Jackpotjoy plc

Results for the Three Months ended 31 March 2018

Gaming revenue up 13% year-on-year

Trading in line with expectations

LONDON, 15 May 2018 - Jackpotjoy plc (LSE: JPJ), a leading global online bingo-led operator, today announces the results of the Jackpotjoy group (the "Group") for the three months ended 31 March 2018.

Financial summary

	Three months ended 31 March 2018 (£m)	Three months ended 31 March 2017 (£m)	**Reported Change (%)**
Gaming revenue	**80.7**	71.4	**13**
Net loss (as reported under IFRS)	**(7.7)**	(15.3)	**50**
Adjusted EBITDA[1]	**27.1**	29.2	**(7)**
Adjusted net income[1]	**21.4**	20.8	**3**
Operating cash flows	**24.4**	23.3	**5**
Diluted net loss per share[2]	**(0.10)**	(0.21)	**52**
Diluted adjusted net income per share[1,2]	**0.29**	0.28	**4**

Financial highlights for first quarter

- Good financial performance
  - Gaming revenue rose 13% year-on-year, supported by 7% revenue growth in the Jackpotjoy[3] segment and 35% revenue growth in Vera&John
  - Adjusted EBITDA[1] decreased 7% year-on-year reflecting the planned increase in marketing costs and the application of point of consumption tax to gross gaming revenue ('POC2') in the UK from Q4 2017
  - Adjusted net income[1] increased 3% year-on-year principally due to a decrease in interest expense following the debt refinancing in Q4 2017
- Strong ongoing cash generation
  - Operating cash flow of £24.4 million, an increase of 5% year-on-year, and 33p of operating cash flow per share[2]
  - Adjusted EBITDA[1] to cash conversion of 90%
  - Free cash flow[4] of £24.7 million

[1] This release contains non-IFRS financial measures, which are noted where used. For additional details, including with respect to the reconciliations from these non-IFRS financial measures, please refer to the information under the heading 'Note Regarding Non-IFRS Measures' on page 4 of this release and Note 4 – Segment Information of the unaudited interim condensed consolidated financial statements on pages 18 through 21 of this release.

[2] Per share figures are calculated on a diluted weighted average basis using the IFRS treasury method.

[3] Effective 1 January 2018, the Mandalay segment has been aggregated with the Jackpotjoy segment. Refer to Note 4 – Segment Information of the unaudited interim condensed consolidated financial statements on pages 18 through 21 of this release for further discussion.

[4] Operating cash flow plus proceeds from sale of intangible assets, net of capital expenditures.

- Adjusted net debt[5] of £379.9 million (compared to £387.3 million at 31 December 2017) and adjusted net leverage ratio[6] of 3.57x

- After a solid start to 2018, and strong double-digit revenue growth, the outlook is positive for the full-year and the Group is trading in line with expectations

Operational highlights

- Continued improvement in core KPIs[7] year-on-year:
  - Average Active Customers per Month[7] grew to 256,699 in the twelve months to 31 March 2018, an increase of 7% year-on-year
  - Average Real Money Gaming Revenue per Month[7] grew to £24.5 million, an increase of 17% year-on-year
  - Monthly Real Money Gaming Revenue per Average Active Customer[7] of £95, an increase of 9% year-on-year

Business segments highlights for Q1 2018

- Jackpotjoy[3] (74% of Group revenue) – Gaming revenue growth of 7% year-on-year, driven by good operational execution across all major brands; Our Mandalay business is now consolidated in this segment; Adjusted EBITDA[1] decreased 6% due to the impact of higher distribution costs from the ongoing UK TV advertising campaign and the introduction of POC2 on gross gaming revenue in the UK in Q4 2017; Starspins and Botemania brands (24% of segment revenues) continued to perform strongly
- Vera&John (26% of Group revenue) – Gaming revenue growth of 35%; Adjusted EBITDA[1] decreased 9% due to trailing costs from marketing campaigns launched in Q4 2017; revenue increased by 31% on a constant currency basis[8]

Outlook

Trading in the first quarter has been in line with expectations and we anticipate that this momentum will be maintained during the course of FY18. The Botemania earn-out period finished in March 2018 and we are due to make the final earn-out payment to the Gamesys group in June 2018. We expect to meet this payment comfortably from existing cash resources and to rapidly de-leverage thereafter; reducing net debt remains a key strategic target for the Group. Significant growth opportunities continue to exist in the UK and other global online gaming markets, and we are confident that we are well-placed to take advantage of this backdrop and deliver value to shareholders.

[5] Adjusted net debt consists of existing term loan, convertible debentures, non-compete clause payout, fair value of swap and contingent consideration liability, less non-restricted cash.
[6] Adjusted net leverage ratio consists of existing term loans, convertible debentures, non-compete clause payout, fair value of swap and contingent consideration liability less non-restricted cash divided by LTM to 31 March 2018 Adjusted EBITDA of £106.5 million.
[7] For additional details, please refer to the information under the heading 'Key performance indicators' on page 9 of this release.
[8] Constant currency amounts are calculated by applying the same EUR to GBP average exchange rates to both current and prior year comparative periods.

Neil Goulden, Executive Chairman, commented:

"The first quarter has seen a continuation in the good underlying momentum we saw in 2017. Group revenues were up 13% with Jackpotjoy[3], our largest business segment, up 7%, and Vera&John, up 35%, as both new and existing players continue to have a high level of engagement with our portfolio of games. Adjusted EBITDA[1] decreased 7% year-on-year impacted by our TV advertising campaign in the UK, along with the introduction of POC2 in Q4 last year. As we have previously flagged, the investment in TV advertising will continue in Q2 2018 including a campaign-launch in Spain. I am confident that we will continue to drive good growth and attractive returns for our shareholders over the remainder of FY18 and beyond."

Conference call

A conference call for analysts and investors will be held today at 1.00pm BST / 8.00am ET. To participate, interested parties are asked to dial +44 (0) 20 3003 2666 or +1 800 608-0547, or for US shareholders +1 866 966-5335, 10 minutes prior to the scheduled start of the call using the reference ''Jackpotjoy'' when prompted. A replay of the conference call will be available for 30 days by dialling +44 (0) 20 8196 1998 or +1 866 583-1035 and using reference 7715401#. A transcript will also be made available on Jackpotjoy plc's website at www.jackpotjoyplc.com/investors.

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Note Regarding Non-IFRS financial measures

The following non-IFRS definitions are used in this release because management believes that they provide additional useful information regarding ongoing operating and financial performance. Readers are cautioned that the definitions are not recognised measures under IFRS, do not have standardised meanings prescribed by IFRS, and should not be considered in isolation or construed to be alternatives to revenues and net income/(loss) and comprehensive income/(loss) for the period determined in accordance with IFRS or as indicators of performance, liquidity or cash flows. Our method of calculating these measures may differ from the method used by other entities. Accordingly, our measures may not be comparable to similarly titled measures used by other entities or in other jurisdictions.

Adjusted EBITDA, as defined by the Group, is income before interest expense including accelerated debt costs and other accretion (net of interest income), income taxes, amortisation and depreciation, share-based compensation, severance costs, realised loss on cross currency swap, fair value adjustments on contingent consideration, transaction related costs, foreign exchange loss, and gain on sale of intangible assets. Management believes that Adjusted EBITDA is an important indicator of the issuer's ability to generate liquidity to service outstanding debt and fund acquisition earn-out payments and uses this metric for such purpose. The exclusion of share-based compensation eliminates non-cash items and the exclusion of realised loss on cross currency swap, fair value adjustments on contingent consideration, severance costs, transaction related costs, foreign exchange loss, and gain on sale of intangible assets eliminates items which management believes are either non-operational and/or non-routine.

Adjusted Net Income, as defined by the Group, means net income plus or minus items of note that management may reasonably quantify and believes will provide the reader with a better understanding of the Group's underlying business performance. Adjusted Net Income is calculated by adjusting net income for accretion on financial liabilities, amortisation of acquisition related purchase price intangibles and non-compete clauses, share-based compensation, severance costs, realised loss on cross currency swap, fair value adjustments on contingent consideration, transaction related costs, foreign exchange loss and gain on sale of intangible assets. The exclusion of accretion on financial liabilities and share-based compensation eliminates the non-cash impact and the exclusion of amortisation of acquisition related purchase price intangibles and non-compete clauses, realised loss on cross currency swap, fair value adjustments on contingent consideration, severance costs, transaction related costs, foreign exchange loss, and gain on sale of intangible assets eliminates items which management believes are non-operational and/or non-routine. Adjusted Net Income is considered by some investors and analysts for the purpose of assisting in valuing a company.

Diluted Adjusted Net Income per share, as defined by the Group, means Adjusted Net Income divided by the diluted weighted average number of shares outstanding, calculated using the IFRS treasury method, for the applicable period. Management believes that Diluted Adjusted Net Income per share assists with the Group's ability to analyse Adjusted Net Income on a diluted weighted average per share basis.

Cautionary Note Regarding Forward-Looking Information

This release contains certain information and statements that may constitute 'forward-looking information' (including future-oriented financial information and financial outlooks) within the meaning of applicable laws, including Canadian securities laws. Often, but not always, forward-looking information can be identified by the use of words such as 'plans', 'expects', 'estimates', 'projects', 'predicts', 'targets', 'seeks', 'intends', 'anticipates', 'believes', or 'is confident of' or the negative of such words or other variations of or synonyms for such words, or state that certain actions, events or results 'may', 'could', 'would', 'should', 'might' or 'will' be taken, occur or be achieved. Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause actual results, performance, achievements or developments to be materially different from those anticipated by the Group and expressed or implied by the forward-looking statements. Forward-looking information contained in this release includes, but is not limited to, statements with respect to the Group's future financial performance, the future prospects of the Group's business and operations, the Group's growth opportunities and the execution of its growth strategies, the trading of Jackpotjoy plc shares on the London Stock Exchange; the Group's earn-out obligations and the payment thereof, the anticipated de-leveraging of the Group, and the ability of the Group to deliver attractive returns to shareholders. Certain of these statements may constitute a financial outlook within the meaning of Canadian securities laws. These statements reflect the Group's current expectations related to future events or its future results, performance, achievements or developments, and future trends affecting the Group. All such statements, other than statements of historical fact, are forward-looking information. Such forward-looking information is based on a number of assumptions which may prove to be incorrect, including, but not limited to, the ability of the Group to secure, maintain and comply with all required licenses, permits and certifications to carry out business in the jurisdictions in which it currently operates or intends to operate; governmental and regulatory actions, including the introduction of new laws or changes in laws (or the interpretation thereof) related to online gaming; general business, economic and market conditions (including market growth rates and the withdrawal of the UK from the European Union); the Group operating in foreign jurisdictions; the competitive environment; the expected growth of the online gaming market and potential new market opportunities; anticipated and unanticipated costs; the protection of the Group's intellectual property rights; the Group's ability to successfully integrate and realise the benefits of its completed acquisitions, the amount of expected earn-out payments required to be made; the Group's continued relationship with the Gamesys group and other third parties; the ability of the Group to service its debt obligations; and the ability of the Group to obtain additional financing, if, as and when required. Such statements could also be materially affected by risks relating to the lack of available and qualified personnel or management; stock market volatility; taxation policies; competition; foreign operations; the Group's limited operating history and the Group's ability to access sufficient capital from internal or external sources. However, whether actual results and developments will conform with the expectations and predictions contained in the forward-looking information is subject to a number of risks and uncertainties, many of which are beyond the Group's control, and the effects of which can be difficult to predict. For a description of such risk factors, see Schedule 'A' attached to Jackpotjoy plc's most recently filed annual information form. Although the Group has attempted to identify important factors that could cause actual results, performance, achievements or developments to differ materially from those described in forward-looking statements, there may be other factors that cause actual results, performance, achievements or developments not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results, performance, achievement or developments are likely to differ, and may differ materially, from those expressed in or implied by the forward-looking information contained in this release. Accordingly, readers should not place undue reliance on forward-looking information. While subsequent events and developments may cause the Group's expectations, estimates and views to change, the Group does not undertake or assume any obligation to update or revise any forward-looking information, except as required by applicable securities laws. The forward-looking information contained in this release should not be relied upon as representing the Group's expectations, estimates and views as of any date subsequent to the date of this release. The forward-looking information contained in this release is expressly qualified by this cautionary statement. Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur.

Any future-oriented financial information or financial outlooks in this release are based on certain assumptions regarding expected growth, results of operations, performance, and business prospects and opportunities. While the Group considers these assumptions to be reasonable, based on information currently available, they may prove to be incorrect. These risks, uncertainties and other factors include, but are not limited to: credit, market, currency, operational, liquidity and funding risks, including changes in economic conditions, and interest rates or tax rates.

Financial Review

Revenue

The Group's revenues during the three months ended 31 March 2018 consisted of:

- £59.5 million in revenue earned from Jackpotjoy's[3] operational activities.
- £21.2 million in revenue earned from Vera&John's operational activities.

The Group's revenues during the three months ended 31 March 2017 consisted of:

- £55.7 million in revenue earned from Jackpotjoy's[3] operational activities.
- £15.7 million in revenue earned from Vera&John's operational activities.

The increase in revenue for the three months ended 31 March 2018 in comparison with the three months ended 31 March 2017 relates to organic growth[9] of the Vera&John and Jackpotjoy[3] segments, where revenues increased by 35% and 7%, respectively.

Costs and expenses

	Three month period ended 31 March 2018 (£000's)	Three month period ended 31 March 2017 (£000's)
Distribution costs	**41,499**	31,244
Administrative costs	**27,772**	25,213
Transaction related costs	**75**	1,315
Severance costs	**450**	—
	69,796	57,772

Distribution costs

	Three month period ended 31 March 2018 (£000's)	Three month period ended 31 March 2017 (£000's)
Selling and marketing	**14,550**	9,603
Licensing fees	**11,744**	11,086
Gaming taxes	**11,263**	7,992
Processing fees	**3,942**	2,563
	41,499	31,244

Selling and marketing expenses consist of payments made to affiliates and general marketing expenses related to each brand. Licensing fees consist of the fees for the Jackpotjoy[3] segment to operate on its platforms and game suppliers' fees paid by the Vera&John and Jackpotjoy[3] segments. Gaming taxes largely consist of point of consumption taxes ('POC'), which is a 15% tax on Real Money Gaming Revenue (a non-IFRS measure defined in the 'Key performance indicators' sub-section of this release) introduced in the UK in December 2014. Gaming taxes also consist of a 15% general betting duty on all free or discounted online bets ('POC2'), which came into effect in Q4 2017. Processing fees consist of costs associated with using payment providers and include payment service provider transaction and handling costs, as well as deposit and withdrawal fees. With the exception of selling and marketing expenses, distribution costs tend to be variable in relation to revenue.

[9] Organic growth is growth achieved without accounting for acquisitions or disposals.

The increase in distribution costs for the three months ended 31 March 2018 compared to the same period in 2017 is mainly due to higher revenues achieved and increased selling and marketing spending in the Jackpotjoy[3] and Vera&John segments.

Administrative costs

	Three month period ended 31 March 2018 (£000's)	Three month period ended 31 March 2017 (£000's)
Compensation and benefits	**8,720**	8,075
Professional fees	**1,289**	1,208
General and administrative	**2,200**	2,181
Amortisation and depreciation	**15,563**	13,749
	27,772	25,213

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

Professional fees consist mainly of legal, accounting and audit fees. These costs remained relatively flat in the three months ended 31 March 2018 compared to the same period in 2017, with a slight increase relating to additional regulatory requirements post listing on the London Stock Exchange.

General and administrative expenses consist of items such as rent and occupancy, travel and accommodation, insurance, listing fees, technology and development costs, and other office overhead charges. The slight increase in these expenses for the three months ended 31 March 2018 compared to the same period in the prior year can be attributed to marginally higher travel, rent and overhead costs.

Amortisation and depreciation consists of amortisation of the Group's intangible assets and depreciation of the Group's tangible assets over their useful lives. The increase in amortisation and depreciation for the three months ended 31 March 2018 is due to intangible and tangible asset additions since Q1 2017, particularly the non-compete clauses (as defined below), for which amortisation started in Q2 2017.

Transaction related costs

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

Severance costs

Severance costs during the period relate to personnel redundancies resulting from internal restructuring.

Business unit results

Jackpotjoy[3]

	Q1 2018 £(millions)	Q1 2017 £(millions)	Variance £(millions)	Variance %
Revenue	**59.5**	55.7	3.8	7%
Distribution costs	**28.8**	23.5	5.3	23%
Administrative costs	**4.6**	4.5	0.1	2%
Adjusted EBITDA[1]	**26.1**	27.7	(1.6)	(6%)

Revenue for the Jackpotjoy3 segment increased in the three months ended 31 March 2018 due to organic growth[9] led by sharp increases in Starspins and Botemania brands. Collectively, they accounted for 24% of this segment's revenue. Jackpotjoy UK brand revenue accounted for 60% of the Jackpotjoy[3] segment's revenue for the three months ended 31 March 2018. In addition to higher revenues achieved, the increase in distribution costs for the three months ended 31 March 2018 is further driven by costs from the segment's UK TV marketing campaign, as well as an incremental gaming tax expense, which relates to tax on bonuses through UK POC2 tax introduced in Q4 2017.

Vera&John

	Q1 2018 £(millions)	Q1 2017 £(millions)	Variance £(millions)	Variance %
Revenue	**21.2**	15.7	5.5	35%
Distribution costs	**12.7**	7.6	5.1	67%
Administrative costs	**4.5**	3.7	0.8	22%
Adjusted EBITDA[1]	**4.0**	4.4	(0.4)	(9%)

Revenue for the Vera&John segment for the three months ended 31 March 2018 increased by 35% compared to the same period in 2017 due to a combination of organic growth[9] and year-over-year GBP to EUR exchange rate movement. On a constant currency[8] basis, revenue increased by 31% in the three months ended 31 March 2018 compared to the same period in 2017. Distribution costs increased by 67% as a result of higher marketing spending in the current period. The increase was further driven by increased gaming tax due to increased revenue in regulated jurisdictions compared to the prior period.

Increases in administrative costs for the three months ended 31 March 2018 compared to the same period in 2017 were mainly driven by increases in personnel and office related costs as the segment continues to grow.

Unallocated Corporate Costs

Adjusted EBITDA[1] on Unallocated Corporate Costs decreased from (£2.9) million to (£3.0) million in the three months ended 31 March 2018 as compared to the three months ended 31 March 2017. The variance mainly relates to a £0.6 million increase in compensation, partially offset by a £0.3 million decrease in general and administrative overheads and a £0.2 million decrease in professional fees.

Key performance indicators

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

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

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

	Twelve months ended 31 March 2018	Twelve months ended 31 March 2017	Variance	Variance %
Average Active Customers per Month (#)	**256,699**	239,452	17,247	7%
Total Real Money Gaming Revenue (£000's) [(1)]	**293,406**	250,269	43,137	17%
Average Real Money Gaming Revenue per Month (£000's)	**24,450**	20,856	3,594	17%
Monthly Real Money Gaming Revenue per Average Active Customer (£)	**95**	87	8	9%

[(1)] Total Real Money Gaming Revenue for the twelve months ended 31 March 2018 consists of total revenue less other income earned from the Revenue Guarantee and platform migration of £nil (31 March 2017 – £0.9 million) and revenue earned from affiliate websites and social gaming revenue of £20.5 million (31 March 2017 – £23.8 million).

Monthly Real Money Gaming Revenue per Average Active Customer[7] increased by 9% year-over-year, which is in line with the Group's overall customer acquisition and retention strategy.

Independent review report to Jackpotjoy plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim financial report for the three months ended 31 March 2018 which comprises the Interim Condensed Consolidated Statements of Comprehensive Income, the Interim Condensed Consolidated Balance Sheets, the Interim Condensed Consolidated Statements of Changes in Equity, the Interim Condensed Consolidated Statement of Cash Flows and the related notes.

We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim financial report is the responsibility of and has been approved by the directors.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34, ''Interim Financial Reporting'', as issued by the International Accounting Standards Board and International Accounting Standard 34, ''Interim Financial Reporting'', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'' as issued by the International Auditing and Assurance Standards Board and International Standard on Review Engagements (UK and Ireland) 2410, ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'', issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing or International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the three months ended 31 March 2018 is not prepared, in all material respects with International Accounting Standard 34 as issued by the International Accounting Standards Board and International Accounting Standard 34, as adopted by the European Union.

BDO LLP
Chartered Accountants
London
15 May 2018
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended 31 March 2018 (£000's)	Three months ended 31 March 2017 (£000's)
Gaming revenue[4]	**80,672**	71,376
Costs and expenses		
Distribution costs[4,5]	**41,499**	31,244
Administrative costs[5]	**27,772**	25,213
Severance costs[4]	**450**	–
Transaction related costs[4]	**75**	1,315
Foreign exchange loss[4]	**410**	2,133
Total costs and expenses	**70,206**	59,905
Gain on sale of intangible assets	**–**	(1,002)
Fair value adjustments on contingent consideration[16]	**11,450**	12,856
Realised loss on cross currency swap	**–**	3,534
Interest income[6]	**(85)**	(38)
Interest expense[6]	**4,939**	7,947
Accretion on financial liabilities[6]	**1,537**	3,389
Financing expenses	**17,841**	27,688
Net loss for the period before taxes	**(7,375)**	(15,215)
Current tax provision	**471**	191
Deferred tax recovery	**(99)**	(105)
Net loss for the period attributable to owners of the parent	**(7,747)**	(15,301)
Other comprehensive income/(loss): Items that will or may be reclassified to profit or loss in subsequent periods		
Foreign currency translation (loss)/gain	**(883)**	5,555
Unrealised loss on cross currency hedge	**–**	(813)
Unrealised loss on interest rate hedge[11]	**(415)**	–
Total comprehensive loss for the period attributable to owners of the parent	**(9,045)**	(10,559)
Net loss for the period per share		
Basic[7]	**£(0.10)**	£(0.21)
Diluted[7]	**£(0.10)**	£(0.21)

See accompanying notes

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	As at 31 March 2018 (£000's)	As at 31 December 2017 (£000's)
Current assets		
Cash[8]	**76,231**	59,033
Restricted cash[8]	**282**	208
Customer deposits	**7,908**	8,180
Trade and other receivables[9]	**17,950**	19,379
Taxes receivable	**6,736**	6,432
Total current assets	**109,107**	93,232
Tangible assets	**1,278**	1,339
Intangible assets[12]	**277,489**	292,223
Goodwill[12]	**295,863**	296,781
Other long-term receivables[10,16]	**5,453**	5,604
Total non-current assets	**580,083**	595,947
Total assets	**689,190**	689,179
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities[13]	**17,209**	17,821
Other short-term payables[11,14]	**10,668**	12,151
Interest payable	**898**	924
Payable to customers	**7,908**	8,180
Convertible debentures[18]	**57**	254
Current portion of contingent consideration[16]	**63,782**	51,866
Provision for taxes	**7,969**	7,273
Total current liabilities	**108,491**	98,469
Contingent consideration[16]	**8,274**	7,717
Other long-term payables[11,17]	**6,925**	8,245
Deferred tax liability	**1,436**	1,204
Long-term debt[15]	**368,311**	369,487
Total non-current liabilities	**384,946**	386,653
Total liabilities	**493,437**	485,122
Equity		
Retained earnings	**(245,770)**	(238,133)
Share capital[18]	**7,427**	7,407
Share premium	**407,839**	407,274
Other reserves	**26,257**	27,509
Total equity	**195,753**	204,057
Total liabilities and equity	**689,190**	689,179

See accompanying notes

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share Capital (£000's)	Share Premium (£000's)	Merger Reserve (£000's)	Redeemable Shares (£000's)	Share-Based Payment Reserve (£000's)	Translation Reserve (£000's)	Hedge Reserve (£000's)	Retained (Deficit)/ Earnings (£000's)	Total (£000's)
Balance at 1 January 2017	**7,298**	**403,883**	**(6,111)**	**50**	**8,667**	**(3,958)**	**–**	**(170,361)**	**239,468**
Comprehensive income/(loss) for the period:									
Net loss for the period	–	–	–	–	–	–	–	(15,301)	(15,301)
Other comprehensive income/(loss)	–	–	–	–	–	5,555	(813)	–	4,742
Total comprehensive income/(loss) for the period:	**–**	**–**	**–**	**–**	**–**	**5,555**	**(813)**	**(15,301)**	**(10,559)**
Contributions by and distributions to shareholders:									
Conversion of debentures	63	2,049	–	–	–	–	–	–	2,112
Exercise of options	11	329	–	–	(77)	–	–	–	263
Cancellation of redeemable shares	–	–	–	(50)	–	–	–	–	(50)
Share-based compensation	–	–	–	–	525	–	–	–	525
Total contributions by and distributions to shareholders:	**74**	**2,378**	**–**	**(50)**	**448**	**–**	**–**	**–**	**2,850**
Balance at 31 March 2017	**7,372**	**406,261**	**(6,111)**	**–**	**9,115**	**1,597**	**(813)**	**(185,662)**	**231,759**
Balance at 1 January 2018	**7,407**	**407,274**	**(6,111)**	**–**	**9,971**	**23,649**	**–**	**(238,133)**	**204,057**
Comprehensive income/(loss) for the period:									
Net loss for the period	–	–	–	–	–	–	–	(7,747)	(7,747)
Other comprehensive loss	–	–	–	–	–	(883)	(415)	–	(1,298)
Total comprehensive loss for the period:	**–**	**–**	**–**	**–**	**–**	**(883)**	**(415)**	**(7,747)**	**(9,045)**
Contributions by and distributions to shareholders:									
Conversion of debentures[18]	6	186	–	–	–	–	–	–	192
Exercise of options[18]	14	379	–	–	(110)	–	–	110	393
Share-based compensation[18]	–	–	–	–	156	–	–	–	156
Total contributions by and distributions to shareholders:	**20**	**565**	**–**	**–**	**46**	**–**	**–**	**110**	**741**
Balance at 31 March 2018	**7,427**	**407,839**	**(6,111)**	**–**	**10,017**	**22,766**	**(415)**	**(245,770)**	**195,753**

See accompanying notes

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended 31 March 2018 (£000's)	Three months ended 31 March 2017 (£000's)
Operating activities		
Net loss for the period	**(7,747)**	(15,301)
Add (deduct) items not involving cash		
Amortisation and depreciation	**15,563**	13,749
Share-based compensation expense[18]	**156**	525
Current tax provision	**471**	191
Deferred tax recovery	**(99)**	(105)
Interest expense, net[6]	**6,391**	11,298
Gain on sale of intangible assets	**–**	(1,002)
Fair value adjustments on contingent consideration[16]	**11,450**	12,856
Realised loss on cross currency swap	**–**	3,534
Foreign exchange loss	**410**	2,133
	26,595	27,878
Trade and other receivables	**(240)**	487
Other long-term receivables	**180**	(16)
Accounts payable and accrued liabilities	**(625)**	(1,429)
Other short-term payables	**(1,483)**	(3,672)
Cash generated from operations	**24,427**	23,248
Income taxes paid	**–**	(28)
Incomes taxes received	**–**	102
Total cash provided by operating activities	**24,427**	23,322
Financing activities		
Restriction of cash balances	**(75)**	21
Proceeds from exercise of options	**393**	263
Proceeds from cross currency swap settlement	**–**	34,373
Repayment of non-compete liability[17]	**(2,000)**	–
Interest repayment	**(4,926)**	(7,550)
Principal payments made on long-term debt[15]	**–**	(6,296)
Total cash (used in)/provided by financing activities	**(6,608)**	20,811
Investing activities		
Purchase of tangible assets	**(74)**	(511)
Purchase of intangible assets	**(1,087)**	(549)
Proceeds from sale of intangible assets	**1,450**	1,002
Total cash provided by/(used in) investing activities	**289**	(58)
Net increase in cash during the period	**18,108**	44,075
Cash, beginning of period	**59,033**	68,485
Exchange loss on cash and cash equivalents	**(910)**	(263)
Cash, end of period	**76,231**	112,297

See accompanying notes

SUPPLEMENTARY NOTES FOR THREE MONTHS ENDED 31 MARCH 2018

1. Corporate information

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

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

These Unaudited Interim Condensed Consolidated Financial Statements were authorised for issue by the Board of Directors of Jackpotjoy plc (the 'Board of Directors') on 15 May 2018.

2. Basis of preparation

Basis of presentation

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

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

These Unaudited Interim Condensed Consolidated Financial Statements have been prepared under the historical cost convention, other than for the measurement at fair value of the Group's Interest Rate Swap (as defined in note 11), contingent consideration, certain hedged loan instruments, and loan receivable.

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

Basis of consolidation

Jackpotjoy plc's Unaudited Interim Condensed Consolidated Financial Statements consolidate the parent company and all of its subsidiaries. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All transactions and balances between companies are eliminated on consolidation.

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

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

3. Summary of significant accounting policies

For a description of the Group's significant accounting policies, critical accounting estimates and assumptions, and related information see note 3 to the Annual Financial Statements. Other than as described below, there have been no changes to the Group's significant accounting policies or critical accounting estimates and assumptions during the three months ended 31 March 2018.

Financial instruments

Effective from 1 January 2018, the Group adopted IFRS 9 – *Financial Instruments: Recognition and Measurement* ('IFRS 9') to account for the Gaming Realms Transaction (as defined in note 10). As a result, the Group no longer separates the embedded derivative from its host contract and the entire asset is measured at fair value through profit or loss. The adoption of IFRS 9 resulted in balances shown as other long-term receivables and other long-term assets at 31 December 2017 to be combined into a single figure and shown as other long-term receivables at 31 March 2018.

Hedge accounting

The Group elected to use hedge accounting for the purposes of recognising realised and unrealised gains and losses associated with the Interest Rate Swap, in accordance with guidance provided in IFRS 9.

IFRS 9 permits hedge accounting under certain circumstances provided that the hedging relationship is:

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

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

Revenue recognition

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

4. Segment information

In March 2018, the Group determined that its reportable operating segments had changed such that the Mandalay segment is aggregated with the Jackpotjoy segment with effect from 1 January 2018, as Mandalay no longer met the criteria set out in IFRS 8 – *Operating Segments* for a reportable operating segment. Mandalay has therefore been aggregated with the Jackpotjoy segment consistent with the Group's other third-party platform hosted operations and all 2017 comparative segment figures have been restated accordingly.

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

Three months ended 31 March 2018

	Jackpotjoy (£000's)	Vera&John (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Gaming revenue	**59,501***	**21,171**	**—**	**80,672**
Distribution costs	28,810	12,687	2	41,499
Amortisation and depreciation	13,073	2,398	92	15,563
Compensation, professional, and general and administrative expenses	4,579	4,508	3,122	12,209
Severance costs	—	450	—	450
Transaction related costs	—	—	75	75
Foreign exchange loss	202	110	98	410
Financing, net	2	(36)	17,875	17,841
Income/(loss) for the period before taxes	**12,835**	**1,054**	**(21,264)**	**(7,375)**
Taxes	—	358	14	372
Net income/(loss) for the period	**12,835**	**696**	**(21,278)**	**(7,747)**
Net income/(loss) for the period	**12,835**	**696**	**(21,278)**	**(7,747)**
Interest expense/(income), net	2	(36)	4,888	4,854
Accretion on financial liabilities	—	—	1,537	1,537
Taxes	—	358	14	372
Amortisation and depreciation	13,073	2,398	92	15,563
EBITDA	**25,910**	**3,416**	**(14,747)**	**14,579**
Share-based compensation	—	—	156	156
Severance costs	—	450	—	450
Fair value adjustments on contingent consideration	—	—	11,450	11,450
Transaction related costs	—	—	75	75
Foreign exchange loss	202	110	98	410
Adjusted EBITDA	**26,112**	**3,976**	**(2,968)**	**27,120**
Net income/(loss) for the period	**12,835**	**696**	**(21,278)**	**(7,747)**
Share-based compensation	—	—	156	156
Severance costs	—	450	—	450
Fair value adjustments on contingent consideration	—	—	11,450	11,450
Transaction related costs	—	—	75	75
Foreign exchange loss	202	110	98	410
Amortisation of acquisition related purchase price intangibles	13,057	1,978	—	15,035
Accretion on financial liabilities	—	—	1,537	1,537
Adjusted net income/(loss)	**26,094**	**3,234**	**(7,962)**	**21,366**

* Jackpotjoy gaming revenue figure includes social gaming revenue £2.9 million for Q1 2018.

Three months ended 31 March 2017

	Jackpotjoy (£000's)	Vera&John (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Gaming revenue	**55,685***	**15,691**	**—**	**71,376**
Distribution costs	23,554	7,648	42	31,244
Amortisation and depreciation	11,283	2,368	98	13,749
Compensation, professional, and general and administrative expenses	4,446	3,660	3,358	11,464
Transaction related costs	—	—	1,315	1,315
Foreign exchange (gain)/loss	(20)	59	2,094	2,133
Gain on sale of intangible assets	—	(1,002)	—	(1,002)
Financing, net	1	(34)	27,721	27,688
Income/(loss) for the period before taxes	**16,421**	**2,992**	**(34,628)**	**(15,215)**
Taxes	—	86	—	86
Net income/(loss) for the period	**16,421**	**2,906**	**(34,628)**	**(15,301)**
Net income/(loss) for the period	**16,421**	**2,906**	**(34,628)**	**(15,301)**
Interest expense/(income), net	1	(34)	7,942	7,909
Accretion on financial liabilities	—	—	3,389	3,389
Taxes	—	86	—	86
Amortisation and depreciation	11,283	2,368	98	13,749
EBITDA	**27,705**	**5,326**	**(23,199)**	**9,832**
Share-based compensation	—	—	525	525
Fair value adjustments on contingent consideration	—	—	12,856	12,856
Realised loss on cross currency swap	—	—	3,534	3,534
Transaction related costs	—	—	1,315	1,315
Gain on sale of intangible assets	—	(1,002)	—	(1,002)
Foreign exchange (gain)/loss	(20)	59	2,094	2,133
Adjusted EBITDA	**27,685**	**4,383**	**(2,875)**	**29,193**
Net income/(loss) for the period	**16,421**	**2,906**	**(34,628)**	**(15,301)**
Share-based compensation	—	—	525	525
Fair value adjustments on contingent consideration	—	—	12,856	12,856
Realised loss on cross currency swap	—	—	3,534	3,534
Transaction related costs	—	—	1,315	1,315
Gain on sale of intangible assets	—	(1,002)	—	(1,002)
Foreign exchange (gain)/loss	(20)	59	2,094	2,133
Amortisation of acquisition related purchase price intangibles	11,283	2,107	—	13,390
Accretion on financial liabilities	—	—	3,389	3,389
Adjusted net income/(loss)	**27,684**	**4,070**	**(10,915)**	**20,839**

*Jackpotjoy gaming revenue figure includes social gaming revenue of £4.5 million for Q1 2017.

The following table presents net assets per segment and unallocated corporate costs as at 31 March 2018:

	Jackpotjoy (£000's)	Vera&John (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Current assets	22,763	43,645	42,699	109,107
Goodwill	240,960	54,903	—	295,863
Long-term assets	239,184	29,943	15,093	284,220
Total assets	**502,907**	**128,491**	**57,792**	**689,190**
Current liabilities	9,925	21,134	77,432	108,491
Long-term liabilities	—	1,436	383,510	384,946
Total liabilities	**9,925**	**22,570**	**460,942**	**493,437**
Net assets	**492,982**	**105,921**	**(403,150)**	**195,753**

The following table presents net assets per segment and unallocated corporate costs as at 31 December 2017:

	Jackpotjoy (£000's)	Vera&John (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Current assets	20,960	41,970	30,302	93,232
Goodwill	240,960	55,821	—	296,781
Long-term assets	249,703	31,878	17,585	299,166
Total assets	**511,623**	**129,669**	**47,887**	**689,179**
Current liabilities	10,958	19,877	67,634	98,469
Long-term liabilities	—	1,204	385,449	386,653
Total liabilities	**10,958**	**21,081**	**453,083**	**485,122**
Net assets	**500,665**	**108,588**	**(405,196)**	**204,057**

During the three months ended 31 March 2018 and 2017, substantially all of the revenue earned by the Group was earned in Europe. Revenue was earned from customers located in the following locations: United Kingdom – 61% (three months ended 31 March 2017 – 65%), Sweden – 9% (three months ended 31 March 2017 – 11%), rest of Europe – 16% (three months ended 31 March 2017 – 11%), rest of world – 14% (three months ended 31 March 2017 – 13%).

Non-current assets by geographical location as at 31 March 2018 were as follows: Europe £84.8 million (31 December 2017 – £87.7 million) and Americas £495.2 million (31 December 2017 – £508.2 million).

5. Costs and expenses

	Three months ended 31 March 2018 (£000's)	Three months ended 31 March 2017 (£000's)
Distribution costs:		
Selling and marketing	**14,550**	9,603
Licencing fees	**11,744**	11,086
Gaming taxes	**11,263**	7,992
Processing fees	**3,942**	2,563
	41,499	31,244

Administrative costs:		
Compensation and benefits	**8,720**	8,075
Professional fees	**1,289**	1,208
General and administrative	**2,200**	2,181
Tangible asset depreciation	**124**	73
Intangible asset amortisation	**15,439**	13,676
	27,772	25,213

6. Interest expense/income

	Three months ended 31 March 2018 (£000's)	Three months ended 31 March 2017 (£000's)
Interest earned on cash held during the period	**34**	38
Interest earned on long-term loan receivable	**51**	—
Total interest income	**85**	38
Interest paid and accrued on long-term debt	**4,936**	7,925
Interest paid and accrued on convertible debentures	**3**	22
Total interest expense	**4,939**	7,947
Accretion of discount recognised on contingent consideration	**1,023**	2,103
Interest accretion recognised on convertible debentures	**8**	18
Debt issue costs and accretion recognised on long-term debt	**139**	783
Interest accretion recognised on other long-term liabilities	**367**	485
Total accretion on financial liabilities	**1,537**	3,389

7. Earnings per share

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

	Three months ended 31 March 2018 (£000's)	Three months ended 31 March 2017 (£000's)
Numerator:		
Net loss – basic	**(7,747)**	(15,301)
Net loss – diluted[1]	**(7,747)**	(15,301)
Denominator:		
Weighted average number of shares outstanding – basic	**74,093**	73,573
Instruments, which are anti-dilutive:		
Weighted average effect of dilutive share options	**758**	454
Weighted average effect of convertible debentures[2]	**67**	487
Net loss per share[3,4]		
Basic	**£(0.10)**	£(0.21)
Diluted[1]	**£(0.10)**	£(0.21)

1 *In the case of a net loss, the effect of share options potentially exercisable on diluted loss per share will be anti-dilutive; therefore, basic and diluted net loss per share will be the same.*

2 *An assumed conversion of convertible debentures had an anti-dilutive effect on loss per share for the three months ended 31 March 2018 and 31 March 2017.*

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

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

8. Cash and restricted cash

	31 March 2018 (£000's)	31 December 2017 (£000's)
Cash and cash equivalents	**76,231**	59,033
Restricted cash – other	**282**	208
Total cash balances	**76,513**	59,241

9. Trade and other receivables

Trade and other receivables consist of the following items:

	31 March 2018 (£000's)	31 December 2017 (£000's)
Due from the Gamesys group	**9,917**	8,634
Due from the 888 group	**2,327**	3,101
B2B and affiliate revenue receivable	**1,571**	2,481
Receivable for intangible assets sold	**—**	1,450
Prepaid expenses	**3,409**	2,375
Other	**726**	1,338
	17,950	19,379

10. Other long-term receivables

On 29 November 2017, the Group entered into a secured convertible loan and services agreement with Gaming Realms plc (‘Gaming Realms’) (the ‘Gaming Realms Transaction’).

Key terms of the Gaming Realms Transaction include: (a) five-year secured convertible loan to Gaming Realms in the principal amount of £3.5 million with an interest rate of 3 month UK LIBOR plus 5.5% per annum; (b) conversion option (the ‘Conversion Component’) that allows the Group to convert some or all of the loan (in tranches of £0.5 million) into ordinary shares of Gaming Realms after 12 months; (c) a ten-year services agreement (‘Services Agreement’) for the supply by Gaming Realms of some of its content to websites of the Group’s choosing free-of-charge. The value of the free-of-charge services provided under this Services Agreement will be capped at £3.5 million over the first five years of the agreement, at which point the provision of free-of-charge services ceases.

In connection with this transaction, the Group recognised a long-term receivable of £3.5 million for the secured convertible loan, in accordance with IFRS 9, based on the calculation of fair value at 31 March 2018, as explained in note 16.

11. Interest rate swap

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

As at 31 March 2018, the fair value of the Interest Rate Swap was a £0.4 million payable (31 December 2017 – £nil). The Group has included £0.1 million of this payable in current liabilities, as shown in note 14 (31 December 2017 – £nil), with the value of the remaining balance, being £0.3 million (31 December 2017 – £nil), included in other long-term payables.

12. Intangible assets

As at 31 March 2018

	Gaming licenses (£000's)	Customer relationships (£000's)	Software (£000's)	Brand (£000's)	Partnership agreements (£000's)	Non-compete clauses (£000's)	Goodwill (£000's)	Total (£000's)
Cost								
Balance, 1 January 2018	93	337,655	25,211	70,019	12,900	20,434	316,386	782,698
Additions	—	—	974	—	—	—	—	974
Translation	(11)	(334)	(320)	(224)	—	—	(1,644)	(2,533)
Balance, 31 March 2018	**82**	**337,321**	**25,865**	**69,795**	**12,900**	**20,434**	**314,742**	**781,139**
Accumulated amortisation/impairment								
Balance, 1 January 2018	81	139,333	12,551	10,005	4,458	7,661	19,605	193,694
Amortisation	11	10,329	1,267	873	405	2,554	—	15,439
Translation	(47)	(259)	(274)	(40)	—	—	(726)	(1,346)
Balance, 31 March 2018	**45**	**149,403**	**13,544**	**10,838**	**4,863**	**10,215**	**18,879**	**207,787**
Carrying value								
Balance, 31 March 2018	**37**	**187,918**	**12,321**	**58,957**	**8,037**	**10,219**	**295,863**	**573,352**

As at 31 December 2017

	Gaming licenses (£000's)	Customer relationships (£000's)	Software (£000's)	Brand (£000's)	Partnership agreements (£000's)	Non-compete clauses (£000's)	Goodwill (£000's)	Total (£000's)
Cost								
Balance, 1 January 2017	94	340,927	21,670	70,054	12,900	20,434	317,829	783,908
Additions	—	—	2,708	—	—	—	—	2,708
Disposals	—	(3,822)	—	—	—	—	—	(3,822)
Translation	(1)	550	833	(35)	—	—	(1,443)	(96)
Balance, 31 December 2017	**93**	**337,655**	**25,211**	**70,019**	**12,900**	**20,434**	**316,386**	**782,698**
Accumulated amortisation/impairment								
Balance, 1 January 2017	34	96,811	7,414	6,523	2,824	—	21,477	135,083
Amortisation	41	44,958	4,820	3,504	1,634	7,661	—	62,618
Disposals	—	(2,638)	—	—	—	—	—	(2,638)
Translation	6	202	317	(22)	—	—	(1,872)	(1,369)
Balance, 31 December 2017	**81**	**139,333**	**12,551**	**10,005**	**4,458**	**7,661**	**19,605**	**193,694**
Carrying value								
Balance, 31 December 2017	**12**	**198,322**	**12,660**	**60,014**	**8,442**	**12,773**	**296,781**	**589,004**

13. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following items:

	31 March 2018 (£000's)	31 December 2017 (£000's)
Affiliate/marketing expenses payable	**5,260**	6,547
Payable to game suppliers	**2,097**	1,899
Compensation payable	**4,536**	4,868
Loyalty program payable	**252**	252
Professional fees	**1,459**	875
Gaming tax payable	**2,547**	2,101
Other	**1,058**	1,279
	17,209	17,821

14. Other short-term payables

Other short-term payables consist of:

	31 March 2018 (£000's)	31 December 2017 (£000's)
Transaction related payables	**1,918**	3,484
Current portion of other long-term payables (note 17)	**8,667**	8,667
Interest Rate Swap (note 11)	**83**	—
	10,668	12,151

15. Credit facilities

	Term Loan (£000's)	**Incremental First Lien Facility (£000's)**	**Second Lien Facility (£000's)**	**EUR Term Facility (£000's)**	**GBP Term Facility (£000's)**	**Total (£000's)**
Balance, 1 January 2017	220,016	67,534	83,243	—	—	370,793
Principal	—	—	—	122,574	250,000	372,574
Repayment	(218,793)	(70,000)	(90,000)	—	—	(378,793)
Debt financing costs	—	—	—	(1,397)	(3,434)	(4,831)
Accretion*	7,846	2,466	6,757	8	18	17,095
Foreign exchange translation	(9,069)	—	—	1,718	—	(7,351)
Balance, 31 December 2017	—	—	—	122,903	246,584	369,487
Accretion*	—	—	—	42	97	139
Foreign exchange translation	—	—	—	(1,315)	—	(1,315)
Balance, 31 March 2018	**—**	**—**	**—**	**121,630**	**246,681**	**368,311**
Current portion	—	—	—	—	—	—
Non-current portion	—	—	—	**121,630**	**246,681**	**368,311**

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

16. Financial instruments

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

Financial assets

	Financial assets as subsequently measured at amortised cost	
	31 March 2018 (£000's)	31 December 2017 (£000's)
Cash and restricted cash	**76,513**	59,241
Trade and other receivables	**17,950**	19,379
Other long-term receivables	**1,989**	2,104
Customer deposits	**7,908**	8,180
	104,360	88,904

Financial liabilities

	Financial liabilities as subsequently measured at amortised cost	
	31 March 2018 (£000's)	31 December 2017 (£000's)
Accounts payable and accrued liabilities	**17,209**	17,821
Other short-term payables	**10,585**	12,151
Other long-term payables	**6,593**	8,245
Interest payable	**898**	924
Payable to customers	**7,908**	8,180
Convertible debentures	**57**	254
Long-term debt	**368,311**	369,487
	411,561	417,062

The carrying values of the financial instruments noted above, with the exception of convertible debentures, approximate their fair values.

Other financial instruments

	Financial instruments at fair value through profit or loss – assets/(liabilities)	
	31 March 2018 (£000's)	31 December 2017 (£000's)
Interest Rate Swap	**(415)**	—
Contingent consideration	**(72,056)**	(59,583)
Other long-term receivables	**3,464**	3,500
	(69,007)	(56,083)

Fair value hierarchy

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

	Level 2		Level 3	
	31 March 2018 (£000's)	31 December 2017 (£000's)	**31 March 2018 (£000's)**	31 December 2017 (£000's)
Interest Rate Swap	**(415)**	—	—	—
Other long-term receivables	**3,464**	3,500	—	—
Contingent consideration	—	—	**(72,056)**	(59,583)

Other long-term receivables represent the fair value of the loan receivable from Gaming Realms. The key inputs into the fair value estimation of this balance include the share price of Gaming Realms on the date of cash transfer, a five-year risk-free interest rate of 1.339%, and an estimated share price return volatility rate of Gaming Realms of 39.3%.

Contingent consideration represents the fair value of the cash outflows under earn-out agreements that would result from the performance of acquired businesses. The key inputs into the fair value estimation of these liabilities include the forecast performance of the underlying businesses, the probability of achieving forecasted results and the discount rate applied in deriving a present value from those forecasts. Significant increase (decrease) in the business' performance would result in a higher (lower) fair value of the contingent consideration, while significant increase (decrease) in the discount rate would result in a lower (higher) fair value of the contingent consideration. Additionally, as earn-out periods draw closer to their completion, the range of probability factors will decrease.

A discounted cash flow valuation model was used to determine the value of the contingent consideration. The model considers the present value of the expected payments, discounted using a risk-adjusted discount rate of 7%. The expected payments are determined by considering the possible scenarios of forecast EBITDA, the amount to be paid under each scenario and the probability of each scenario. As at 31 March 2018, the Botemania payment makes up 82% of the contingent consideration and the probability used for the Botemania payment was set at 100%.

Without probability and discount factors, the fair value of the contingent consideration would be approximately 3% higher (£2.5 million), than its value at 31 March 2018, increasing the current portion of the contingent consideration, which is composed of the Botemania earn-out payment and the first Jackpotjoy milestone payment, by £0.7 million and increasing the long-term contingent consideration, which is composed of the final Jackpotjoy milestone payments due in 2019 and 2020, by £1.8 million. This assumes that the financial performance of the Jackpotjoy operating segment remains in line with management's expectations.

As at 31 March 2018, the contingent consideration balance related to the earn-out payment remaining on the Spanish assets included in the Jackpotjoy segment and milestone payments related to the Jackpotjoy segment.

The movement in Level 3 financial instruments is detailed below:

	(£000's)
Contingent consideration, 1 January 2017	120,187
Fair value adjustments	27,562
Payments	(94,218)
Accretion of discount	6,052
Contingent consideration, 31 December 2017	59,583
Fair value adjustments	11,450
Accretion of discount	1,023
Contingent consideration, 31 March 2018	**72,056**
Current portion	63,782
Non-current portion	8,274

17. Other long-term payables

The Group is required to pay the Gamesys group £24.0 million in equal monthly instalments in arrears over the period from April 2017 to April 2020, for additional non-compete clauses that came into effect in April 2017 and that expire in March 2019. The Group has included £8.7 million of this payable in current liabilities, as shown in note 14 (31 December 2017 – £8.7 million), with the discounted value of the remaining balance, being £6.6 million (31 December 2017 – £8.2 million), included in other long-term payables. During the three months ended 31 March 2018, the Group has paid a total of £2.0 million (three months ended 31 March 2017 – £nil) in relation to the additional non-compete clauses.

18. Share capital

As at 31 March 2018, Jackpotjoy plc's issued share capital consisted of 74,258,930 ordinary shares, each with a nominal value of £0.10. Jackpotjoy plc does not hold any shares in treasury and there are no shares in Jackpotjoy plc's issued share capital that do not represent capital.

		Ordinary shares of £0.10
	(£000's)	#
Balance, 1 January 2017	7,298	72,983,277
Conversion of convertible debentures, net of costs	92	916,498
Exercise of options	17	165,156
Balance, 31 December 2017	7,407	74,064,931
Conversion of convertible debentures, net of costs	6	56,499
Exercise of options	14	137,500
Balance, 31 March 2018	**7,427**	**74,258,930**

Ordinary shares

During the three months ended 31 March 2018, Jackpotjoy plc did not issue any additional ordinary shares, except as described below.

Convertible debentures

During the three months ended 31 March 2018, debentures at undiscounted value of £0.2 million were converted into 56,499 ordinary shares of Jackpotjoy plc.

Share options

During the three months ended 31 March 2018, nil share options were granted, 137,500 share options were exercised, nil share options were forfeited, and nil share options expired.

During the three months ended 31 March 2018, the Group recorded £0.1 million (three months ended 31 March 2017 – £0.5 million) in share-based compensation expense relating to the share option plan with a corresponding increase in share-based payment reserve.

Long-term incentive plan

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

On 28 March 2018, Jackpotjoy plc granted additional awards over ordinary shares of Jackpotjoy plc under the Group's long-term incentive plan for key management personnel.

19. Contingent liabilities

Indirect taxation

Jackpotjoy plc subsidiaries may be subject to indirect taxation on transactions that have been treated as exempt supplies of gambling, or on supplies that have been zero rated where legislation provides that the services are received or used and enjoyed in the country where the service provider is located. Revenue earned from customers located in any particular jurisdiction may give rise to further taxes in that jurisdiction. If such taxes are levied, either on the basis of current law or the current practice of any tax authority, or by reason of a change in the law or practice, then this may have a material adverse effect on the amount of tax payable by the Group or on its financial position.

Where it is considered probable that a previously identified contingent liability will give rise to an actual outflow of funds, then a provision is made in respect of the relevant jurisdiction and period impacted. Where the likelihood of a liability arising is considered remote, or the possible contingency is not material to the financial position of the Group, the contingency is not recognised as a liability at the balance sheet date. As at 31 March 2018, the Group had recognised £nil liability (31 December 2017 – £nil) related to potential contingent indirect taxation liabilities.