



JPJ Group plc

Unaudited Interim Condensed Consolidated Financial Statements

[in pounds sterling, except where otherwise noted]

For the Three and Nine Months Ended 30 September 2018

JPJ Group plc

Unaudited Interim Condensed Consolidated Statements of Comprehensive Income

For the three and nine months ended 30 September 2018

(GBP)

		Three months ended 30 September 2018	Three months ended 30 September 2017	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Note		(£000's)	(£000's)	(£000's)	(£000's)
Gaming revenue	4	77,753	71,845	233,196	210,050
Costs and expenses					
Distribution costs	4, 5	37,468	34,953	115,776	96,702
Administrative costs	5	26,922	27,661	79,417	77,679
Severance costs	4	400	–	850	–
Transaction related costs	4	275	1,361	1,338	2,676
Foreign exchange (gain)/loss	4	(13)	4,494	130	11,319
Total costs and expenses		65,052	68,469	197,511	188,376
Gain on sale of intangible assets		–	–	–	(1,002)
Fair value adjustments on contingent consideration	16	–	1,663	11,450	16,364
Realised loss on cross currency swap		–	–	–	3,534
Interest income	7	(83)	(41)	(253)	(136)
Interest expense	7	4,916	7,648	14,805	23,315
Accretion on financial liabilities	7	578	2,000	2,604	9,051
Financing expenses		5,411	11,270	28,606	52,128
Net income/(loss) for the period before taxes from continuing operations		7,290	(7,894)	7,079	(29,452)
Current tax provision		37	447	736	806
Deferred tax recovery		(99)	(109)	(296)	(319)
Net income/(loss) for the period after taxes from continuing operations		7,352	(8,232)	6,639	(29,939)
Discontinued operation					
Income from discontinued operation, net of tax	6	191	563	898	2,197
Loss on disposal of discontinued operation	6	(4,047)	–	(4,477)	–
Net (loss)/income from discontinued operation		(3,856)	563	(3,579)	2,197
Net income/(loss) for the period attributable to owners of the parent		3,496	(7,669)	3,060	(27,742)
Other comprehensive income/(loss): Items that will or may be reclassified to profit or loss in subsequent periods					
Foreign currency translation (loss)/gain		(132)	10,150	66	28,793
Unrealised loss on cross currency hedge		–	(2,892)	–	(7,737)
Unrealised gain/(loss) on interest rate hedge	11	316	–	(658)	–
Total comprehensive income/(loss) for the period attributable to owners of the parent		3,680	(411)	2,468	(6,686)
Net income/(loss) for the period per share					
Basic	8	£0.05	£(0.10)	£0.04	£(0.38)
Diluted	8	£0.05	£(0.10)	£0.04	£(0.38)
Net income/(loss) for the period per share - continuing operations					
Basic		£0.10	£(0.11)	£0.09	£(0.41)
Diluted		£0.10	£(0.11)	£0.09	£(0.41)

See accompanying notes

JPJ Group plc
Unaudited Interim Condensed Consolidated Balance Sheets
30 September 2018
(GBP)

	Note	As at 30 September 2018 (£000's)	As at 31 December 2017 (£000's)
ASSETS			
Current assets			
Cash	16	71,456	59,033
Restricted cash	16	207	208
Customer deposits	16	8,183	8,180
Trade and other receivables	9, 16	16,313	19,379
Taxes receivable		7,535	6,432
Total current assets		103,694	93,232
Non-current assets			
Tangible assets		1,525	1,339
Intangible assets	12	239,400	292,223
Goodwill	12	287,799	296,781
Other long-term receivables	10, 16	5,047	5,604
Total non-current assets		533,771	595,947
Total assets		637,465	689,179
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	13, 16	17,287	17,821
Other short-term payables	11, 14, 16	11,529	12,151
Interest payable	16	522	924
Payable to customers	16	8,183	8,180
Convertible debentures	16, 18	–	254
Current portion of contingent consideration	16	4,540	51,866
Provision for taxes		8,323	7,273
Total current liabilities		50,384	98,469
Non-current liabilities			
Contingent consideration	16	4,244	7,717
Other long-term payables	11, 16, 17	3,329	8,245
Deferred tax liability		1,278	1,204
Long-term debt	15, 16	370,484	369,487
Total non-current liabilities		379,335	386,653
Total liabilities		429,719	485,122
Equity			
Share capital	18	7,434	7,407
Share premium and other reserves		200,312	196,650
Total equity		207,746	204,057
Total liabilities and equity		637,465	689,179

See accompanying notes

On behalf of the Board:

(signed) " Neil Goulden "

Neil Goulden, Executive Chairman

(signed) " Keith Laslop "

Keith Laslop, Chief Financial Officer

JPJ Group plc
Unaudited Interim Condensed Consolidated Statements of Changes in Equity
For the period ended 30 September 2018
(GBP)

	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 period:									
Net loss for the period (continued and discontinued operations)	-	-	-	-	-	-	-	(27,742)	(27,742)
Other comprehensive income/(loss)	-	-	-	-	-	28,793	(7,737)	-	21,056
Total comprehensive income/(loss) for the period:	-	-	-	-	-	28,793	(7,737)	(27,742)	(6,686)
Contributions by and distributions to shareholders:									
Conversion of debentures	92	2,986	-	-	-	-	-	-	3,078
Exercise of options	15	357	-	-	(105)	-	-	105	372
Cancellation of redeemable shares	-	-	-	(50)	-	-	-	-	(50)
Cancellation of share premium	-	(405,932)	-	-	-	-	-	405,932	-
Share-based compensation	-	-	-	-	1,198	-	-	-	1,198
Total contributions by and distributions to shareholders:	107	(402,589)	-	(50)	1,093	-	-	406,037	4,598
Balance at 30 September 2017	7,405	1,294	(6,111)	-	9,760	24,835	(7,737)	207,934	237,380
Balance at 1 January 2018	7,407	1,342	(6,111)	-	9,971	23,649	-	167,799	204,057
Comprehensive income/(loss) for the period:									
Net income for the period (continued and discontinued operations)	-	-	-	-	-	-	-	3,060	3,060
Other comprehensive income/(loss)	-	-	-	-	-	66	(658)	-	(592)
Total comprehensive income/(loss) for the period:	-	-	-	-	-	66	(658)	3,060	2,468
Contributions by and distributions to shareholders:									
Conversion of debentures	6	186	-	-	-	-	-	-	192
Exercise of options	21	540	-	-	(159)	-	-	159	561
Share-based compensation	-	-	-	-	468	-	-	-	468
Total contributions by and distributions to shareholders:	27	726	-	-	309	-	-	159	1,221
Balance at 30 September 2018	7,434	2,068	(6,111)	-	10,280	23,715	(658)	171,018	207,746

See accompanying notes

JPJ Group plc
Unaudited Interim Condensed Consolidated Statements of Cash Flows
For the three and nine months ended 30 September 2018
(GBP)

		Three months ended 30 September 2018	Three months ended 30 September 2017	Nine months ended 30 September 2018	Nine months ended 30 September 2017
	Note	(£000's)	(£000's)	(£000's)	(£000's)
Operating activities					
Net income/(loss) for the period		3,496	(7,669)	3,060	(27,742)
Add (deduct) items not involving cash					
Amortisation and depreciation		15,437	16,491	46,635	46,651
Share-based compensation expense	18	142	320	468	1,198
Current tax provision		37	447	736	806
Deferred tax recovery		(99)	(109)	(296)	(319)
Interest expense, net	7	5,411	9,607	17,156	32,230
Gain on sale of intangible assets		-	-	-	(1,002)
Fair value adjustments on contingent consideration	16	-	1,663	11,450	16,364
Realised loss on cross currency swap		-	-	-	3,534
Foreign exchange (gain)/loss		(32)	4,607	93	11,506
Loss on sale of discontinued operation, net of tax	6	4,047	-	4,477	-
		28,439	25,357	83,779	83,226
Trade and other receivables		126	1,311	1,947	786
Other long-term receivables		43	84	551	536
Accounts payable and accrued liabilities		2,632	2,766	(690)	922
Other short-term payables		(259)	384	(2,589)	(3,158)
Cash generated from operations		30,981	29,902	82,998	82,312
Income taxes paid		(29)	-	(3,265)	(6,899)
Income taxes received		2,082	2,656	2,484	2,758
Total cash provided by operating activities		33,034	32,558	82,217	78,171
Financing activities					
Restriction of cash balances		-	(229)	(75)	(54)
Proceeds from exercise of options		168	-	561	372
Proceeds from cross currency swap settlement		-	-	-	34,373
Debenture settlement	18	-	-	(62)	-
Repayment of non-compete liability	17	(2,000)	(2,000)	(6,000)	(3,333)
Interest repayment		(5,355)	(7,903)	(15,609)	(23,112)
Payment of contingent consideration	16	-	-	(63,455)	(94,218)
Principal payments made on long-term debt	15	-	(5,965)	-	(18,771)
Total cash used in financing activities		(7,187)	(16,097)	(84,640)	(104,743)
Investing activities					
Purchase of tangible assets		(425)	(88)	(588)	(851)
Purchase of intangible assets		(1,163)	(822)	(3,620)	(2,084)
Proceeds from sale of intangible assets		-	-	1,450	1,002
Disposal of discontinued operation		17,881	-	17,678	-
Total cash provided by/(used in) investing activities		16,293	(910)	14,920	(1,933)
Net increase/(decrease) in cash during the period		42,140	15,551	12,497	(28,505)
Cash, beginning of period		29,462	23,963	59,033	68,485
Exchange loss on cash and cash equivalents		(146)	(306)	(74)	(772)
Cash, end of period		71,456	39,208	71,456	39,208

See accompanying notes

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.

The Group currently offers bingo, casino and other games to its customers using the Jackpotjoy, Starspins, Botemania, Vera&John, Costa Bingo, InterCasino, and other brands. The Jackpotjoy, Starspins, and Botemania brands operate off proprietary software owned by the Gamesys group, the Group's principal B2B software and support provider. The Vera&John and InterCasino brands operate off proprietary software owned by the Group. The Costa Bingo and related brands operate off the Dragonfish platform, a software service provided by the 888 group.

These Unaudited Interim Condensed Consolidated Financial Statements were authorised for issue by the Board of Directors of JPJ Group plc on 14 November 2018.

2. Basis of preparation

Basis of presentation

These Unaudited Interim Condensed Consolidated Financial Statements have been prepared by management on a going concern basis, are presented in compliance with International Accounting Standard ('IAS') 34 – *Interim Financial Reporting*, and have been prepared on a basis consistent with the accounting policies and methods used and disclosed in JPJ Group plc's consolidated financial statements for the year ended 31 December 2017 (the 'Annual Financial Statements'), except as described below. Certain information and disclosures normally included in the Annual Financial Statements prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, and in accordance with IFRS as issued by the International Accounting Standards Board, have been omitted or condensed.

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

These Unaudited Interim Condensed Consolidated Financial Statements have been prepared under the historical cost convention, other than for the measurement at fair value of the Group's Interest Rate Swap (as defined in note 11), 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. This is now shown in the Unaudited Interim Condensed Consolidated Statements of Changes in Equity as an adjustment to the balances on the Group's equity reserves in the period ending 30 September 2017. There is no impact on the income statement, on earnings per share or on total equity.

The comparative financial information for the year ended 31 December 2017 in these Unaudited Interim Condensed Consolidated Financial Statements does not constitute statutory accounts for that year. The auditors' report on the statutory accounts for the year ended 31 December 2017 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under sections 498(2) or 498(3) of the *Companies Act 2006*.

3. Summary of significant accounting policies

For a description of the Group's significant accounting policies, critical accounting estimates and assumptions, and related information see note 3 to the Annual Financial Statements. Other than as described below, there have been no changes to the Group's significant accounting policies or critical accounting estimates and assumptions during the nine months ended 30 September 2018.

Financial instruments

Effective from 1 January 2018, the Group adopted IFRS 9 – *Financial Instruments: Recognition and Measurement* ('IFRS 9'). In relation to the Gaming Realms Transaction (as defined in note 10), as a result, 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 30 September 2018.

Hedge accounting

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.

Based on the Group's analysis of the requirements outlined above, it was concluded that the Interest Rate Swap meets all the necessary criteria and qualifies for use of hedge accounting. The Interest Rate Swap was designated as a cash flow hedge.

Impairment policy

In accordance with IFRS 9, the Group reviewed its impairment policy and concluded that no material impairment provision on its financial instruments, as discussed in note 16, is required. The Group uses the expected credit loss model to assess impairment.

Revenue recognition

Effective from 1 January 2018, the Group adopted IFRS 15 – *Revenue from Contracts with Customers* ('IFRS 15'), which replaces IAS 18 – *Revenue*. Applying this standard did not impact the Group's financial information as the Group's policy was already in compliance with the key principles outlined in IFRS 15.

4. Segment information

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 6, the Group sold its social gaming business in the current period. All current year-to-date and 2017 comparative segment figures have been restated accordingly.

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

Three months ended 30 September 2018:

	Jackpotjoy (£000's)	Vera&John (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Gaming revenue	52,068	25,685	—	77,753
Distribution costs	24,721	12,726	21	37,468
Amortisation and depreciation	12,580	2,593	99	15,272
Compensation, professional, and general and administrative expenses	4,422	4,606	2,622	11,650
Severance costs	—	400	—	400
Transaction related costs	—	—	275	275
Foreign exchange (gain)/loss	(22)	27	(18)	(13)
Financing, net	2	(28)	5,437	5,411
Income/(loss) for the period before taxes from continuing operations	10,365	5,361	(8,436)	7,290
Taxes	—	(62)	—	(62)
Net income/(loss) for the period after taxes from continuing operations	10,365	5,423	(8,436)	7,352
Net income/(loss) for the period after taxes from continuing operations	10,365	5,423	(8,436)	7,352
Interest expense/(income), net	2	(28)	4,859	4,833
Accretion on financial liabilities	—	—	578	578
Taxes	—	(62)	—	(62)
Amortisation and depreciation	12,580	2,593	99	15,272
EBITDA	22,947	7,926	(2,900)	27,973
Share-based compensation	—	—	142	142
Severance costs	—	400	—	400
Transaction related costs	—	—	275	275
Foreign exchange (gain)/loss	(22)	27	(18)	(13)
Adjusted EBITDA	22,925	8,353	(2,501)	28,777
Net income/(loss) for the period after taxes from continuing operations	10,365	5,423	(8,436)	7,352
Share-based compensation	—	—	142	142
Severance costs	—	400	—	400
Transaction related costs	—	—	275	275
Foreign exchange (gain)/loss	(22)	27	(18)	(13)
Amortisation of acquisition related purchase price intangibles	12,563	2,005	—	14,568
Accretion on financial liabilities	—	—	578	578
Adjusted net income/(loss)	22,906	7,855	(7,459)	23,302

Nine months ended 30 September 2018:

	Jackpotjoy (£000's)	Vera&John (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Gaming revenue	162,161	71,035	—	233,196
Distribution costs	78,554	37,176	46	115,776
Amortisation and depreciation	37,737	7,455	288	45,480
Compensation, professional, and general and administrative expenses	12,572	13,155	8,210	33,937
Severance costs	—	850	—	850
Transaction related costs	—	—	1,338	1,338
Foreign exchange loss/(gain)	209	(43)	(36)	130
Financing, net	5	(94)	28,695	28,606
Income/(loss) for the period before taxes from continuing operations	33,084	12,536	(38,541)	7,079
Taxes	—	426	14	440
Net income/(loss) for the period after taxes from continuing operations	33,084	12,110	(38,555)	6,639
Net income/(loss) for the period after taxes from continuing operations	33,084	12,110	(38,555)	6,639
Interest expense/(income), net	5	(94)	14,641	14,552
Accretion on financial liabilities	—	—	2,604	2,604
Taxes	—	426	14	440
Amortisation and depreciation	37,737	7,455	288	45,480
EBITDA	70,826	19,897	(21,008)	69,715
Share-based compensation	—	—	468	468
Severance costs	—	850	—	850
Fair value adjustments on contingent consideration	—	—	11,450	11,450
Transaction related costs	—	—	1,338	1,338
Foreign exchange loss/(gain)	209	(43)	(36)	130
Adjusted EBITDA	71,035	20,704	(7,788)	83,951
Net income/(loss) for the period after taxes from continuing operations	33,084	12,110	(38,555)	6,639
Share-based compensation	—	—	468	468
Severance costs	—	850	—	850
Fair value adjustments on contingent consideration	—	—	11,450	11,450
Transaction related costs	—	—	1,338	1,338
Foreign exchange loss/(gain)	209	(43)	(36)	130
Amortisation of acquisition related purchase price intangibles	37,687	5,950	—	43,637
Accretion on financial liabilities	—	—	2,604	2,604
Adjusted net income/(loss)	70,980	18,867	(22,731)	67,116

Three months ended 30 September 2017:

	Jackpotjoy (£000's)	Vera&John (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Gaming revenue	53,490	18,355	—	71,845
Distribution costs	25,839	9,094	20	34,953
Amortisation and depreciation	13,307	2,550	94	15,951
Compensation, professional, and general and administrative expenses	3,784	4,385	3,541	11,710
Transaction related costs	—	—	1,361	1,361
Foreign exchange loss	76	130	4,288	4,494
Financing, net	1	(40)	11,309	11,270
Income/(loss) for the period before taxes from continuing operations	10,483	2,236	(20,613)	(7,894)
Taxes	—	338	—	338
Net income/(loss) for the period after taxes from continuing operations	10,483	1,898	(20,613)	(8,232)
Net income/(loss) for the period after taxes from continuing operations	10,483	1,898	(20,613)	(8,232)
Interest expense/(income), net	1	(40)	7,646	7,607
Accretion on financial liabilities	—	—	2,000	2,000
Taxes	—	338	—	338
Amortisation and depreciation	13,307	2,550	94	15,951
EBITDA	23,791	4,746	(10,873)	17,664
Share-based compensation	—	—	320	320
Fair value adjustments on contingent consideration	—	—	1,663	1,663
Transaction related costs	—	—	1,361	1,361
Foreign exchange loss	76	130	4,288	4,494
Adjusted EBITDA	23,867	4,876	(3,241)	25,502
Net income/(loss) for the period after taxes from continuing operations	10,483	1,898	(20,613)	(8,232)
Share-based compensation	—	—	320	320
Fair value adjustments on contingent consideration	—	—	1,663	1,663
Transaction related costs	—	—	1,361	1,361
Foreign exchange loss	76	130	4,288	4,494
Amortisation of acquisition related purchase price intangibles	13,291	2,190	—	15,481
Accretion on financial liabilities	—	—	2,000	2,000
Adjusted net income/(loss)	23,850	4,218	(10,981)	17,087

Nine months ended 30 September 2017:

	Jackpotjoy (£000's)	Vera&John (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Gaming revenue	158,592	51,458	—	210,050
Distribution costs	71,604	25,020	78	96,702
Amortisation and depreciation	37,363	7,383	286	45,032
Compensation, professional, and general and administrative expenses	10,880	12,069	9,698	32,647
Transaction related costs	—	—	2,676	2,676
Foreign exchange (gain)/loss	(85)	608	10,796	11,319
Gain on sale of intangible assets	—	(1,002)	—	(1,002)
Financing, net	3	(127)	52,252	52,128
Income/(loss) for the period before taxes from continuing operations	38,827	7,507	(75,786)	(29,452)
Taxes	—	487	—	487
Net income/(loss) for the period after taxes from continuing operations	38,827	7,020	(75,786)	(29,939)
Net income/(loss) for the period after taxes from continuing operations	38,827	7,020	(75,786)	(29,939)
Interest expense/(income), net	3	(127)	23,303	23,179
Accretion on financial liabilities	—	—	9,051	9,051
Taxes	—	487	—	487
Amortisation and depreciation	37,363	7,383	286	45,032
EBITDA	76,193	14,763	(43,146)	47,810
Share-based compensation	—	—	1,198	1,198
Fair value adjustments on contingent consideration	—	—	16,364	16,364
Realised loss on cross currency swap	—	—	3,534	3,534
Transaction related costs	—	—	2,676	2,676
Gain on sale of intangible assets	—	(1,002)	—	(1,002)
Foreign exchange (gain)/loss	(85)	608	10,796	11,319
Adjusted EBITDA	76,108	14,369	(8,578)	81,899
Net income/(loss) for the period after taxes from continuing operations	38,827	7,020	(75,786)	(29,939)
Share-based compensation	—	—	1,198	1,198
Fair value adjustments on contingent consideration	—	—	16,364	16,364
Realised loss on cross currency swap	—	—	3,534	3,534
Transaction related costs	—	—	2,676	2,676
Gain on sale of intangible assets	—	(1,002)	—	(1,002)
Foreign exchange (gain)/loss	(85)	608	10,796	11,319
Amortisation of acquisition related purchase price intangibles	37,332	6,402	—	43,734
Accretion on financial liabilities	—	—	9,051	9,051
Adjusted net income/(loss)	76,074	13,028	(32,167)	56,935

The following table presents net assets per segment and Unallocated Corporate Costs as at 30 September 2018:

	Jackpotjoy (£000's)	Vera&John (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Current assets	16,140	39,833	47,721	103,694
Goodwill	231,322	56,477	—	287,799
Other non-current assets	208,113	28,129	9,730	245,972
Total assets	455,575	124,439	57,451	637,465
Current liabilities	9,158	22,625	18,601	50,384
Non-current liabilities	—	1,278	378,057	379,335
Total liabilities	9,158	23,903	396,658	429,719
Net assets	446,417	100,536	(339,207)	207,746

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	249,703	31,878	17,585	299,166
Total assets	511,623	129,669	47,887	689,179
Current liabilities	10,958	19,877	67,634	98,469
Non-current liabilities	—	1,204	385,449	386,653
Total liabilities	10,958	21,081	453,083	485,122
Net assets	500,665	108,588	(405,196)	204,057

During the nine months ended 30 September 2018 and 2017, revenue was earned from customers located in the following locations: United Kingdom – 61% (nine months ended 30 September 2017 – 66%), Sweden – 8% (nine months ended 30 September 2017 – 11%), rest of Europe – 18% (nine months ended 30 September 2017 – 15%), rest of world – 13% (nine months ended 30 September 2017 – 8%).

During the nine months ended 30 September 2018, the Group's affiliate and other B2B revenues comprised 2% (nine months ended 30 September 2017 – 2%) of total Group revenues. The remaining portion being revenues earned from B2C operations as described in note 1.

Non-current assets by geographical location as at 30 September 2018 were as follows: Europe £84.6 million (31 December 2017 – £87.7 million) and Americas £449.2 million (31 December 2017 – £508.2 million).

5. Costs and expenses

As discussed in note 6, the Group sold its social gaming business in the current period. As a result, all current year-to-date and 2017 comparative figures have been restated accordingly.

	Three months ended 30 September 2018 (£000's)	Three months ended 30 September 2017 (£000's)	Nine months ended 30 September 2018 (£000's)	Nine months ended 30 September 2017 (£000's)
Distribution costs:				
Selling and marketing	12,717	12,368	39,892	32,008
Licensing fees	10,979	10,499	32,457	30,423
Gaming taxes	9,104	8,742	30,423	25,203
Processing fees	4,668	3,344	13,004	9,068
	37,468	34,953	115,776	96,702
Administrative costs:				
Compensation and benefits	8,532	8,914	24,246	23,514
Professional fees	809	667	2,904	2,662
General and administrative	2,309	2,129	6,787	6,471
Tangible asset depreciation	159	119	420	303
Intangible asset amortisation	15,113	15,832	45,060	44,729
	26,922	27,661	79,417	77,679

6. Discontinued operations

On 31 August 2018, the Group completed the sale of its social gaming business for a 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 4 and 5 above.

Results of discontinued operation

	Three months ended 30 September 2018 (£000's)	Three months ended 30 September 2017 (£000's)	Nine months ended 30 September 2018 (£000's)	Nine months ended 30 September 2017 (£000's)
Social gaming revenue	1,800	3,578	7,495	11,942
Expenses	1,609	3,015	6,597	9,745
Results from operating activities	191	563	898	2,197
Income tax	—	—	—	—
Income for the period	191	563	898	2,197
Loss on disposal of discontinued operation	(4,047)	—	(4,477)	—
Income tax on loss on sale of discontinued operation	—	—	—	—
(Loss)/income from discontinued operation, net of tax	(3,856)	563	(3,579)	2,197
Basic (loss)/income per share	£(0.05)	£0.01	£(0.05)	£0.03
Diluted (loss)/income per share	£(0.05)	£0.01	£(0.05)	£0.03

Cash flows from discontinued operation

	Three months ended 30 September 2018 (£000's)	Three months ended 30 September 2017 (£000's)	Nine months ended 30 September 2018 (£000's)	Nine months ended 30 September 2017 (£000's)
Net cash provided by operating activities	337	1,216	2,016	4,003
Net cash provided by investing activities	17,881	—	17,678	—
Net cash from financing activities	—	—	—	—
Net cash flows for the period	18,218	1,216	19,694	4,003

Effect of disposal on the financial position of the Group

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

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.

7. Interest income/expense

	Three months ended 30 September 2018 (£000's)	Three months ended 30 September 2017 (£000's)	Nine months ended 30 September 2018 (£000's)	Nine months ended 30 September 2017 (£000's)
Interest earned on cash held during the period	28	41	93	136
Interest earned on long-term loan receivable	55	—	160	—
Total interest income	83	41	253	136
Interest paid and accrued on long-term debt	4,916	7,645	14,799	23,272
Interest paid and accrued on convertible debentures	—	3	6	43
Total interest expense	4,916	7,648	14,805	23,315
Accretion of discount recognised on contingent consideration	151	752	1,206	5,220
Interest accretion recognised on convertible debentures	—	5	8	35
Debt issue costs and accretion recognised on long-term debt	147	774	429	2,334
Interest accretion recognised on other long-term liabilities	280	469	961	1,462
Total accretion on financial liabilities	578	2,000	2,604	9,051

8. Earnings per share

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

	Three months ended 30 September 2018 (£000's)	Three months ended 30 September 2017 (£000's)	Nine months ended 30 September 2018 (£000's)	Nine months ended 30 September 2017 (£000's)
Numerator:				
Net income/(loss) – basic	3,496	(7,669)	3,060	(27,742)
Net income/(loss) – diluted ¹	3,496	(7,669)	3,060	(27,742)
Denominator:				
Weighted average number of shares outstanding – basic	74,279	73,988	74,211	73,801
Weighted average number of shares outstanding – diluted ¹	74,974	73,988	74,911	73,801
Instruments, which are anti-dilutive:				
Weighted average effect of dilutive share options	—	434	—	412
Weighted average effect of convertible debentures ²	—	87	—	294
Net income/(loss) per share ^{3,4}				
Basic	£0.05	£(0.10)	£0.04	£(0.38)
Diluted ¹	£0.05	£(0.10)	£0.04	£(0.38)

- ¹ In the case of a net loss, the effect of share options potentially exercisable on diluted loss per share will be anti-dilutive; therefore, basic and diluted net loss per share will be the same.
- ² An assumed conversion of convertible debentures had an anti-dilutive effect on loss per share for the three and nine months ended 30 September 2017.
- 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 period.
- 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 period and adjusted for the number of potentially dilutive share options and contingently issuable instruments.

9. Trade and other receivables

Trade and other receivables consist of the following items:

	30 September 2018 (£000's)	31 December 2017 (£000's)
Due from the Gamesys group	7,580	8,634
Due from the 888 group	1,762	3,101
B2B and affiliate revenue receivable	2,645	2,481
Receivable for intangible assets sold	—	1,450
Prepaid expenses	2,683	2,375
Other	1,643	1,338
	16,313	19,379

10. Other long-term receivables

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 3 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 for the secured convertible loan, in accordance with IFRS 9, based on the calculation of fair value at 30 September 2018, as explained in note 16.

11. Interest rate swap

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 30 September 2018, the fair value of the Interest Rate Swap was a £0.2 million payable. The Group has included £0.1 million of this payable in current liabilities, as shown in note 14, with the value of the remaining balance, being £0.1 million, included in other long-term payables.

12. Intangible assets

As at 30 September 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	—	—	3,312	—	—	—	—	3,312
Disposals (note 6)	—	(18,000)	—	—	—	—	(9,638)	(27,638)
Translation	(4)	201	348	172	—	—	1,387	2,104
Balance, 30 September 2018	89	319,856	28,871	70,191	12,900	20,434	308,135	760,476
Accumulated amortisation/impairment								
Balance, 1 January 2018	81	139,333	12,551	10,005	4,458	7,661	19,605	193,694
Amortisation	33	30,656	4,024	2,625	1,216	7,661	—	46,215
Disposals (note 6)	—	(7,635)	—	—	—	—	—	(7,635)
Translation	(69)	194	108	39	—	—	731	1,003
Balance, 30 September 2018	45	162,548	16,683	12,669	5,674	15,322	20,336	233,277
Carrying value								
Balance, 30 September 2018	44	157,308	12,188	57,522	7,226	5,112	287,799	527,199

As at 31 December 2017

	Gaming licences (£000's)	Customer relationships (£000's)	Software (£000's)	Brand (£000's)	Partnership agreements (£000's)	Non- complete 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	—	(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	—	(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

13. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following items:

	30 September 2018 (£000's)	31 December 2017 (£000's)
Affiliate/marketing expenses payable	6,180	6,547
Payable to game suppliers	2,246	1,899
Compensation payable	5,308	4,868
Professional fees	782	875
Gaming tax payable	1,383	2,101
Other	1,388	1,531
	17,287	17,821

14. Other short-term payables

Other short-term payables consist of:

	30 September 2018 (£000's)	31 December 2017 (£000's)
Transaction related payables	1,624	3,484
Current portion of other long-term payables (note 17)	8,667	8,667
Interest Rate Swap (note 11)	35	—
Working capital adjustment payable (note 6)	1,203	—
	11,529	12,151

15. Credit facilities

	Term Loan (£000's)	Incremental First Lien Facility (£000's)	Second Lien Facility (£000's)	EUR Term Facility (£000's)	GBP Term Facility (£000's)	Total (£000's)
Balance, 1 January 2017	220,016	67,534	83,243	—	—	370,793
Principal advanced	—	—	—	122,574	250,000	372,574
Repayment	(218,793)	(70,000)	(90,000)	—	—	(378,793)
Debt financing costs incurred	—	—	—	(1,397)	(3,434)	(4,831)
Accretion*	7,846	2,466	6,757	8	18	17,095
Foreign exchange translation	(9,069)	—	—	1,718	—	(7,351)
Balance, 31 December 2017	—	—	—	122,903	246,584	369,487
Accretion*	—	—	—	129	300	429
Foreign exchange translation	—	—	—	568	—	568
Balance, 30 September 2018	—	—	—	123,600	246,884	370,484
Current portion	—	—	—	—	—	—
Non-current portion	—	—	—	123,600	246,884	370,484

*Effective interest rates are as follows: EUR Term Facility – 4.44%, GBP Term Facility – 6.01%.

16. Financial instruments

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

Financial assets

	Financial assets as subsequently measured at amortised cost	
	30 September 2018 (£000's)	31 December 2017 (£000's)
Cash and restricted cash	71,663	59,241
Trade and other receivables	16,313	19,379
Other long-term receivables	1,473	2,104
Customer deposits	8,183	8,180
	97,632	88,904

Financial liabilities

	Financial liabilities as subsequently measured at amortised cost	
	30 September 2018 (£000's)	31 December 2017 (£000's)
Accounts payable and accrued liabilities	17,287	17,821
Other short-term payables	11,494	12,151
Other long-term payables	3,188	8,245
Interest payable	522	924
Payable to customers	8,183	8,180
Convertible debentures	—	254
Long-term debt	370,484	369,487
	411,158	417,062

The carrying values of the financial instruments noted above approximate their fair values.

Other financial instruments

	Financial instruments at fair value through profit or loss – assets/(liabilities)	
	30 September 2018 (£000's)	31 December 2017 (£000's)
Interest Rate Swap	(176)	—
Contingent consideration	(8,784)	(59,583)
Other long-term receivables	3,574	3,500
	(5,386)	(56,083)

Fair value hierarchy

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

	Level 2		Level 3	
	30 September 2018 (£000's)	31 December 2017 (£000's)	30 September 2018 (£000's)	31 December 2017 (£000's)
Interest Rate Swap	(176)	—	—	—
Other long-term receivables	3,574	3,500	—	—
Contingent consideration	—	—	(8,784)	(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.

As at 30 September 2018, the entire contingent consideration balance relates to two remaining milestone payments for the Jackpotjoy segment.

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	11,450
Payments	(63,455)
Accretion of discount	1,206
Contingent consideration, 30 September 2018	8,784
Current portion	4,540
Non-current portion	4,244

17. 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 14 (31 December 2017 – £8.7 million), with the discounted value of the remaining balance, being £3.2 million (31 December 2017 – £8.2 million), included in other long-term payables. During the nine months ended 30 September 2018, the Group has paid a total of £6.0 million (nine months ended 30 September 2017 – £3.3 million) in relation to the additional non-compete clauses.

18. Share capital

As at 30 September 2018, JPJ Group plc's issued share capital consisted of 74,328,930 ordinary shares, each with a nominal value of £0.10. JPJ Group plc does not hold any shares in treasury and there are no shares in JPJ Group plc's issued share capital that do not represent capital.

	Ordinary shares of £0.10	
	(£000's)	#
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, 30 September 2018	7,434	74,328,930

Ordinary shares

During the nine months ended 30 September 2018, JPJ Group plc did not issue any additional ordinary shares, except as described below.

Convertible debentures

During the nine months ended 30 September 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

During the nine months ended 30 September 2018, nil share options were granted, 207,500 share options were exercised, nil share options were forfeited, and nil share options expired.

During the three and nine months ended 30 September 2018, the Group recorded £0.1 million and £0.3 million, respectively (2017 – £0.3 million and £1.2 million), in share-based compensation expense relating to the share option plan with a corresponding increase in share-based payment reserve.

Long-term incentive plan

On 26 March 2018, JPJ Group plc granted an equity-settled mirror award over ordinary shares of JPJ Group plc. The mirror award is on the same commercial terms as the Group's long-term incentive plan for key management personnel.

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 for key management personnel.

During the three and nine months ended 30 September 2018, the Group recorded £0.1 million and £0.2 million, respectively (2017 – £0.1 million and £0.1 million), in share-based compensation expense relating to the long-term incentive plan with a corresponding increase in share-based payment reserve.

19. Contingent liabilities

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 30 September 2018, the Group had recognised £nil (31 December 2017 – £nil) related to potential contingent indirect taxation liabilities.