The Intertain Group Limited

Consolidated Financial Statements

[in Canadian dollars, except where otherwise noted]

For the Year Ended December 31, 2016

Management's Responsibility for Financial Statements

The management of The Intertain Group Limited is responsible for the accompanying Consolidated Financial Statements. The Financial Statements have been prepared by management in accordance with International Financial Reporting Standards, which recognize the necessity of relying on some best estimates and informed judgements. All financial information in our Management's Discussion and Analysis is consistent with the Consolidated Financial Statements.

To discharge its responsibilities for financial reporting and safeguarding of assets, management depends on the Company's systems of internal control. These systems are designed to provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of Financial Statements. Management meets the objectives of internal control on a cost effective basis through the prudent selection and training of personnel, and adoption and communication of appropriate policies.

The Board of Directors oversees management's responsibilities for the Consolidated Financial Statements primarily through the activities of its Audit Committee, which is composed solely of directors who are neither officers nor employees of the Company. This Committee meets with management and the Company's independent auditors, BDO LLP, to review the consolidated financial statements and recommend approval by the Board of Directors. The Audit Committee is also responsible for making recommendations with respect to the appointment of and for approving remuneration and the terms of engagement of the Company's auditors. The Audit Committee also meets with the auditors, without the presence of management, to discuss the results of their audit.

The Consolidated Financial Statements have been audited by BDO LLP, who were appointed by shareholder vote at the annual shareholders' meeting. Their report is presented below.

(signed) "Andrew McIver"

Andrew McIver
Chief Executive Officer

(signed) "Keith Laslop"

Keith Laslop
Chief Financial Officer

March 29, 2017

BDO

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55 Baker Street
London
W1U 7EU

Independent Auditor's Report

To the Shareholders of The Intertain Group Limited

We have audited the accompanying consolidated financial statements of The Intertain Group Limited, which comprise the consolidated balance sheets as at December 31, 2016 and 2015 and the consolidated statements of changes in shareholders' equity, comprehensive income and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

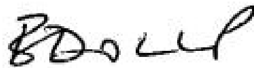
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Intertain Group Limited as at December 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



BDO LLP
London
United Kingdom
March 29, 2017

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

The Intertain Group Limited

Consolidated Statements of Comprehensive Income

For the year ended December 31, 2016

(Canadian dollars)

	Note	**Year ended December 31, 2016 ($000's)**	Year ended December 31, 2015 ($000's)
Revenue and other income			
Gaming revenue		**477,864**	365,492
Other income earned from revenue guarantee		**2,320**	18,973
Other income earned from platform migration		**1,709**	–
Total revenue and other income		**481,893**	384,465
Costs and expenses			
Distribution costs	18, 20	**233,732**	200,050
Administrative costs	18	**172,061**	150,907
Severance costs	18, 20	**10,526**	–
Transaction related costs	18, 20	**39,631**	57,343
Goodwill impairment	8	–	36,670
Foreign exchange loss	20	**5,708**	1,423
Total costs and expenses		**461,658**	446,393
Gain on sale of intangible assets		–	(430)
Debenture settlement expense		–	5,692
Fair value adjustments on contingent consideration	12	**86,448**	120,779
Unrealized gain on cross currency swap	7	**(60,730)**	(9,661)
Interest income	19	**(276)**	(619)
Interest expense	19	**64,506**	48,100
Financing expenses		**89,948**	164,291
Net loss for the year before taxes		**(69,713)**	(225,789)
Current tax provision	17	**676**	1,974
Deferred tax recovery	17	**(732)**	(890)
Net loss for the year		**(69,657)**	(226,873)
Other comprehensive income/(loss): Items that will or may be reclassified to profit or loss in subsequent periods			
Foreign currency translation gain/(loss)		**(140,407)**	66,950
Gain on foreign exchange forward		–	3,017
Reclassification of gain on foreign exchange forward		–	(3,017)
Total comprehensive loss for the year		**(210,064)**	(159,923)
Net loss for the year per share			
Basic	21	**(0.98)**	(3.71)
Diluted	21	**(0.98)**	(3.71)

See accompanying notes

The Intertain Group Limited

Consolidated Balance Sheets

December 31, 2016

(Canadian dollars)

	Note	**As at December 31, 2016 ($000's)**	As at December 31, 2015 ($000's)
ASSETS			
Current assets			
Cash	5	**113,439**	64,816
Restricted cash	5	**419**	357
Prepaid expenses		**1,602**	1,561
Customer deposits		**14,201**	13,309
Receivables	6	**26,081**	33,680
Current portion of cross currency swap	7, 12	**63,226**	1,555
Taxes receivable		**11,317**	15,050
Total current assets		**230,285**	130,328
Tangible assets		**1,411**	475
Intangible assets	8	**583,837**	776,371
Goodwill	8	**490,877**	588,387
Cross currency swap	7	**–**	8,106
Other long term receivables		**4,346**	2,687
Total non-current assets		**1,080,471**	1,376,026
Total assets		**1,310,756**	1,506,354
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	9	**14,894**	12,720
Other short-term payables	10	**25,377**	1,083
Interest payable		**1,049**	–
Payable to customers		**14,201**	13,309
Current portion of long-term debt	11	**44,218**	51,345
Current portion of contingent consideration	12	**143,946**	12,237
Provision for taxes		**12,825**	20,069
Total current liabilities		**256,510**	110,763
Contingent consideration	12	**55,131**	415,545
Other long-term liabilities	13	**24,026**	–
Deferred tax liability		**3,142**	3,986
Convertible debentures	15	**5,410**	14,827
Long-term debt	11	**569,964**	371,404
Total non-current liabilities		**657,673**	805,762
Total liabilities		**914,183**	916,525
Equity			
Shareholders' equity		**396,573**	589,829
Total equity		**396,573**	589,829
Total liabilities and equity		**1,310,756**	1,506,354

See accompanying notes

On behalf of the Board

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

Andrew McIver, CEO Keith Laslop, CFO

The Intertain Group Limited
Consolidated Statements of Changes in Equity
For the year ended December 31, 2016
(Canadian dollars)

	Note	Share Capital ($000's)	Contributed Surplus ($000's)	Reserve ($000's)	Hedging Reserve ($000's)	Retained Earnings/ (Deficit) ($000's)	Total ($000's)
Balance at January 1, 2015		**201,147**	**7,095**	**2,901**	**–**	**(27,504)**	**183,639**
Comprehensive income (loss) for the year:							
Net loss for the year		–	–	–	–	(226,873)	(226,873)
Foreign currency translation gain		–	–	–	3,017	–	3,017
Reclassification of realized gain		–	–	–	(3,017)	–	(3,017)
Other comprehensive income		–	–	66,950	–	–	66,950
Total comprehensive income (loss) for the year:		–	–	**66,950**	–	**(226,873)**	**(159,923)**
Contributions by and distributions to shareholders:							
Issuance of common shares, net of costs		588,398	–	–	–	–	588,398
Conversion of units		427	–	–	–	–	427
Exercise of common share warrants		3,501	–	–	–	–	3,501
Exercise of common share options		43	–	–	–	–	43
Normal course issuer bid		(31,880)	–	–	–	–	(31,880)
Share-based compensation		–	5,624	–	–	–	5,624
Total contributions by and distributions to shareholders:		**560,489**	**5,624**	**–**	**–**	**–**	**566,113**
Balance at January 1, 2016		**761,636**	**12,719**	**69,851**	–	**(254,377)**	**589,829**
Comprehensive income (loss) for the year:							
Net loss for the year		–	–	–	–	(69,657)	(69,657)
Other comprehensive loss		–	–	(140,407)	–	–	(140,407)
Total comprehensive income (loss) for the year:		–	–	**(140,407)**	–	**(69,657)**	**(210,064)**
Contributions by and distributions to shareholders:							
Conversion of debentures	15	10,179	–	–	–	–	10,179
Exercise of options	15	2,985	(675)	–	–	–	2,310
Exercise of common share warrants	15	376	–	–	–	–	376
Share-based compensation	15	–	3,943	–	–	–	3,943
Total contributions by and distributions to shareholders:		**13,540**	**3,268**	**–**	**–**	**–**	**16,808**
Balance at December 31, 2016		**775,176**	**15,987**	**(70,556)**	–	**(324,034)**	**396,573**

See accompanying notes

The Intertain Group Limited

Consolidated Statements of Cash Flows

For the year ended December 31, 2016

(Canadian dollars)

	Note	**Year ended December 31, 2016 ($000's)**	Year ended December 31, 2015 ($000's)
Operating activities			
Net loss for the year		**(69,657)**	(226,873)
Add (deduct) items not involving cash			
Amortization		**100,508**	100,320
Share-based compensation expense	15	**3,943**	5,624
Tax provision		**676**	1,974
Deferred tax recovery		**(732)**	(890)
Interest expense, net	19	**64,230**	47,481
Gain on sale of intangible assets		**–**	(430)
Fair value adjustments on contingent consideration	12	**86,448**	120,779
Debenture settlement expense		**–**	5,692
Unrealized gain on cross currency swap	7	**(60,730)**	(9,661)
Goodwill impairment	8	**–**	36,670
Foreign exchange		**5,708**	1,423
		130,394	82,109
Change in non-cash operating items			
Prepaid expenses		**132**	(732)
Receivables		**6,037**	(21,806)
Other long term receivables		**(2,086)**	(2,753)
Accounts payable and accrued liabilities		**3,324**	(1,334)
Other short-term payables		**14,346**	(6,228)
Cash provided by operating activities		**152,147**	49,256
Income taxes paid		**(11,998)**	(991)
Income taxes received		**9,933**	–
Total cash provided by operating activities		**150,082**	48,265
Financing activities			
Restriction of cash balances		**–**	29
Proceeds from exercise of warrants		**376**	3,501
Proceeds from exercise of options		**2,310**	43
Proceeds from issuance of common shares, net		**–**	462,887
Normal course issuer bid		**–**	(31,880)
Proceeds from long-term debt	11	**247,751**	399,986
Proceeds from cross currency swap		**6,547**	–
Debenture redemption		**–**	(54,317)
Bridge loan redemption		**–**	(10,000)
Vendor take-back loans - repayment		**–**	(13,452)
Interest repayment		**(31,480)**	(24,666)
Payment of contingent consideration	12	**(258,654)**	(25,729)
Principal payments made on long-term debt	11	**(48,329)**	(21,418)
Total cash (used in)/provided by financing activities		**(81,479)**	684,984
Investing activities			
Purchase of tangible assets		**(1,146)**	(282)
Purchase of intangible assets		**(3,345)**	(2,144)
Proceeds from sale of intangible assets		**–**	430
Cash paid to acquire license		**–**	(2,873)
Business acquisitions, net of cash acquired		**–**	(694,816)
Total cash used in investing activities		**(4,491)**	(699,685)
Net increase in cash during the period		**64,112**	33,564
Cash, beginning of period		**64,816**	31,252
Exchange loss on cash and cash equivalents		**(15,489)**	–
Cash, end of period		**113,439**	64,816

See accompanying notes

1. Corporate Information

The Intertain Group Limited (the “Company” or “Intertain”) was incorporated pursuant to the provisions of the *Business Corporations Act* (Ontario) on November 26, 2010. Intertain’s registered office is located at 24 Duncan Street, Floor 2, Toronto, Ontario, Canada. Intertain is an online gaming company that provides entertainment to a global consumer base. The Company currently offers bingo, casino and other games to its customers using the Costa Bingo, Vera&John, Vera&Juan, Jackpotjoy, Starspins, Botemania, InterCasino, and other brands. The Jackpotjoy, Starspins, and Botemania brands operate off proprietary software owned by the Gamesys group, the Company’s B2B software and support provider. The Vera&John, Vera&Juan, and InterCasino brands operate off proprietary software owned by a wholly-owned subsidiary of the Company. The Mandalay segment’s bingo offerings operate off the Dragonfish platform, a software service provided by the 888 Group. Additionally, Intertain receives fees for marketing services provided by its affiliate portal business.

On September 23, 2016, Intertain announced that its shareholders approved a plan of arrangement (the “Arrangement”) which would help facilitate the implementation of Intertain’s comprehensive UK-centred strategic initiatives (the “UK Strategic Initiatives”). These initiatives included a proposed London listing of the newly-incorporated London-headquartered UK company named Jackpotjoy plc, which entity would become the parent company for the Intertain group under the Arrangement.

On January 25, 2017, the Arrangement was completed, causing Intertain to become an indirect subsidiary of the new parent company, Jackpotjoy plc. Additionally, Jackpotjoy plc was admitted to the standard listing segment of the Official List of the UK's Financial Conduct Authority and began trading on the Main Market for listed securities of the London Stock Exchange plc, under the ticker symbol “**JPJ**”. Intertain’s common shares were de-listed from the Toronto Stock Exchange (the “TSX”). Exchangeable shares issued by Intertain pursuant to the Arrangement also began trading on the TSX under the ticker symbol “**ITX**”.

These audited Consolidated Financial Statements were authorized for issue by the Board of Directors on March 28, 2017.

2. Basis of Preparation

Basis of presentation

These Consolidated Financial Statements have been prepared under the historical cost convention other than for the measurement at fair value of certain financial liabilities.

These Consolidated Financial Statements have been prepared by management on a going concern basis, in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). As at December 31, 2016 Intertain has consolidated current assets and current liabilities of $230.3 million and $256.5 million respectively giving rise to a net current liability of $26.2 million. Included in current liabilities is current contingent consideration of $143.9 million. As detailed in note 12, Intertain is only required to fund this liability to the extent it has excess and available cash to do so.

Basis of consolidation

Intertain'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 are eliminated on consolidation.

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

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

The principal subsidiaries of Intertain, all of which have been included in these Consolidated Financial Statements and are wholly owned by Intertain, are as follows:

Name of Business	Country of Incorporation and Principal Place of Business
Intertain Holdings Inc.	Canada
JPJ Holding Jersey Limited	Jersey
JPJ Jersey Limited	Jersey
Wagerlogic Malta Holdings Ltd.	Malta
Cryptologic Operations Ltd.	Malta
Cryptologic Trading Ltd.	Malta
Wagerlogic Alderney Ltd.	Alderney
Wagerlogic Bahamas Ltd.	Bahamas
Wagerlogic Israel Ltd.	Israel
Mandalay Media Ltd.	Bahamas
Jet Management Group Ltd.	Bahamas
Jet Media Ltd.	Gibraltar
Ramona Investments Limited	Turks and Caicos
Intertain Management (UK) Ltd.	UK
Dumarca Holdings Ltd.	Malta
Dumarca Services Ltd.	Malta
Dumarca Gaming Ltd.	Malta
Plain Support SA	Costa Rica
Dumarca Asia Ltd.	Hong Kong
Simplicity V8 Hong Kong Ltd.	Hong Kong
Intertainment Asia Inc.	BVI
Silverspin AB	Sweden
Entserv Asia Ltd.	BVI
Intertain Financial Services AB	Sweden
Intertain Bahamas Ltd.	Bahamas
Fifty States Limited	Isle of Man
Fifty States (Gibraltar) Limited	Gibraltar
Intertain Group Finance LLC	USA
Bei Jing Chen Rui Bo Technology Co, Ltd.	China

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 Intertain, 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 finalized 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 Intertain. 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 recognized in net income. Acquisition-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 Intertain'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 Chief Executive Officer and the Chief Financial Officer.

Revenue recognition

Intertain earns its revenue from operating online casino and bingo websites, and affiliate services. Revenues from online bingo and casino consists of the difference between total amount wagered by players less all winnings payable to players, bonuses allocated, and jackpot contributions ("Net Revenue"). Affiliate services revenue is derived from affiliate services provided to gaming operators. The commission revenue is calculated in line with the contracts, typically based on fixed price per player and is recognized to the extent that its probable economic benefits will flow to Intertain and the revenue can be reliably measured. Revenue is recognized in the accounting periods in which the transactions occur.

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 Intertain for the asset or liability.

Intertain uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the Consolidated Financial Statements are categorized 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.

Intertain determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

Foreign currency translation

Functional and presentation currency

Intertain's Consolidated Financial Statements are presented in Canadian dollars. Each company in the group determines its own functional currency and items included in the Consolidated Financial Statements of each subsidiary are measured using that functional currency. Differences arising on the retranslation of subsidiaries whose functional currency is not Canadian dollars are recorded in other comprehensive income.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective entity of Intertain, using the exchange rates prevailing at the dates of the transactions (spot rate). 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 recognized 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

Financial assets and financial liabilities are recognized when Intertain becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled, or when it expires.

Intertain classifies its financial assets and liabilities under the following categories: fair value through profit or loss ("FVTPL"), loans and receivables, and financial liabilities at amortized cost. All financial instruments

are recognized initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of a financial instrument classified as other than at FVTPL are added to the carrying amount of the asset or liability.

Fair value through profit or loss

Financial instruments classified as FVTPL include contingent consideration and a cross currency swap derivative financial instrument. Any gains or losses are recorded in net income in the period in which they arise.

Loans and receivables

Loans and receivables 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 amortized cost using the effective interest rate (EIR) method, less impairment. Amortized 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 amortization is included in interest income or expense in the Consolidated Statements of Comprehensive Income. This category generally applies to cash, restricted cash, customer deposits, receivables, and long-term receivables.

Financial liabilities at amortized cost

With the exception of contingent consideration and derivatives, all financial liabilities are measured at amortized 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, convertible debentures, long-term debt, and other long term liabilities. All interest-related charges are reported in profit or loss within interest expense.

Impairment of financial assets

Intertain 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 impaired when there is objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- a breach of contract such as a default of interest or principal payment; or
- increased probability that the borrower will enter into a bankruptcy or financial reorganization.

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 Statements of Comprehensive Income within administrative costs, if applicable.

Compound financial instruments

Intertain's compound financial instruments comprise of convertible debentures that can be converted to equity at the option of the holder, and the number of shares to be issued does not vary with changes in fair value. As a result, the instrument is composed of a liability component and an equity component. The liability component is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The residual amount between the total fair value of the convertible debenture and the fair value of the liability component is allocated on initial recognition to equity and recognized as a reserve in equity. Any directly attributable transaction costs are allocated to the liability and the equity component in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of the convertible debentures is measured at amortized cost using the effective interest method. The equity components of the convertible debentures are not re-measured subsequent to initial recognition.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Balance Sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments

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

Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized 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 recognized 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 recognized 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 realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the Consolidated Statements of Comprehensive Income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that Intertain 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 and excludes restricted cash.

The effect on the Consolidated Statements of Cash Flows of restrictions either taking effect on, or being lifted from, cash balances is 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 in cash (such as cash, which is obtained for the financing of business combinations becoming restricted) are treated as a financing 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 amortization and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization 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 amortization period or method, as appropriate, and are treated as changes in accounting estimates. Amortization expense is reflected in the

Consolidated Statements of Comprehensive Income. Amortization 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 licenses	5% per annum
Software	20% 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 amortized, 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 cost to sell (measured according to level 3 in the fair value hierarchy) in 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 recognized 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.

Share-based compensation

Compensation expense for equity settled stock options awarded under the plan is measured at the fair value at the grant date using the Black-Scholes valuation model and is recognized using the graded vesting method over the vesting period of the options granted. Compensation expense recognized is adjusted to reflect the number of options that has been estimated by management for which conditions attaching to service will be fulfilled as of the grant date until the vesting date so that the ultimately recognized expense corresponds to the options that have actually vested. The compensation expense credit is attributed to contributed surplus when the expense is recognized 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 Intertain 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 recognized when Intertain 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 recognized as an intangible asset when Intertain 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.
- 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 amortization and accumulated impairment losses. Amortization of the asset begins the same month the asset is recognized and is amortized over the period of expected future economic benefit to Intertain. During the period of development, the asset is tested for impairment annually.

Leases

Intertain has classified its rental leases as operating leases. Operating lease payments are recognized on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed, in which case that systematic basis is used. 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 capitalized.

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.

4. Summary of Significant Accounting Estimates and Assumptions

The preparation of Intertain's Consolidated Financial Statements requires management to make judgments, 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 judgments 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 recognized 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 judgment 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 judgment 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, Intertain may include contingent consideration which is subject to the acquired company achieving certain performance targets. At each reporting period, Intertain 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 or amounts payable under these arrangements.

Goodwill and intangible assets

Goodwill and intangible assets are reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred, by comparing the carrying value to its recoverable amount. Management uses judgment in estimating the recoverable values of Intertain'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

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

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 Intertain 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 Intertain group, the contingency is not recognized as a liability at the balance sheet date.

5. Cash and Restricted Cash

	December 31, 2016 ($000's)	December 31, 2015 ($000's)
Cash	55,586	43,645
Segregated cash*	57,853	21,171
Cash and cash equivalents	113,439	64,816
Restricted cash – other	419	357
Total cash balances	113,858	65,173

* This balance consists of cash on deposit with payment service providers, as well as segregated funds held in accordance with the terms of the Jackpotjoy earn-out payment, where the Company is required to segregate 90% (April 2015 – March 2016 – 65%) of the Company's excess cash flow, less mandatory repayments of the Company's long-term debt, and earn-out payments, in a non-operational bank account. £34.7 million is held in this account as at December 31, 2016 (£9.0 million as at December 31, 2015). Segregated cash does not qualify as restricted cash and, as such, it is included in cash.

The restricted cash balance as at December 31, 2016 totalled $0.4 million and consisted of cash held as collateral on the Company's leased premises.

6. Receivables

Receivables consist of the following items:

	December 31, 2016 ($000's)	December 31, 2015 ($000's)
Due from Amaya Inc.	—	10,661
Due from the Gamesys group	15,308	15,505
Due from the 888 Group	2,691	3,074
Affiliate revenue receivable	2,925	3,217
Short-term loans receivable	947	559
Swap-related receivable	3,226	—
Other	984	664
	26,081	33,680

7. Cross Currency Swap

On November 23, 2015, the Company entered into a cross currency swap agreement (the "Currency Swap") in order to minimize the Company's exposure to exchange rate fluctuations between the Great British Pound ("GBP") and the US dollar ("USD") as cash generated from the Company's operations is largely in GBP, while a portion of the principal and interest payments on the Company's Credit Facilities are in USD. Under the Currency Swap, 90% of the Company's USD Credit Facilities' interest and principal payments will be swapped into GBP. Intertain will pay a fixed 7.81% interest in place of floating USD interest payments of LIBOR plus 6.5% (LIBOR floor of 1%). The interest and principal payments will be made at a GBP/USD foreign exchange rate of 1.5135 on a USD notional amount of $293,962,500. The Currency Swap expires on March 31, 2017. The Company has elected not to use hedge accounting in accounting for the Currency Swap.

During the year ended December 31, 2016, an unrealized gain of $60.7 million, was recognized in the Consolidated Statements of Comprehensive Income related to the Currency Swap. As at December 31, 2016 a portion of the gain has been realized upon repayment of the mandatory minimum principal and interest balances owing on the Company's USD loan. The fair value of the Currency Swap at December 31, 2016 was $63.2 million (December 31, 2015 – $9.7 million).

On March 28, 2017, the Company terminated the Currency Swap and realized total proceeds of USD $42.6 million and subsequently entered into a new cross currency swap agreement (the "New Currency Swap") Under the New Currency Swap, 50% of the Company's USD Credit Facilities interest and principal payments will be swapped into GBP. Intertain will pay a fixed 7.4% interest in place of floating USD interest payments of LIBOR plus 6.5% (LIBOR floor of 1%). The interest and principal payments will be made at a GBP/USD foreign exchange rate of 1.2584 on a USD notional amount of $136,768,333. The Currency Swap expires on September 30, 2019.

8. Intangible Assets

As at December 31, 2016

	Gaming Licenses ($000's)	Customer Relationships ($000's)	Software ($000's)	Revenue Guarantee ($000's)	Brand ($000's)	Partnership Agreements ($000's)	Non-Compete Clauses ($000's)	Goodwill ($000's)	Total ($000's)
Cost									
Balance, January 1, 2016	156	688,740	35,049	8,183	139,347	26,326	—	625,057	1,522,858
Additions	—	—	3,296	—	—	—	33,998	—	37,294
Expiry	—	—	—	(8,183)	—	—	—	—	(8,183)
Translation	—	(124,028)	(2,453)	—	(23,310)	(4,957)	(158)	(98,604)	(253,510)
Balance, December 31, 2016	156	564,712	35,892	—	116,037	21,369	33,840	526,453	1,298,459
Accumulated amortization									
Balance, January 1, 2016	46	97,863	6,689	—	5,470	3,179	—	36,670	149,917
Amortization	17	85,150	6,615	—	6,225	2,213	—	—	100,220
Translation	(7)	(22,655)	(1,033)	—	(891)	(712)	—	(1,094)	(26,392)
Balance, December 31, 2016	56	160,358	12,271	—	10,804	4,680	—	35,576	223,745
Carrying value									
Balance, December 31, 2016	100	404,354	23,621	—	105,233	16,689	33,840	490,877	1,074,714

The above intangible assets and goodwill arose from business combinations, with the exception of the non-compete clauses ($34.0 million), software developed by the Vera&John segment ($5.4 million) and purchase of the Parlay source code ($2.9 million).

During the year ended December 31, 2016, no amortization charge has been recognized on the non-compete clauses as the clauses do not come into effect until April 2017.

The Company's revenue guarantee intangible asset was fully amortized prior to December 31, 2015 and expired in February 2016.

As at December 31, 2015

	Gaming Licenses ($000's)	Customer Relationships ($000's)	Software ($000's)	Revenue Guarantee ($000's)	Brand ($000's)	Partnership Agreements ($000's)	Goodwill ($000's)	Total ($000's)
Cost								
Balance, January 1, 2015	135	96,990	27,726	6,860	21,851	—	148,801	302,363
Additions	—	531,365	5,163	—	105,265	24,078	415,708	1,081,579
Translation	21	60,385	2,160	1,323	12,231	2,248	60,548	138,916
Balance, December 31, 2015	156	688,740	35,049	8,183	139,347	26,326	625,057	1,522,858
Accumulated amortization								
Balance, January 1, 2015	20	8,692	63	6,108	320	—	—	15,203
Amortization	25	84,876	6,273	828	4,889	3,083	—	99,974
Goodwill impairment	—	—	—	—	—	—	36,670	36,670
Translation	1	4,295	353	1,247	261	96	—	6,253
Balance, December 31, 2015	46	97,863	6,689	8,183	5,470	3,179	36,670	158,100
Carrying value								
Balance, December 31, 2015	110	590,877	28,360	—	133,877	23,147	588,387	1,364,758

Goodwill impairment testing

For the purpose of the annual impairment test, goodwill has been allocated to each operating segment of the business.

In April 2016, the InterCasino brand migrated from the Amaya platform to the Plain Gaming platform, Vera&John's proprietary platform. As a result of this operational change, Intertain concluded that InterCasino no longer generated independent cash flows and, therefore, no longer met the definition of a CGU under IAS 36 — *Impairment of Long-term Assets*. Due to this change, InterCasino's goodwill has now been coupled with Vera&John's and impairment is tested based on the combined value.

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 22% (2015 – 25%) and cash flows beyond the five-year period are extrapolated using a 2.5% (2015 – 2.5%) growth rate.

The recoverable amount of the Mandalay 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 16% (2015 – 20%) and cash flows beyond the five-year period are extrapolated using a 2.5% (2015 – 2.5%) growth rate. A 19% increase in pre-tax discount rate applied to the Mandalay cash flow projections would cause Mandalay's carrying value to equal its fair value.

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 18% (2015 –

19.5%) and cash flows beyond the five-year period are extrapolated using a 2.5% (2015 – 2.5%) growth rate.

As at December 31, 2016, there was no indication of impairment of goodwill.

9. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following items:

	December 31, 2016 ($000's)	December 31, 2015 ($000's)
Affiliate/marketing expenses payable	5,065	6,041
Payable to game suppliers	1,573	2,679
Compensation payable	4,951	1,394
Loyalty program payable	430	514
Professional fees	578	721
Gaming tax payable	871	379
Other	1,426	992
	14,894	12,720

10. Other Short-Term Payables

Other short-term payables consist of:

	December 31, 2016 ($000's)	December 31, 2015 ($000's)
Transaction related payables	15,439	1,083
Current portion of other long-term payables *(Note 13)*	9,938	—
	25,377	1,083

11. Credit Facilities

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

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

The Credit Facilities bear an annual interest rate of either (i) the applicable LIBOR (adjusted to reflect any applicable mandatory statutory reserves and, in the case of the Term Loan and the term loans made under the Incremental First Lien Facility, subject to a 1% floor), plus a margin of 6.50%, if LIBOR is elected based on current market conditions; or (ii) an adjusted base rate (being the greater of the applicable prime rate, the applicable federal funds rate plus 0.05%, one month US$ LIBOR plus 1% and, in the case of the Term Loans, 2%), plus a margin of 5.50%, if the base rate is elected based on current market conditions.

The Second Lien Facility bears an interest rate of applicable LIBOR (adjusted to reflect any applicable mandatory statutory reserves and subject to a 1% floor) plus a margin of 9% per annum.

The First Lien Facilities mature on April 8, 2022 and the Second Lien Facility matures on December 16, 2022.

The First Lien Facilities and the Second Lien Facility are guaranteed by each of Intertain's existing and subsequently acquired or formed wholly-owned direct and indirect subsidiaries, subject to certain exceptions (together with Intertain, the "Credit Parties" and each, a "Credit Party"). The obligations of each Credit Party in respect of the First Lien Facilities and the Second Lien Facility are secured by a perfected first priority security interest and a perfected second priority security interest, respectively (subject to certain permitted liens) in each of the Credit Parties' tangible and intangible assets (except for certain rights, to the extent prohibited by applicable law).

Intertain is required to repay the principal amount of the Term Loan by making quarterly instalment payments equal to 2.50% (being 10.00% per annum) of the initial principal amount with the remaining principal balance due on April 8, 2022. In addition to the quarterly instalment payments, Intertain is also required to apply, on an annual basis, an amount equal to 50% of the excess cash flow of Intertain to the principal repayment of the Term Loan and the term loans made under the Incremental First Lien Facility. Excess cash flow in any excess cash flow period (i.e. September 30, 2015 to December 31, 2015 and then each fiscal year thereafter) is calculated by determining the Earnings Before Income Taxes, Depreciation and Amortization ("EBITDA") of Intertain on a consolidated basis for such period, less, without duplication, debt service, capital expenditures, permitted business acquisitions and investments, taxes paid in cash, increases in working capital, cash expenditures in respect of swap agreements, any extraordinary, unusual or nonrecurring loss, income or gain on asset dispositions, and plus, without any duplication, decreases in working capital, capital expenditures funded with the proceeds of the issuance of debt or the issuance of equity, cash payments received in respect of swap agreements, any extraordinary, unusual or nonrecurring gain realized in cash and cash interest income to the extent deducted in the computation of EBITDA.

The percentage of Intertain's excess cash flow allocated to the principal repayment of the Term Loan may be reduced based on the total leverage ratio (i.e. consolidated debt to EBITDA) of Intertain at the end of the applicable cash flow period such that it will be:

25% if the total leverage ratio is less than 3.50 to 1.00 but is greater than 2.00 to 1.00.

0% if the total leverage ratio is less than or equal to 2.00 to 1.00.

The positive and negative covenants contained in the Credit Agreement include, among other things restrictions on Intertain and (subject to certain exceptions) its subsidiaries: (i) incurring further indebtedness (including preferred stock), liens and guarantees; (ii) fundamental changes to the nature of Intertain's business (e.g. mergers, acquisitions, re-organisations and asset sales); (iii) payment of dividends, the making of distributions in respect of capital stock and certain other restricted payments (provided that other exceptions, dividends, distributions and certain other restricted payments are permitted in an unlimited amount subject to satisfaction of a total leverage ratio of no greater than 2.75:1 on a pro forma basis, payment in full of the Jackpotjoy and Starspins earn-out and there being no default (as defined in Credit Agreement) existing at the time of such dividend, distribution or other restricted payment being made and no default resulting therefrom); (iv) use of proceeds; (v) investment loans and advances; (vi) optional

payments and modifications of contractually subordinated debt instruments and certain other debt instruments; (vii) transactions with affiliates; (viii) sale and leasebacks; (ix) changes in fiscal year; (x) changes in lines of business; (xi) pension matters; and (xii) speculative hedging, in each case subject to important exceptions.

The positive and negative covenants to which Intertain and certain of its subsidiaries are subject in respect of the Second Lien Facility are substantially consistent with those under the Credit Agreement, with adjustments to reflect the second lien nature of the facility. Certain prepayments and repayments during the first, second and third years following the closing of the Second Lien Facility are subject to a prepayment premium equal to a customary make-whole premium (for the first year), 2% (for the second year) and 1% (for the third year), in each case, on the amount prepaid or repaid.

Intertain was in compliance with covenants contained in the Credit Agreement and Second Lien Credit Agreement as at December 31, 2016 and throughout the year.

During the year ended December 31, 2016, Intertain incurred an interest cash expense of $31.9 million (December 31, 2015 – $24.1 million) relating to the credit facilities and $0.1 million (December 31, 2015 – $0.09 million) of unused commitment fees related to the $17.5 million USD revolving facility, as Intertain did not draw any funds from the revolving facility.

Below is the breakdown of the credit facilities, net of unamortized transaction costs of $28.0 million as at December 31, 2016 (December 31, 2015 – $17.8 million):

	Term Loan ($000's)	Incremental First Lien Facility ($000's)	Second Lien Facility ($000's)	Total ($000's)
Balance, January 1, 2015	—	—	—	—
Principal	418,348	—	—	418,348
Repayment	(21,418)	—	—	(21,418)
Transaction costs	(18,615)	—	—	(18,615)
Accretion[1]	2,880	—	—	2,880
Foreign exchange translation	41,554	—	—	41,554
Balance, December 31, 2015	422,749	—	—	422,749
Principal	—	115,061	147,936	262,997
Repayment	(48,329)	—	—	(48,329)
Transaction costs	—	(4,080)	(11,166)	(15,246)
Accretion[1]	3,335	27	57	3,419
Foreign exchange translation	(13,313)	852	1,053	(11,408)
Balance, December 31, 2016	364,442	111,860	137,880	614,182
Current portion	44,218	—	—	44,218
Non-current portion	320,224	111,860	137,880	569,964

[1]*Effective interest rates are as follows: Term Loan – 8.69%, First Lien Facilities – 8.32%, Second Lien Facility – 11.75%*

12. Financial Instruments

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

Financial assets

	Loans and receivables	
	December 31, 2016 ($000's)	December 31, 2015 ($000's)
Cash and restricted cash	113,858	65,173
Receivables	26,081	33,680
Other long-term receivables	4,346	2,687
Customer deposits	14,201	13,309
	158,486	114,849

Financial liabilities

	Financial liabilities at amortized cost	
	December 31, 2016 ($000's)	December 31, 2015 ($000's)
Accounts payable and accrued liabilities	14,894	12,720
Other long-term liabilities	33,964	—
Other short-term payables	15,439	1,083
Payable to customers	14,201	13,309
Convertible debentures	5,410	14,827
Long-term debt	614,182	422,749
	698,090	464,688

The carrying values of the financial instruments noted above, with the exception of convertible debentures, approximate their fair values. The convertible debentures' fair value as at December 31, 2016 amounted to $9.2 million. Fair value was determined based on a quoted market price in an active market.

Financial instruments

	Financial instruments recognized at fair value through profit or loss – assets (liabilities)	
	December 31, 2016 ($000's)	December 31, 2015 ($000's)
Cross currency swap	63,226	9,661
Contingent consideration	(199,077)	(427,782)
	(135,851)	(418,121)

Fair value hierarchy

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

	Level 2		Level 3	
	December 31, 2016 ($000's)	December 31, 2015 ($000's)	December 31, 2016 ($000's)	December 31, 2015 ($000's)
Cross currency swap	63,226	9,661	—	—
Contingent consideration	—	—	(199,077)	(427,782)

Contingent consideration represents the fair value of the cash outflows under earn-out agreements that would result from the performance of acquired businesses. The key inputs into the fair value estimation of these liabilities include the forecast performance of the underlying businesses, the probability of achieving forecasted results and the discount rate applied in deriving a present value from those forecasts. Significant increase (decrease) in the business' performance would result in a higher (lower) fair value of the contingent consideration, while significant increase (decrease) in the discount rate would result in a lower (higher) fair value of the contingent consideration. Additionally, as earn-out periods draw closer to their completion, the range of probability factors will decrease. Without probability and discount factors, the fair value of the contingent consideration would be approximately 20% higher, than its value at December 31, 2016. This assumes that the financial performance of the Jackpotjoy operating segment remains in line with management's expectations.

As at December 31, 2016, the entire contingent consideration balance related to the Jackpotjoy earn-out.

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

The movement in Level 3 financial instruments is detailed below:

	($000's)
Contingent consideration, January 1, 2015	26,353
Addition	262,504
Fair value adjustments	120,779
Payments	(25,729)
Accretion of discount	17,399
Foreign exchange translation	26,476
Contingent consideration, December 31, 2015	427,782
Fair value adjustments	86,448
Payments *(Note 13)*	(258,654)
Accretion of discount	27,759
Foreign exchange translation	(84,258)
Contingent consideration, December 31, 2016	199,077
Current portion	143,946
Non-current portion	55,131

The current portion of contingent consideration relates to a current minimum estimate of the cash payment the Company will make to Gamesys when part of the Jackpotjoy contingent consideration becomes due. In accordance with the share purchase agreement between the Company and Gamesys, until the credit facilities have been paid or become payable, whichever is the earlier, Gamesys cannot enforce the Company's obligation to pay the full portion of the contingent consideration when such payments are due. However, to the extent that the Company does not pay any portion of the contingent consideration when due, the Company will be required to pay interest on any unpaid contingent consideration payment at a monthly rate equal to 30-day LIBOR plus 110 basis points ("bps") for the first 6 months, 30-day LIBOR plus 160 bps per month for balances of any unpaid contingent consideration payment outstanding for greater than 6 months, and 30-day LIBOR plus 200 bps per month for balances of any unpaid contingent consideration payment outstanding for greater than 12 months. The estimated cash payment consists of the portion of excess cash the Company is obligated to segregate in a non-operational bank account to pay the Jackpotjoy contingent consideration and an estimate of available cash when the Jackpotjoy contingent consideration becomes due.

13. Other Long-Term Payables

On September 6, 2016, Intertain announced additional non-compete clauses and amendments to the long-term operating and other agreements between Intertain and Gamesys pursuant to deeds of amendment dated September 5, 2016 (together, the "Amendments"), subject to the satisfaction of certain conditions. One of the conditions was Intertain making a pre-payment to Gamesys of £150 million in respect of Intertain's earn-out obligations in connection with the Jackpotjoy and Starspins brands.

Key terms of the Amendments include: (a) two-year additional non-compete clauses from Gamesys (to April 2019; previously expiring in April 2017) (the "non-compete clauses"); (b) five-year extension of terms of the operating agreements (to April 2030; previously expiring in 2025), with a corresponding extension of the term of the content licensing agreement (to April 2040); and (c) aggregate cap of £375 million (excluding any interest) on Intertain's aggregate earn-out obligations in connection with the Jackpotjoy acquisition (previously uncapped). On December 16, 2016, the £150 million pre-payment of contingent consideration was made by Intertain.

In connection with the non-compete clauses described above, the Company has agreed to pay Gamesys an aggregate of £24 million in equal monthly instalments in arrears over the period from April 2017 to April 2020. The consideration has been recognized by the Company as a long-term payable, with the current portion reflected as a current liability. The Company has also recognized the non-compete clauses as an intangible asset, as discussed in note 8.

14. Financial Risk Management

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. As at December 31, 2016, Intertain is largely exposed to credit risk through its relationship with its service providers, Gamesys, 888, and Macquarie Bank Ltd. who is the counterparty to Intertain's Currency Swap, as well as its cash and restricted 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. Management monitors PSP balances on a weekly basis and promptly takes corrective action if pre-agreed

limits are exceeded. Quantitative analysis of Intertain's exposure to credit risk arising from its receivables is included in note 6 and analysis of Intertain's exposure to its credit risk arising from cash and restricted cash balances is presented below.

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

Financial Institution Rating	As at December 31, 2016 ($000's)	As at December 31, 2015 ($000's)
A+	11,480	6,852
A-	64,806	26,408
AA-	16,053	10,310
BBB+	6,612	8,052
BBB	3,616	—
BBB-	8,380	9,423

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

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. Intertain is exposed to cash flow interest rate risk on its credit facilities, described in note 11, 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 $6.6 million for the year ended December 31, 2016 (December 31, 2015 – $4.5 million), with all other variables held constant. Management monitors movements in the interest rates by reviewing the Bank of Canada prime rate and LIBOR on a frequent basis.

Foreign exchange risk

Foreign exchange risk arises when individual group entities enter into transactions denominated in a currency other than their functional currency. Intertain's policy is, where possible, to allow group's entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where Intertain'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 Intertain.

The group is predominantly exposed to currency risk as revenues are predominantly earned in Sterling, while interest and amortization payable on a portion of the First Term Facility is in USD. To mitigate this risk, Intertain entered into a Currency Swap as discussed in note 7.

Apart from these particular cash-flows, Intertain aims to fund expenses and investments in the respective currency and to manage foreign exchange risk at a local level by matching the currency in which revenue is generated and expenses are incurred.

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

At December 31, 2016	**Net foreign currency financial assets/(liabilities)**	**Effect of 10% strengthening in foreign exchange rates on comprehensive income**	**Effect of 10% weakening in foreign exchange rates on comprehensive income**
	($000's)	**($000's)**	**($000's)**
British pound sterling	(387,866)	(38,787)	38,787
EURO	19,625	1,962	(1,962)
United States dollar	(357,981)	(35,798)	35,798

At December 31, 2015	**Net foreign currency financial assets/(liabilities)**	**Effect of 10% strengthening in foreign exchange rates on comprehensive income**	**Effect of 10% weakening in foreign exchange rates on comprehensive income**
	($000's)	**($000's)**	**($000's)**
British pound sterling	(382,721)	(38,272)	38,272
EURO	5,308	531	(531)
United States dollar	(400,679)	(40,068)	40,068

Liquidity risk

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

Liquidity risk arises from the Company's ability to meet its financial obligations as they become due. The following table summarizes Intertain's undiscounted financial liabilities and undiscounted (probability weighted) contractual obligations as at December 31, 2016:

At December 31, 2016	On demand	Less than 1 year	1-2 years	3-4 years	5 years and over
	($000's)	($000's)	($000's)	($000's)	($000's)
Accounts payable and accrued liabilities	14,894	—	—	—	—
Other short term payables	15,439	9,938	—	—	—
Payable to customers	14,201	—	—	—	—
Contingent consideration	—	148,059	55,658	6,212	—
Convertible debentures	—	—	5,938	—	—
Long-term debt	—	44,218	88,436	88,436	422,265
Other long-term liabilities	—	—	26,502	3,313	—
Provision for taxes	—	12,825	—	—	—
	44,534	215,040	176,534	97,961	422,265

At December 31, 2015	On demand	Less than 1 year	1-2 years	3-4 years	5 years and over
	($000's)	($000's)	($000's)	($000's)	($000's)
Accounts payable and accrued liabilities	12,341	—	—	—	—
Other short term payables	1,083	—	—	—	—
Payable to customers	13,309	—	—	—	—
Contingent consideration	—	12,237	455,023	5,102	—
Convertible debentures	—	—	—	17,060	—
Long-term debt	—	51,345	92,725	92,725	203,662
Provision for taxes	—	20,069	—	—	—
	26,733	83,651	547,748	114,887	203,662

Intertain manages liquidity risk by monitoring actual and forecasted cash flows in comparison with the maturity profiles of financial assets and liabilities. The Company does not anticipate fluctuations in its financial obligations (with the exception of the Jackpotjoy earn-out payment, as it is dependent on the future performance of the Jackpotjoy segment), as they largely stem from the repayment, amortization and interest payments related to the First Lien Facilities and the Second Lien Facility. Management believes that the cash generated from the Company'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 Company operates. The Company is actively managing its capital resources to ensure sufficient resources will be in place when the Jackpotjoy earn-out payment, First Lien Facilities and Second Lien Facility, amortization payments and repayments become due.

Other than as described below, in accordance with the terms of the Jackpotjoy earn-out payment, it has been agreed that until the debt under the First Lien Facilities or the Second Lien Facility has been paid or becomes payable, whichever is the earlier, Gamesys cannot enforce Intertain's obligation to pay any portion of the earn out when such payments are due. However, to the extent that Intertain does not pay any portion of the earn-out when due, Intertain will be required to pay interest on any unpaid earn out payment at a rate equal to 30 day LIBOR plus 110 basis points ("bps") for the first 6 months, 30 day LIBOR plus 160 bps for

balances of any unpaid earn out payment outstanding for greater than 6 months, and 30 day LIBOR plus 200 bps for balances of any unpaid earn out payment outstanding for greater than 12 months.

Notwithstanding the foregoing, Gamesys may take steps to realize any portion of the unpaid earn-out payment from Intertain during the standstill period described above, if: (a) Intertain's total leverage ratio (as calculated pursuant to the Credit Agreement) is less than or equal to 4.00 to 1 on a pro forma basis, and (b) no default or event of default is continuing or would result from such a payment, under the Credit Agreement, or the Second Lien Credit Agreement.

As at December 31, 2016, the Company believes it will be able to fund the Jackpotjoy earn-out payment (and all other future obligations) through internally generated cash. Subject to meeting certain financial covenants, the Company may have the ability to draw on the USD 17.5 million Revolving Facility as a further capital resource.

15. Share Capital and Contributed Surplus

The Company is authorized to issue an unlimited number of common shares without nominal or par value.

	Common shares	
	($000's)	#
Balance, January 1, 2015	201,147	32,614,079
Issuance of shares, net of costs	588,398	39,561,365
Conversion of convertible debentures, net of costs	427	73,333
Exercise of options	43	10,700
Exercise of warrants	3,501	740,253
Normal course issuer bid	(31,880)	(2,488,237)
Balance, December 31, 2015	761,636	70,511,493
Conversion of convertible debentures, net of costs	10,179	1,853,667
Exercise of options	2,985	577,492
Exercise of warrants	376	40,625
Balance, December 31, 2016	775,176	72,983,277

Common shares

On February 26, 2015, Intertain closed an offering of 32,200,000 subscription receipts of the Company, at a price of $15.00 per subscription receipt, for aggregate gross proceeds of $483.0 million. With the closing of the Jackpotjoy acquisition on April 8, 2015, the subscription receipts were exchanged on a one-for-one basis for Intertain common shares without payment of additional consideration or further action. Additionally, on April 8, 2015, the Company issued 7,361,365 common shares with a transaction date value of $17.05 per share to satisfy part of the purchase price of Jackpotjoy.

During the year ended December 31, 2016, the Company did not purchase any common shares under its normal course issuer bid.

Convertible debentures

During the year ended December 31, 2016, debentures at par value of $11.1 million were converted into 1,853,667 common shares of the Company.

Share options

Under the common share option plan ("Share Option Plan"), Intertain may grant options to acquire up to 10% of the issued and outstanding common shares of Intertain to directors, officers, employees, partners and service providers of Intertain or any of its subsidiaries. The maximum term of an option is ten years from the date of grant. Options may be granted by reference to Intertain's common share price on the TSX. The related vesting period over which share-based compensation expense is recognized is up to three years. Each share option awarded under the Share Option Plan is equity-settled and the share-based compensation expense is based on the fair value estimate on the business day prior to the grant date.

The changes in the number of stock options during the year ended December 31 were as follows:

	Number of options	Weighted average exercise proceeds
	#	$
Outstanding, January 1, 2016	**2,863,776**	**9.58**
Granted*	1,340,000	11.20
Expired	-	-
Forfeited	(375,138)	12.34
Exercised	(577,492)	4.00
Outstanding, December 31, 2016	3,251,146	10.92

**options granted expire 5 years from their grant date.*

Share-based compensation expense

For the year ended December 31, 2016, Intertain recorded $3.9 million (2015 – $5.6 million) in share-based compensation expense with a corresponding increase in contributed surplus.

The weighted-average fair value of the options granted and used in the Black-Scholes options pricing model is as follows:

	As at December 31, 2016	As at December 31, 2015
Weighted-average fair value	11.20	5.23
Weighted-average of key assumptions:		
Common share price on grant date	11.20	15.86
Exercise price	11.20	15.86
Risk-free interest rate[1]	0.61	1.25
Dividend yield[2]	—	—
Expected volatility[3]	35%	35%
Expected option life (years)[4]	5	5

[1] Determined using the yield on Government of Canada benchmark bonds with a remaining term equal to the expected option life.

[2] Based on the annual dividend yield on the date of grant.

[3] Estimated by considering comparable entities price volatility.

[4] Estimated based upon the anticipated holding period of options between the grant and exercise dates, together with the assumption that a certain percentage of options will lapse due to forfeitures.

As at December 31, 2016, 2,449,018 options are exercisable (December 31, 2015 - 2,318,019). The range of exercise prices of share options issued is $15.25 - $18.46 for options granted in 2015 and $11.20 for options granted in 2016. The weighted average remaining contractual life of share options outstanding as at December 31, 2016 is approximately 3.5 years (December 31, 2015 - 4 years).

16. Capital Management

Intertain defines the capital that it manages as its aggregate shareholders' equity. Its principal source of cash is operating activities, the issuance of common shares, convertible debentures, and long-term debt. Intertain'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, Intertain may attempt to issue new shares, issue new debt, acquire or dispose of assets.

Intertain monitors its "Total Leverage Ratio", which is calculated in accordance with the Credit Facilities agreement on a frequent basis as this ratio impacts the amount of additional principal payments required on the Term Loan and restricts certain payments. Intertain's Total Leverage Ratio falls between 2.0 and 3.5, requiring Intertain to make a payment on the Term Facility equal to 25% of its excess cash flow, calculated in accordance to the Term Facility agreement which deducts certain cash items such as earn-out payments and debt amortization payments in its composition. Intertain does not have any externally imposed capital requirements, which it is subjected to. Intertain manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

There have been no changes to Intertain's approach to capital management during the year ended December 31, 2016.

17. Taxes and Deferred Taxes

	Year ended December 31, 2016 ($000's)	Year ended December 31, 2015 ($000's)
Current tax expense		
Total current tax on profits for the period	676	1,974
Deferred tax		
Origination and reversal of temporary differences related to business combinations	(732)	(890)
Total tax expense	(56)	1,084

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 5% being the rate relevant in those jurisdictions, where recognized deferred tax liabilities arise. The reason for the difference between the actual tax charge for the year and the standard rate of corporation tax in Canada applied to profits for the year is as follows:

	Year ended December 31, 2016 ($000's)	Year ended December 31, 2015 ($000's)
Loss for the period before taxes	(69,713)	(225,789)
Tax using Intertain's domestic tax rate of 26%	(18,125)	(58,705)
Non-capital loss for which no tax benefit has been recorded	19,801	59,765
Different tax rates applied in overseas jurisdictions	(1,620)	(2,144)
Total tax expense	(56)	1,084

As at December 31, 2016, taxes receivable and payable balances consist of taxes owing and recoverable related to the 2015 and 2016 fiscal years.

As at December 31, 2015, taxes receivable and payable balances consisted of taxes owing and recoverable related to the 2014 and 2015 fiscal years.

A deferred tax asset has not been recognized on $89.3 million (2015 – $69.0 million) of unused tax losses earned in Canada which can be carried forward indefinitely. The unrealized gain earned on the cross currency swap discussed in note 7, triggers a deferred tax liability of $7.9 million (2015 – $1.3 million). The tax liability would arise in Canada and Intertain would be able to utilize tax losses incurred in this jurisdiction to offset this liability.

18. Costs and Expenses

	Year Ended December 31, 2016 ($000's)	Year Ended December 31, 2015 ($000's)
Distribution costs:		
Selling and marketing	83,251	85,542
Licensing fees	76,423	60,343
Gaming taxes	53,270	38,222
Processing fees	20,788	15,943
	233,732	200,050
Administrative costs:		
Compensation and benefits	52,431	39,238
Professional fees	7,029	3,235
General and administrative	12,093	8,114
Tangible asset amortization	288	346
Intangible asset amortization	100,220	99,974
	172,061	150,907

Professional fees include Independent Committee related expenses (as defined below). As a result of a self-identified short seller of the Company's common shares issuing a report on the Company in Q4 2015, Intertain's Board of Directors established a committee of non-management directors (the "Independent Committee") to closely review the allegations contained within the report. On February 22, 2016, the Independent Committee completed its review and concluded that the allegations and innuendos of the short seller, related to the quality and financial performance of the underlying businesses of Intertain, were grossly erroneous. Costs related to the Independent Committee's review for the year ended December 31, 2016 amounted to $3.3 million.

Severance costs relate to final severance payments owing to the former CEO of the Company, in accordance with the terms of his employment agreement.

Transaction related costs consist of legal, professional, underwriting, due diligence, and special committee fees; bonuses paid to management; other direct costs/fees associated with transactions and acquisitions contemplated or completed; and costs associated with the UK strategic review undertaken by the Board of Directors (the "UK Strategic Review") and the UK Strategic Initiatives.

19. Interest Expense/Income

	Year Ended December 31, 2016 ($000's)	Year Ended December 31, 2015 ($000's)
Interest earned on cash held during the period	276	619
Total interest income	276	619
Interest paid and accrued on long-term debt	31,867	24,118
Accretion of discount recognized on contingent consideration	27,762	17,399
Interest paid on bridge loan	—	86
Interest paid and accrued on convertible debentures and debentures	755	2,195
Interest accrued related to the vendor take back loan	—	501
Interest accretion recognized on convertible debentures and debentures	575	921
Interest accretion recognized on long-term debt	3,419	2,880
Interest accretion recognized on other long-term liabilities	128	—
Total interest expense	64,506	48,100

20. Segment Information

Segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the management team comprising of the Chief Executive Officer and the Chief Financial Officer.

On April 13, 2016, the InterCasino brand migrated from the Amaya platform to the Plain Gaming platform, Vera&John's proprietary platform. In conjunction with this operational change, the Company reassessed its operating segments and concluded that the InterCasino segment should be aggregated with the Vera&John segment.

The Vera&John segment consists of the online casino operating results of various brands, including Vera&John and Vera&Juan. The Jackpotjoy segment consist of the real money and social gaming operating results of the Jackpotjoy, Starspins, and Botemania brands. The Mandalay segment consists of the operating results of various online bingo websites operated off the Dragonfish platform and the operating results of affiliate portal websites.

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

Year ended December 31, 2016:

	Jackpotjoy ($000's)	Vera&John ($000's)	Mandalay ($000's)	Unallocated Corporate Costs ($000's)	Total ($000's)
Total revenue and other income	336,581	106,151	39,161	—	481,893
Distribution costs	157,089	50,923	25,229	491	233,732
Amortization and depreciation	74,169	15,765	10,545	29	100,508
Compensation, professional, and general and administrative expenses	27,815	22,595	1,977	19,166	71,553
Severance costs	—	—	—	10,526	10,526
Transaction related costs	—	1,534	—	38,097	39,631
Foreign exchange loss (gain)	(490)	1,097	(237)	5,338	5,708
Financing, net	—	(149)	11	90,086	89,948
Income (loss) for the period before taxes	**77,998**	**14,386**	**1,636**	**(163,733)**	**(69,713)**
Taxes	—	(56)	—	—	(56)
Net income (loss) for the period	**77,998**	**14,442**	**1,636**	**(163,733)**	**(69,657)**

	Jackpotjoy ($000's)	Vera&John ($000's)	Mandalay ($000's)	Unallocated Corporate Costs ($000's)	Total ($000's)
Net income (loss) for the period	**77,998**	**14,442**	**1,636**	**(163,733)**	**(69,657)**
Interest expense, net	—	(149)	11	64,368	64,230
Taxes	—	(56)	—	—	(56)
Amortization and depreciation	74,169	15,765	10,545	29	100,508
EBITDA	**152,167**	**30,002**	**12,192**	**(99,336)**	**95,025**
Share-based compensation	—	—	—	3,943	3,943
Severance costs	—	—	—	10,526	10,526
Fair value adjustment on contingent consideration	—	—	—	86,448	86,448
Independent committee related expenses	—	—	—	3,326	3,326
Gain on cross currency swap	—	—	—	(60,730)	(60,730)
Transaction related costs	—	1,534	—	38,097	39,631
Foreign exchange	(490)	1,097	(237)	5,338	5,708
Adjusted EBITDA	**151,677**	**32,633**	**11,955**	**(12,388)**	**183,877**
Net income (loss) for the period	**77,998**	**14,442**	**1,636**	**(163,733)**	**(69,657)**
Share-based compensation	—	—	—	3,943	3,943
Severance costs	—	—	—	10,526	10,526
Fair value adjustment on contingent consideration	—	—	—	86,448	86,448
Independent committee related expenses	—	—	—	3,326	3,326
Gain on cross currency swap	—	—	—	(60,730)	(60,730)
Transaction related costs	—	1,534	—	38,097	39,631
Foreign exchange	(490)	1,097	(237)	5,338	5,708
Amortization of acquisition related purchase price intangibles	74,169	14,685	10,545	—	99,399
Accretion	—	—	—	31,884	31,884
Adjusted Net Income/(loss)	**151,677**	**31,758**	**11,944**	**(44,901)**	**150,478**

Year ended December 31, 2015:

	Jackpotjoy ($000's)	Vera&John ($000's)	Mandalay ($000's)	Unallocated Corporate Costs ($000's)	Total ($000's)
Total revenue and other income	240,748	101,671	42,046	—	384,465
Debt settlement expense and gain on sale of intangibles	—	(430)	—	5,692	5,262
Distribution costs	123,669	52,687	23,424	270	200,050
Amortization and depreciation	69,162	18,473	12,655	30	100,320
Compensation, professional, and general and administrative expenses	21,218	16,823	1,891	10,655	50,587
Transaction related costs	671	776	—	55,896	57,343
Goodwill impairment	—	36,670	—	—	36,670
Foreign exchange loss (gain)	(629)	147	—	1,905	1,423
Financing, net	—	(58)	26	158,631	158,599
Income (loss) for the period before taxes	**26,657**	**(23,417)**	**4,050**	**(233,079)**	**(225,789)**
Taxes	590	494	—	—	1,084
Net income (loss) for the period	**26,067**	**(23,911)**	**4,050**	**(233,079)**	**(226,873)**
Net income (loss) for the period	**26,067**	**(23,911)**	**4,050**	**(233,079)**	**(226,873)**
Interest expense, net	—	(58)	26	47,513	47,481
Taxes	590	494	—	—	1,084
Amortization and depreciation	69,162	18,473	12,655	30	100,320
EBITDA	**95,819**	**(5,002)**	**16,731**	**(185,536)**	**(77,988)**
Share-based compensation	—	—	—	5,624	5,624
Debt settlement expense and gain on sale of intangibles	—	(430)	—	5,692	5,262
Fair value adjustment on contingent consideration	—	—	—	120,779	120,779
Gain on cross currency swap	—	—	—	(9,661)	(9,661)
Transaction related costs	671	776	—	55,896	57,343
Goodwill impairment	—	36,670	—	—	36,670
Foreign exchange loss (gain)	(629)	147	—	1,905	1,423
Adjusted EBITDA	**95,861**	**32,161**	**16,731**	**(5,301)**	**139,452**
Net income (loss) for the period	**26,067**	**(23,911)**	**4,050**	**(233,079)**	**(226,873)**
Share-based compensation	—	—	—	5,624	5,624
Debt settlement expense and gain on sale of intangibles	—	(430)	—	5,692	5,262
Fair value adjustment on contingent consideration	—	—	—	120,779	120,779
Gain on cross currency swap	—	—	—	(9,661)	(9,661)
Transaction related costs	671	776	—	55,896	57,343
Goodwill impairment	—	36,670	—	—	36,670
Foreign exchange	(629)	147	—	1,905	1,423
Amortization of acquisition related purchase price intangibles	69,162	18,157	12,655	—	99,974
Accretion	—	—	—	21,023	21,023
Adjusted Net Income/(loss)	**95,271**	**31,409**	**16,705**	**(31,821)**	**111,564**

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

	Jackpotjoy ($000's)	Vera&John ($000's)	Mandalay ($000's)	Unallocated Corporate Costs ($000's)	Total ($000's)
Current assets	24,900	64,384	10,781	130,220	230,285
Goodwill	371,610	91,751	27,516	—	490,877
Long-term assets	459,986	63,214	29,849	36,545	589,594
Total assets	856,496	219,349	68,146	166,765	1,310,756
Current liabilities	9,592	27,679	2,457	216,782	256,510
Long-term liabilities	—	3,142	—	654,531	657,673
Total liabilities	9,592	30,821	2,457	871,313	914,183
Net assets	846,904	188,528	65,689	(704,548)	396,573

The following table presents net assets per segment and unallocated corporate costs as at December 31, 2015:

	Jackpotjoy ($000's)	Vera&John ($000's)	Mandalay ($000's)	Unallocated Corporate Costs ($000's)	Total ($000's)
Current assets	30,736	69,857	10,315	19,420	130,328
Goodwill	457,828	96,659	33,900	—	588,387
Long-term assets	651,072	76,438	48,842	11,287	787,639
Total assets	1,139,636	242,954	93,057	30,707	1,506,354
Current liabilities	11,217	30,740	2,706	66,100	110,763
Long-term liabilities	—	3,985	—	801,777	805,762
Total liabilities	11,217	34,725	2,706	867,877	916,525
Net assets	1,128,419	208,229	90,351	(837,170)	589,829

During the year ended December 31, 2016 and 2015, substantially all of the revenue earned by the Company was in Europe. Non-current assets by geographical location as at December 31, 2016 were as follows: Europe $155.0 million (December 31, 2015 – $173.1 million) and Americas $925.5 million (December 31, 2015 – $1.203 billion).

21. Earnings per Share

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

	Year Ended December 31, 2016 (000's)	Year Ended December 31, 2015 (000's)
Numerator:		
Net loss – basic	(69,657)	(226,873)
Net loss – diluted	(69,657)	(226,873)
Denominator:		
Weighted average number of common shares outstanding – basic	71,239	61,222
Instruments, which are anti-dilutive:		
Weighted average effect of dilutive share options	726	1,105
Weighted average effect of dilutive warrants	—	—
Weighted average effect of convertible debentures[2]	2,312	2,843
Net loss per share[3,4]		
Basic	$(0.98)	$(3.71)
Diluted[1]	$(0.98)	$(3.71)

[1] *In the case of a net loss, the effect of common share options and warrants potentially exercisable on diluted loss per common share will be anti-dilutive; therefore, basic and diluted net loss per common 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 December 31, 2016.*

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

[4] *Diluted loss per share is calculated by dividing the net loss attributable to ordinary shareholders by the weighted average number of common shares outstanding during the period and adjusted for the number of potentially dilutive share options and contingently issuable instruments.*

22. Contingent Liabilities

Indirect taxation

Intertain 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. Revenues earned from customers located in any particular jurisdiction may give rise to further taxes in that jurisdiction. If such taxes are levied, either on the basis of current law or the current practice of any tax authority, or by reason of a change in the law or practice, then this may have a material adverse effect on the amount of tax payable by the Company or on its financial position. Where it is considered probable that a previously identified contingent liability will give rise to an actual outflow of funds, then a provision is made in respect of the relevant jurisdiction and period impacted. Where the likelihood of a liability arising is considered remote, or the possible contingency is not material to the financial position of the Company, the contingency is not recognised as a liability at the balance sheet date. As at December 31, 2016, the Company had recognized $nil liability (December 31, 2015 – $nil) related to potential contingent indirect taxation liabilities.

23. Related Party Transactions

During the year ended December 31, 2016, the Company incurred $0.3 million (December 31, 2015 – $0.4 million) in legal fees for services provided by a law firm whose partner is a Director of the Company and $0.2 million (December 31, 2015 – $nil) in professional fees from an accounting firm whose partner is a Director of the Company.

Additionally, during the year ended December 31, 2016, the Company incurred $0.4 million (December 31, 2015 – $2.6 million) in legal fees for services provided by a law firm of which the spouse of a former Director and senior member of management is a partner. The amount for the year ended December 31, 2016 reflects fees incurred in the period during which the former Director and senior member was still working for the Company. The arrangements with such firms specify that the spouse is not to provide legal services to the Company.

During the year ended December 31, 2016, Intertain paid an aggregate of $1.7 million (2015 – $nil) in director fees to members of the Special Committee of the Board of Directors overseeing the UK Strategic Review. During the year ended December 31, 2016, a further $0.7 million has been paid to the members of the independent committee in connection with their work relating to the investigation of the short-seller report discussed in note 18 of the Consolidated Financial Statements for the year ended December 31, 2016. Additionally, fees of approximately $0.2 million were paid to Chitiz Pathak LLP for work in connection with such investigation during the same period.

24. Compensation of Key Management

Key management is comprised of the Board of Directors, Officers, and Members of Management of Intertain. Key management personnel compensation for service rendered is as follows:

	Year ended December 31, 2016 ($000's)	Year ended December 31, 2015 ($000's)
Salaries, bonuses and benefits*	6,709	18,491
Severance costs	10,526	—
Stock-based compensation	2,060	2,799
	19,295	**21,290**

**Compensation paid to management included in transaction related costs is included in this balance.*

25. Operating Leases

Intertain 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.

	Year ended December 31, 2016 ($000's)	Year ended December 31, 2015 ($000's)
Within one year	1,100	491
Later than one year but not later than 5 years	641	404
	1,741	**895**

During year ended December 31, 2016, Intertain incurred $1.0 million (2015 – $0.7 million) in operating lease expenses.

26. Business Combinations

Business Combinations Completed in 2016

For the year ended December 31, 2016, no new acquisitions occurred.

Business Combinations Completed in 2015

Jackpotjoy purchase

On April 8, 2015, Intertain completed the acquisition of the entire issued share capital of a wholly-owned subsidiary of Gamesys, which included, directly or indirectly, the Jackpotjoy, Starspins, and Botemania brands, and related assets from Gamesys. The purchase was completed for $691 million cash (prior to offsetting gains from hedging the foreign exchange rate movements on the purchase price), 7,361,365 common shares of Intertain, plus an earn-out. The earn-out is contingent on future Earnings Before Income Taxes, Depreciation and Amortization performance of the Jackpotjoy Group of Companies. The transaction was funded through a combination of proceeds from Subscription Receipts ($483 million), a seven-year US$335 million first-lien term loan credit facility, and issuance of common shares of Intertain. This acquisition has been accounted for as a business combination. The purchase price allocation set forth below represents the allocation of the purchase price and the fair value of assets acquired.

	($000's)
Assets acquired	
Intangible assets	660,705
Goodwill	415,708
Customer deposits	8,369
	1,084,782
Liabilities assumed	
Payable to customers	8,369
Net assets acquired	1,076,413
Consideration	
Cash*	688,397
Share capital	125,512
Fair value of contingent consideration	262,504
	1,076,413

** This balance is net of gains from hedging the foreign exchange rate movements on the purchase price.*

The excess purchase consideration over the net fair value of financial and intangible assets acquired has been allocated to goodwill. Goodwill is attributed to post-acquisition synergies. None of the goodwill is expected to be deductible for income tax purposes. The fair value of the assets acquired and liabilities assumed may be subject to adjustments pending the completion of final valuations and post-closing adjustments.

The amount due for contingent consideration is management's best estimate considering all relevant information available to date, including a probability based assessment, and was determined using a discount factor of 7%. During the year ended December 31, 2016, a fair value adjustment of $86.4 million (2015 – $108.8 million) was recognized. Management compensation of $16.4 million was included in transaction related costs for the year ended December 31, 2015.

27. Recent Accounting Pronouncements

New Standards and Interpretations Adopted

The following accounting standards are effective and implemented as of January 1, 2016:

Amendment to IAS 1 – Presentation of Financial Information

On December 18, 2014, the IASB issued amendments to IAS 1 - Presentation of Financial Information. These amendments are part of a major initiative to improve disclosure requirements in IFRS financial information. The amendments clarify the application of materiality to note disclosure and the presentation of line items in the primary provide options on the ordering of financial information and additional guidance on the presentation of other comprehensive income related to equity-accounted investments. The effective date for these amendments was January 1, 2016. The implementation of these amendments to IAS 1 did not have an impact on Intertain's financial information.

Amendment to IAS 16 – Property, Plant and Equipment

On May 12, 2014, the IASB issued amendments to IAS 16 - Property, Plant and Equipment. The amendment to IAS 16 clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstance. The implementation of these amendments to IAS 16 did not have an impact on Intertain's financial information.

Recent Accounting Pronouncements – Not Yet Effective

IFRS 9 – Financial Instruments

The IASB issued IFRS 9 relating to the classification and measurement of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (i.e., its business model) and the contractual cash flow characteristics of such financial assets. IFRS 9 also includes a new hedge accounting model, together with corresponding disclosures about risk management activity for those applying hedge accounting. An entity shall apply IFRS 9 retrospectively for annual periods beginning on or after January 1, 2018 with early adoption permitted.

Intertain is currently evaluating the impact of applying this standard, but does not anticipate applying it prior to its effective date.

IFRS 15 – Revenues from Contracts with Customers

IFRS 15 affects any entity that enters into contracts with customers. This IFRS will supersede the revenue recognition requirements in IAS 18 and most industry-specific guidance. On July 27, 2015, the IASB has decided to postpone the initial January 1, 2017 effective date to January 1, 2018 with early adoption permitted.

Intertain is currently evaluating the impact of applying this standard, but does not anticipate applying it prior to its effective date.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 - Leases, which replaces IAS 17 - Leases and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12-months or less or the underlying asset has a low value. The distinction between operating leases and finance leases is removed from the perspective of a lessee. IFRS 16 will be applied retrospectively for annual periods beginning on or after January 1, 2019. Early adoption is permitted if IFRS 15 has also been applied. Intertain is assessing the potential impact of this standard.

28. Subsequent Events

On January 25, 2017, Intertain became an indirect subsidiary of the new parent Company, Jackpotjoy plc and 73,718,943 ordinary shares of Jackpotjoy plc have been admitted to the standard listing segment of the Official List of the UK's Financial Conduct Authority and to trading on the Main Market for listed securities of the London Stock Exchange plc under the ticker symbol "JPJ".

The former Intertain common shareholders received in exchange for each common share held by them either one Jackpotjoy plc ordinary share or, for those eligible Canadian resident shareholders who made a valid election, one exchangeable share issued by Intertain. The Intertain common shares (TSX:IT) are no longer trading on the TSX.

On March 28, 2017, the Company terminated the Currency Swap and realized total proceeds of USD $42.6 million and subsequently entered into a new cross currency swap agreement (the "New Currency Swap") Under the New Currency Swap, 50% of the Company's USD Credit Facilities interest and principal payments will be swapped into GBP. Intertain will pay a fixed 7.4% interest in place of floating USD interest payments of LIBOR plus 6.5% (LIBOR floor of 1%). The interest and principal payments will be made at a GBP/USD foreign exchange rate of 1.2584 on a USD notional amount of $136,768,333. The Currency Swap expires on September 30, 2019.