
Parent Company	**12**	11
	293	229

27. Auditors' remuneration
BDO LLP's remuneration for the auditing of these Financial Statements and for other services provided is as follows:

	Year ended 31 December 2018 (£000's)	Year ended 31 December 2017 (£000's)
Audit fees	**335**	316
Audit-related assurance services	**100**	121
Taxation compliance services	**–**	10
Taxation advisory services	**–**	24
Other non-audit services fees	**239**	300
	674	771

28. Operating leases
The Group has entered into operating leases for office facilities, which require the following approximate future minimum lease payments due under the non-cancellable operating lease payments.

	31 December 2018 (£000's)	31 December 2017 (£000's)
Within one year	**925**	1,043
Later than one year but not later than 5 years	**386**	998
Later than 5 years	**312**	–
	1,623	2,041

During the year ended 31 December 2018, the Group incurred £1.0 million (2017: £0.9 million) in operating lease expenses.

29. Investments
Parent Company

Group undertakings	(£000's)
At incorporation and 1 January 2017	–
Additions in the year	413,304
Capital contribution	2,503
At 31 December 2017	415,807
Additions in the year	–
Capital contribution	451
At 31 December 2018	**416,258**

30. Recent accounting pronouncements
IFRS 16 – Leases
Adoption of IFRS 16 will result in the Group recognising right-of-use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the Group does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing total commitments in its annual financial statements.

Management decided that the modified retrospective adoption method of IFRS 16 will be applied. Therefore, leases will be recognised on the Consolidated Balance Sheets as at 1 January 2019. In addition, it was also decided to measure right-of-use assets by reference to the measurement of the lease liabilities on the same date. This will ensure there is no immediate impact to the net assets or reserves on the date of implementation. The Group anticipates recognising right-of-use assets and lease liabilities of approximately £2.5 million on 1 January 2019. However, further work needs to be carried out to determine whether and when extension and termination options are likely to be exercised, which could potentially result in the actual balances recognised to fluctuate against the estimate provided above.

Effective from 1 January 2019, the Group will recognise interest on its lease liabilities and amortisation on its right-of-use assets rather than reflect lease payments as operating expenses. The net income impact of the standard will not be significant.

31. Subsequent events
On 19 February 2019, the Group signed a definitive agreement for the sale of its Mandalay operating business for cash consideration of £18.0 million.

The sale was completed on 12 March 2019, with £12.0 million of the cash consideration received by the Group and the remaining £6.0 million expected to be received in September 2019.

Glossary

Adjusted EBITDA: Adjusted EBITDA, as defined by the Group, is income before interest expense (net of interest income), income taxes, amortisation and depreciation, share-based compensation, Independent Committee related expenses, severance costs, (gain)/loss on cross currency swap, fair value adjustments on contingent consideration, transaction-related costs, foreign exchange, and gain on sale of intangible assets.

Adjusted net debt: Consists of existing term loan, non-complete clause payout, fair value of swap and contingent consideration liability, less non-restricted cash.

Adjusted Net Income: This is calculated by adjusting net income for accretion on financial liabilities including accelerated debt issue costs, amortisation of acquisition-related purchase price intangibles and non-compete clauses, share-based compensation, independent committee related expenses, severance costs, (gain)/loss on cross currency swap, fair value adjustments on contingent consideration, transaction-related costs, foreign exchange (gain)/loss substantially arising on the Group's credit facilities, and gain on sale of intangible assets.

Adjusted net leverage ratio: Consists of existing term loans, non-complete clause payout, fair value swap and contingent liability less non-restricted cash dividend by LTM to 31 December 2018 adjusted EBITDA of £112.7 million.

AGM: Annual General Meeting.

AML: Anti-money laundering.

ASA: Advertising Standards Authority, the UK's independent advertising regulator.

Average Active Customers: 'real money' customers who have placed at least one bet in a given month.

BCAP: Broadcast Committee of Advertising Practice, the UK regulatory body responsible for writing and reviewing the UK Code of Broadcast Advertising which applies to all advertisements on radio and television services licensed by Ofcom.

Bingo-led: Online bingo branded sites.

B2B: Business-to-business.

B2C: Business to consumer.

CAGR: Compound annual growth rate, annual growth rate over a specified period of time longer than one year.

CAP: Committee of Advertising Practice, the sister organisation of the ASA, responsible for writing the Advertising Codes.

CDP (formerly Carbon Disclosure Project): A not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

CGU: Cash-generating unit.

Constant currency: Constant currency amounts are calculated by applying the same EUR to GBP average exchange rates to both current and prior year comparative periods.

CSOP: Company Share Option Plan.

DJSI: Dow Jones Sustainability Indices, a family of indices evaluating the sustainability performance of thousands of companies trading publicly and a strategic partner of the S&P Dow Jones Indices.

DTR: Disclosure and Transparency Rule.

FCA: Financial Conduct Authority.

FRC: Financial Reporting Council.

Gambling Commission of Great Britain: Public body responsible for licensing and regulating the people and businesses that provide gambling in Great Britain, including the National Lottery and remote gambling.

GamCare: An independent charity which provides counselling and treatment to those with gambling-related problems.

GAMSTOP: The UK's online self-exclusion scheme which will prevent users from accessing gambling websites and apps run by companies licensed in Britain.

GDPR: General Data Protection Regulation, regulations by which the European Parliament, the Council of the European Union, and the European Commission intend to strengthen and unify data protection for all individuals within the European Union.

GHG: Greenhouse gas.

GRI: The Global Reporting Initiative is an international independent standards organisation that helps businesses, governments and other organisations understand and communicate their impacts on issues such as climate change, human rights and corruption.

Gross gaming wins: Stakes less prizes.

IASB: International Accounting Standards Board.

IFRSs: International Financial Reporting Standards.

IPO: Initial Public Offering, the first sale of stock issued by a company to the general public.

ISAs (UK): International Standards on Auditing (UK).

KPIs: Key performance indicators.

LSE: London Stock Exchange, the main stock exchange in the United Kingdom, operating the main equity market.

LTIP: Long-Term Incentive Plan.

MD&A: Management's Discussion & Analysis.

Net Debt: Consists of existing term loan, convertible debentures, non-compete clause payout, and contingent consideration liability less non-restricted cash.

Net Leverage: The sum of term debt, earn-out, milestone payments and non-compete payments less cash balance.

NGOs: Non-Governmental Organisations.

Online gaming: Gambling by means of remote communication (using the internet, radio or any other kind of technology for facilitating communication).

Organic growth: The Group defines organic growth as growth achieved without accounting for acquisitions or disposals.

Point of Consumption licensing: Regulates and taxes online gambling in the country of the customer.

POC2: Point of Consumption tax of 15% in the UK which has been extended to gross gaming revenues from net gaming revenues previously.

Premium Listing Application: The Company's application to be admitted to a premium listing on the LSE (in compliance with Chapter 6 of the UKLA's Listing Rules).

Real Money Gaming Revenue: Revenue less revenue earned from affiliate websites and social gaming.

Remote Gambling Association: A London and Brussels-based trade association committed to promoting a regulated and non-discriminatory environment for responsible licensed operators in the world's remote gambling market.

Responsible Gambling Trust: A charity that funds treatment, education and research related to problem gambling.

ROI: Return on Investment.

Sustainable Development Goals: A collection of 17 global goals set by the United Nations. The broad goals are interrelated though each has its own targets to achieve. The total number of targets is 169. The SDGs cover a broad range of social and economic development issues.

TSR: Total Shareholder Return.

UK Corporate Governance Code: The 2016 and 2018 editions of the UK Corporate Governance Code (as applicable).

Shareholder information

Registered office
35 Great St. Helen's
London
EC3A 6AP
United Kingdom

Registered number
10303804

Company Secretary
Dan Talisman

Joint brokers
Canaccord Genuity
88 Wood Street
London
EC2V 7QR
United Kingdom

Joh. Berenberg, Gossler & Co. KG
60 Threadneedle Street
London
EC2R 8HP
United Kingdom

Auditor
BDO LLP
55 Baker Street
London
W1U 7EU
United Kingdom

Solicitors
Clifford Chance LLP
4 Coleman Street
London
EC2R 5JJ
United Kingdom

Mishcon de Reya LLP
70 Kingsway
London
WC2B 6AH
United Kingdom

Osler, Hoskin & Harcourt LLP
1 First Canadian Place
Suite 6200
Toronto
Ontario
M5X 1B8
Canada

Financial PR
Finsbury
Tenter House
45 Moorfields
London
EC2Y 9AE
United Kingdom

Registrar
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ
United Kingdom

Enquiring about your shareholding
If you want to ask, or need any information, about your shareholding, please contact our registrar, Computershare Investor Services PLC.

UK and rest of the world shareholder queries:
Computershare UK shareholder helpline: +44 (0370) 889 4098 (8:30am to 5:30pm BST) FAQs, access to a virtual agent and contact email and mail addresses can be found at: www-uk.computershare.com/ Investor/ default.asp.
Canadian shareholder information and ITX queries:
Computershare Canada shareholder services line: +1 800 564-6253 (8:30am to 8:00pm EST).

Investor relations website and share price information
The investor relations section of our website, www.jackpotjoyplc.com/ investors/ includes the Annual Report, daily share price and Company announcements, including the half-year and full-year results.

Share dealing service by telephone or online
This service provides a simple way to sell or purchase shares (subject to availability) on the London Stock Exchange. Real time trading is available during market hours 8:00am to 4:30pm Monday to Friday (excluding bank holidays). There is also a convenient facility to place a sale instruction outside of market hours. Computershare Brokerage Services +44 (0370) 703 0084 www.computershare.trade.

Electronic communications
Shareholders can elect to receive communications electronically by contacting our registrar at the numbers above. This will save on printing and distribution costs, creating environmental benefits. When you register, you will be sent a notification to say when shareholder communications are available on our website and you will be provided with a link to that information.

Financial calendar

Announcement of 2018 full-year results	19 March 2019
Quarterly results announcement	15 May 2019
Annual General Meeting	13 June 2019
Announcement of 2019 half-year results	13 August 2019
Quarterly results announcement	12 November 2019

Cautionary note regarding forward-looking statements

This Annual Report contains certain information and statements that may constitute 'forward-looking information' within the meaning of applicable laws, including applicable Canadian securities laws. Often, but not always, forward-looking information can be identified by the use of words such as 'plans', 'expects', 'estimates', 'projects', 'predicts', 'targets', 'seeks', 'intends', 'anticipates', or 'believes' or the negative of such words or other variations of or synonyms for such words, or state that certain actions, events or results 'may', 'could', 'would', 'should', 'might' or 'will' be taken, occur or be achieved. Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause actual results, performance, achievements or developments to be materially different from those anticipated by the Company and expressed or implied by the forward-looking statements. Forward-looking information contained in this Annual Report includes, but is not limited to: statements with respect to the Group's future financial performance, the future prospects of the Group's business and operations collectively and those of its lines of business individually, the Group's growth opportunities, the execution of the Group's growth strategies and the future dividend policy of the Group. These statements reflect the Company's current expectations related to future events or the Group's future results, performance, achievements or developments, and future trends affecting the Group. All such statements, other than statements of historical fact, are forward-looking information. Such forward-looking information is based on a number of assumptions of management, in light of management's experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances, as of the date of this Annual Report, which may prove to be incorrect, including, but not limited to: the ability of the Group to secure, maintain and comply with all required licences, permits and certifications to carry out business in the jurisdictions in which it currently operates or intends to operate; governmental and regulatory actions, including the introduction of new laws or changes in laws (or the interpretation thereof) related to online gaming; general business, economic and market conditions (including the anticipated withdrawal of the UK from the European Union); the Group operating in foreign jurisdictions; the competitive environment; the expected growth of the online gaming market and potential new market opportunities; anticipated and unanticipated costs; the protection of the Group's intellectual property rights; the Group's ability to successfully integrate and realise the benefits of its completed acquisitions; the expected earn-out payments required to be made in connection with the Group's completed acquisitions; the Group's relationship with the Gamesys Group and other third parties; the Group's debt service obligations; and the ability of the Group to obtain additional financing, if, as and when required. Such statements could also be materially affected by risks relating to the lack of available and qualified personnel or management; stock market volatility; taxation policies; competition; foreign operations; the Group's limited operating history; and the Group's ability to access sufficient capital from internal or external sources and the other risk factors identified in this Annual Report and in the Company's most recently filed Annual Information Form filed under the Company's profile on SEDAR at www.sedar.com. The foregoing risk factors are not intended to represent a complete list of factors that could affect the Group. Although the Company has attempted to identify important factors that could cause actual results, performance, achievements or developments to differ materially from those described in forward-looking statements, there may be other factors that cause actual results, performance, achievements or developments not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results, performance, achievement or developments are likely to differ, and may differ materially, from those expressed in or implied by the forward-looking information contained in this Annual Report. Accordingly, readers should not place undue reliance on forward-looking information. While subsequent events and developments may cause the Company's expectations, estimates and views to change, the Company does not undertake or assume any obligation to update or revise any forward-looking information, except as required by applicable securities laws. The forward-looking information contained in this Annual Report should not be relied upon as representing the Company's expectations, estimates and views as of any date subsequent to the date of this Annual Report. The forward-looking information contained in this Annual Report is expressly qualified by this cautionary statement.

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Visit us at **emperor.works**

JPJ Group plc

Corporate office
16 Berkeley Street
London
W1J 8DZ
United Kingdom

+44 (0)20 3907 4025

Registered office
35 Great St. Helen's
London
EC3A 6AP
United Kingdom

www.jpjgroup.com

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