



JPJ Group plc

Unaudited Interim Condensed Consolidated Financial Statements

[in pounds sterling, except where otherwise noted]

For the Three and Six Months Ended 30 June 2018

JPJ Group plc

Unaudited Interim Condensed Consolidated Statements of Comprehensive Income

For the three and six months ended 30 June 2018

(GBP)

		Three months ended 30 June 2018	Three months ended 30 June 2017	Six months ended 30 June 2018	Six months ended 30 June 2017
	Note	(£000's)	(£000's)	(£000's)	(£000's)
Gaming revenue	4	77,728	71,316	155,443	138,205
Social gaming revenue	4	2,738	3,877	5,695	8,364
Total gaming revenue		80,466	75,193	161,138	146,569
Costs and expenses					
Distribution costs	4, 5	39,487	34,302	80,986	65,546
Administrative costs	5	27,051	27,664	54,823	52,877
Severance costs	4	–	–	450	–
Transaction related costs	4	1,418	–	1,493	1,315
Foreign exchange (gain)/loss	4	(285)	4,766	125	6,899
Total costs and expenses		67,671	66,732	137,877	126,637
Gain on sale of intangible assets		–	–	–	(1,002)
Fair value adjustments on contingent consideration	15	–	1,845	11,450	14,701
Realised loss on cross currency swap		–	–	–	3,534
Interest income	6	(85)	(57)	(170)	(95)
Interest expense	6	4,950	7,720	9,889	15,667
Accretion on financial liabilities	6	489	3,662	2,026	7,051
Financing expenses		5,354	13,170	23,195	40,858
Net income/(loss) for the period before taxes		7,441	(4,709)	66	(19,924)
Current tax provision		228	168	699	359
Deferred tax recovery		(98)	(105)	(197)	(210)
Net income/(loss) for the period attributable to owners of the parent		7,311	(4,772)	(436)	(20,073)
Other comprehensive income/(loss): Items that will or may be reclassified to profit or loss in subsequent periods					
Foreign currency translation gain		1,081	13,088	198	18,643
Unrealised loss on cross currency hedge		–	(4,032)	–	(4,845)
Unrealised loss on interest rate hedge	10	(559)	–	(974)	–
Total comprehensive income/(loss) for the period attributable to owners of the parent		7,833	4,284	(1,212)	(6,275)
Net income/(loss) for the period per share					
Basic	7	£0.10	£(0.06)	£(0.01)	£(0.27)
Diluted	7	£0.10	£(0.06)	£(0.01)	£(0.27)

See accompanying notes

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

	Note	As at 30 June 2018 (£000's)	As at 31 December 2017 (£000's)
ASSETS			
Current assets			
Cash	15	29,462	59,033
Restricted cash	15	195	208
Customer deposits	15	8,677	8,180
Trade and other receivables	8	16,100	19,379
Taxes receivable		6,719	6,432
Total current assets		61,153	93,232
Non-current assets			
Tangible assets		1,243	1,339
Intangible assets	11	263,737	292,223
Goodwill	11	296,976	296,781
Other long-term receivables	9, 15	5,078	5,604
Total non-current assets		567,034	595,947
Total assets		628,187	689,179
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	12	14,646	17,821
Other short-term payables	10, 13, 15	10,048	12,151
Interest payable	15	675	924
Payable to customers	15	8,677	8,180
Convertible debentures	17	–	254
Current portion of contingent consideration	15	4,463	51,866
Provision for taxes		5,390	7,273
Total current liabilities		43,899	98,469
Non-current liabilities			
Contingent consideration	15	4,170	7,717
Other long-term payables	10, 15, 16	5,482	8,245
Deferred tax liability		1,361	1,204
Long-term debt	14, 15	369,519	369,487
Total non-current liabilities		380,532	386,653
Total liabilities		424,431	485,122
Equity			
Share capital	17	7,427	7,407
Share premium and other reserves		196,329	196,650
Total equity		203,756	204,057
Total liabilities and equity		628,187	689,179

See accompanying notes

On behalf of the Board:

(signed) " Neil Goulden "

Neil Goulden, Executive Chairman

(signed) " Keith Laslop "

Keith Laslop, Chief Financial Officer

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

	Share Capital (£000's)	Share Premium (£000's)	Merger Reserve (£000's)	Redeemable Shares (£000's)	Share-Based Payment Reserve (£000's)	Translation Reserve (£000's)	Hedge Reserve (£000's)	Retained (Deficit)/ Earnings (£000's)	Total (£000's)
Balance at 1 January 2017	7,298	403,883	(6,111)	50	8,667	(3,958)	-	(170,361)	239,468
Comprehensive income/(loss) for the period:									
Net loss for the period	-	-	-	-	-	-	-	(20,073)	(20,073)
Other comprehensive income/(loss)	-	-	-	-	-	18,643	(4,845)	-	13,798
Total comprehensive income/(loss) for the period:	-	-	-	-	-	18,643	(4,845)	(20,073)	(6,275)
Contributions by and distributions to shareholders:									
Conversion of debentures	75	2,263	-	-	-	-	-	-	2,338
Exercise of options	15	462	-	-	(105)	-	-	-	372
Cancellation of redeemable shares	-	-	-	(50)	-	-	-	-	(50)
Cancellation of share premium	-	(405,932)	-	-	-	-	-	405,932	-
Share-based compensation	-	-	-	-	878	-	-	-	878
Total contributions by and distributions to shareholders:	90	(403,207)	-	(50)	773	-	-	405,932	3,538
Balance at 30 June 2017	7,388	676	(6,111)	-	9,440	14,685	(4,845)	215,498	236,731
Balance at 1 January 2018	7,407	1,342	(6,111)	-	9,971	23,649	-	167,799	204,057
Comprehensive income/(loss) for the period:									
Net loss for the period	-	-	-	-	-	-	-	(436)	(436)
Other comprehensive income/(loss)	-	-	-	-	-	198	(974)	-	(776)
Total comprehensive income/(loss) for the period:	-	-	-	-	-	198	(974)	(436)	(1,212)
Contributions by and distributions to shareholders:									
Conversion of debentures	6	186	-	-	-	-	-	-	192
Exercise of options	14	379	-	-	(110)	-	-	110	393
Share-based compensation	-	-	-	-	326	-	-	-	326
Total contributions by and distributions to shareholders:	20	565	-	-	216	-	-	110	911
Balance at 30 June 2018	7,427	1,907	(6,111)	-	10,187	23,847	(974)	167,473	203,756

See accompanying notes

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

		Three months ended 30 June 2018	Three months ended 30 June 2017	Six months ended 30 June 2018	Six months ended 30 June 2017
	Note	(€000's)	(€000's)	(€000's)	(€000's)
Operating activities					
Net income/(loss) for the period		7,311	(4,772)	(436)	(20,073)
Add (deduct) items not involving cash					
Amortisation and depreciation		15,635	16,411	31,198	30,160
Share-based compensation expense	17	170	353	326	878
Current tax provision		228	168	699	359
Deferred tax recovery		(98)	(105)	(197)	(210)
Interest expense, net	6	5,354	11,325	11,745	22,623
Gain on sale of intangible assets		-	-	-	(1,002)
Fair value adjustments on contingent consideration	15	-	1,845	11,450	14,701
Realised loss on cross currency swap		-	-	-	3,534
Foreign exchange (gain)/loss		(285)	4,766	125	6,899
		28,315	29,991	54,910	57,869
Trade and other receivables		2,061	(1,012)	1,821	(525)
Other long-term receivables		328	468	508	452
Accounts payable and accrued liabilities		(2,697)	(415)	(3,322)	(1,844)
Other short-term payables		(620)	130	(2,103)	(3,542)
Cash generated from operations		27,387	29,162	51,814	52,410
Income taxes paid		(3,236)	(6,871)	(3,236)	(6,899)
Income taxes received		402	-	402	102
Total cash provided by operating activities		24,553	22,291	48,980	45,613
Financing activities					
Restriction of cash balances		-	154	(75)	175
Proceeds from exercise of options		-	109	393	372
Proceeds from cross currency swap settlement		-	-	-	34,373
Debenture settlement	17	(62)	-	(62)	-
Repayment of non-compete liability	16	(2,000)	(1,333)	(4,000)	(1,333)
Interest repayment		(5,328)	(7,659)	(10,254)	(15,209)
Payment of contingent consideration	15	(63,455)	(94,218)	(63,455)	(94,218)
Principal payments made on long-term debt	14	-	(6,510)	-	(12,806)
Total cash used in financing activities		(70,845)	(109,457)	(77,453)	(88,646)
Investing activities					
Purchase of tangible assets		(89)	(252)	(163)	(763)
Purchase of intangible assets		(1,370)	(713)	(2,457)	(1,262)
Proceeds from sale of intangible assets		-	-	1,450	1,002
Total cash used in investing activities		(1,459)	(965)	(1,170)	(1,023)
Net decrease in cash during the period		(47,751)	(88,131)	(29,643)	(44,056)
Cash, beginning of period		76,231	112,297	59,033	68,485
Exchange gain/(loss) on cash and cash equivalents		982	(203)	72	(466)
Cash, end of period		29,462	23,963	29,462	23,963

See accompanying notes

1. Corporate information

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

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

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

2. Basis of preparation

Basis of presentation

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

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

These Unaudited Interim Condensed Consolidated Financial Statements have been prepared under the historical cost convention, other than for the measurement at fair value of the Group's Interest Rate Swap (as defined in note 10), contingent consideration, certain hedged loan instruments, and loan receivable.

On 1 February 2017, having been approved in the High Court, the Group's share premium was cancelled. Accordingly, the balance has been reallocated within equity reserves to the Group's retained earnings account. This is now shown in the Unaudited Interim Condensed Consolidated Statements of Changes in Equity as an adjustment to the balances on the Group's equity reserves at 30 June 2017. There is no impact on the income statement, earnings per share or total equity.

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

Basis of consolidation

JPJ Group 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 JPJ Group plc obtains control, and continue to be consolidated until the date that such control ceases.

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

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 six months ended 30 June 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 9). 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 being combined into a single figure and shown as other long-term receivables at 30 June 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.

Impairment policy

In accordance with IFRS 9, the Group reviewed its impairment policy and concluded that no impairment provision on its financial instruments, as discussed in note 15, is required. The Group uses the credit loss model to assess impairment.

Revenue recognition

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

4. Segment information

In March 2018, the Group determined that its reportable operating segments had changed such that the Mandalay segment was aggregated with the Jackpotjoy segment with effect from 1 January 2018, as Mandalay no longer met the criteria for a reportable operating segment, set out in IFRS 8 – *Operating Segments*. Mandalay was therefore aggregated with the Jackpotjoy segment, consistent with the Group's other third-party platform hosted operations 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 30 June 2018:

	Jackpotjoy (£000's)	Vera&John (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Gaming revenue	53,549	24,179	—	77,728
Social gaming revenue	2,738	—	—	2,738
Total gaming revenue	56,287	24,179	—	80,466
Distribution costs	27,701	11,763	23	39,487
Amortisation and depreciation	13,074	2,464	97	15,635
Compensation, professional, and general and administrative expenses	4,909	4,041	2,466	11,416
Transaction related costs	—	—	1,418	1,418
Foreign exchange loss/(gain)	11	(180)	(116)	(285)
Financing, net	1	(30)	5,383	5,354
Income/(loss) for the period before taxes	10,591	6,121	(9,271)	7,441
Taxes	—	130	—	130
Net income/(loss) for the period	10,591	5,991	(9,271)	7,311
Net income/(loss) for the period	10,591	5,991	(9,271)	7,311
Interest expense/(income), net	1	(30)	4,894	4,865
Accretion on financial liabilities	—	—	489	489
Taxes	—	130	—	130
Amortisation and depreciation	13,074	2,464	97	15,635
EBITDA	23,666	8,555	(3,791)	28,430
Share-based compensation	—	—	170	170
Transaction related costs	—	—	1,418	1,418
Foreign exchange loss/(gain)	11	(180)	(116)	(285)
Adjusted EBITDA	23,677	8,375	(2,319)	29,733
Net income/(loss) for the period	10,591	5,991	(9,271)	7,311
Share-based compensation	—	—	170	170
Transaction related costs	—	—	1,418	1,418
Foreign exchange loss/(gain)	11	(180)	(116)	(285)
Amortisation of acquisition related purchase price intangibles	13,057	1,967	—	15,024
Accretion on financial liabilities	—	—	489	489
Adjusted net income/(loss)	23,659	7,778	(7,310)	24,127

Six months ended 30 June 2018:

	Jackpotjoy (£000's)	Vera&John (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Gaming revenue	110,093	45,350	—	155,443
Social gaming revenue	5,695	—	—	5,695
Total gaming revenue	115,788	45,350	—	161,138
Distribution costs	56,511	24,450	25	80,986
Amortisation and depreciation	26,147	4,862	189	31,198
Compensation, professional, and general and administrative expenses	9,488	8,549	5,588	23,625
Severance costs	—	450	—	450
Transaction related costs	—	—	1,493	1,493
Foreign exchange loss/(gain)	213	(70)	(18)	125
Financing, net	3	(66)	23,258	23,195
Income/(loss) for the period before taxes	23,426	7,175	(30,535)	66
Taxes	—	488	14	502
Net income/(loss) for the period	23,426	6,687	(30,549)	(436)
Net income/(loss) for the period	23,426	6,687	(30,549)	(436)
Interest expense/(income), net	3	(66)	9,782	9,719
Accretion on financial liabilities	—	—	2,026	2,026
Taxes	—	488	14	502
Amortisation and depreciation	26,147	4,862	189	31,198
EBITDA	49,576	11,971	(18,538)	43,009
Share-based compensation	—	—	326	326
Severance costs	—	450	—	450
Fair value adjustments on contingent consideration	—	—	11,450	11,450
Transaction related costs	—	—	1,493	1,493
Foreign exchange loss/(gain)	213	(70)	(18)	125
Adjusted EBITDA	49,789	12,351	(5,287)	56,853
Net income/(loss) for the period	23,426	6,687	(30,549)	(436)
Share-based compensation	—	—	326	326
Severance costs	—	450	—	450
Fair value adjustments on contingent consideration	—	—	11,450	11,450
Transaction related costs	—	—	1,493	1,493
Foreign exchange loss/(gain)	213	(70)	(18)	125
Amortisation of acquisition related purchase price intangibles	26,114	3,945	—	30,059
Accretion on financial liabilities	—	—	2,026	2,026
Adjusted net income/(loss)	49,753	11,012	(15,272)	45,493

Three months ended 30 June 2017:

	Jackpotjoy (£000's)	Vera&John (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Gaming revenue	53,904	17,412	—	71,316
Social gaming revenue	3,877	—	—	3,877
Total gaming revenue	57,781	17,412	—	75,193
Distribution costs	26,008	8,278	16	34,302
Amortisation and depreciation	13,852	2,465	94	16,411
Compensation, professional, and general and administrative expenses	4,430	4,024	2,799	11,253
Foreign exchange (gain)/loss	(67)	419	4,414	4,766
Financing, net	1	(53)	13,222	13,170
Income/(loss) for the period before taxes	13,557	2,279	(20,545)	(4,709)
Taxes	—	63	—	63
Net income/(loss) for the period	13,557	2,216	(20,545)	(4,772)
Net income/(loss) for the period	13,557	2,216	(20,545)	(4,772)
Interest expense/(income), net	1	(53)	7,715	7,663
Accretion on financial liabilities	—	—	3,662	3,662
Taxes	—	63	—	63
Amortisation and depreciation	13,852	2,465	94	16,411
EBITDA	27,410	4,691	(9,074)	23,027
Share-based compensation	—	—	353	353
Fair value adjustments on contingent consideration	—	—	1,845	1,845
Foreign exchange (gain)/loss	(67)	419	4,414	4,766
Adjusted EBITDA	27,343	5,110	(2,462)	29,991
Net income/(loss) for the period	13,557	2,216	(20,545)	(4,772)
Share-based compensation	—	—	353	353
Fair value adjustments on contingent consideration	—	—	1,845	1,845
Foreign exchange (gain)/loss	(67)	419	4,414	4,766
Amortisation of acquisition related purchase price intangibles	13,837	2,105	—	15,942
Accretion on financial liabilities	—	—	3,662	3,662
Adjusted net income/(loss)	27,327	4,740	(10,271)	21,796

Six months ended 30 June 2017:

	Jackpotjoy (£000's)	Vera&John (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Gaming revenue	105,102	33,103	—	138,205
Social gaming revenue	8,364	—	—	8,364
Total gaming revenue	113,466	33,103	—	146,569
Distribution costs	49,562	15,926	58	65,546
Amortisation and depreciation	25,135	4,833	192	30,160
Compensation, professional, and general and administrative expenses	8,876	7,684	6,157	22,717
Transaction related costs	—	—	1,315	1,315
Foreign exchange (gain)/loss	(87)	478	6,508	6,899
Gain on sale of intangible assets	—	(1,002)	—	(1,002)
Financing, net	2	(87)	40,943	40,858
Income/(loss) for the period before taxes	29,978	5,271	(55,173)	(19,924)
Taxes	—	149	—	149
Net income/(loss) for the period	29,978	5,122	(55,173)	(20,073)
Net income/(loss) for the period	29,978	5,122	(55,173)	(20,073)
Interest expense/(income), net	2	(87)	15,657	15,572
Accretion on financial liabilities	—	—	7,051	7,051
Taxes	—	149	—	149
Amortisation and depreciation	25,135	4,833	192	30,160
EBITDA	55,115	10,017	(32,273)	32,859
Share-based compensation	—	—	878	878
Fair value adjustments on contingent consideration	—	—	14,701	14,701
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	(87)	478	6,508	6,899
Adjusted EBITDA	55,028	9,493	(5,337)	59,184
Net income/(loss) for the period	29,978	5,122	(55,173)	(20,073)
Share-based compensation	—	—	878	878
Fair value adjustments on contingent consideration	—	—	14,701	14,701
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	(87)	478	6,508	6,899
Amortisation of acquisition related purchase price intangibles	25,120	4,212	—	29,332
Accretion on financial liabilities	—	—	7,051	7,051
Adjusted net income/(loss)	55,011	8,810	(21,186)	42,635

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

	Jackpotjoy (£000's)	Vera&John (£000's)	Unallocated Corporate Costs (£000's)	Total (£000's)
Current assets	16,796	29,981	14,376	61,153
Goodwill	240,960	56,016	—	296,976
Other non-current assets	228,666	29,130	12,262	270,058
Total assets	486,422	115,127	26,638	628,187
Current liabilities	9,806	17,098	16,995	43,899
Non-current liabilities	—	1,361	379,171	380,532
Total liabilities	9,806	18,459	396,166	424,431
Net assets	476,616	96,668	(369,528)	203,756

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

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

During the six months ended 30 June 2018 and 2017, substantially all of the revenue earned by the Group was in Europe. Revenue was earned from customers located in the following locations: United Kingdom – 60% (six months ended 30 June 2017 – 64%), Sweden – 8% (six months ended 30 June 2017 – 10%), rest of Europe – 17% (six months ended 30 June 2017 – 13%), rest of world – 15% (six months ended 30 June 2017 – 13%).

Non-current assets by geographical location as at 30 June 2018 were as follows: Europe £85.1 million (31 December 2017 – £87.7 million) and Americas £481.9 million (31 December 2017 – £508.2 million).

5. Costs and expenses

	Three months ended 30 June 2018 (£000's)	Three months ended 30 June 2017 (£000's)	Six months ended 30 June 2018 (£000's)	Six months ended 30 June 2017 (£000's)
Distribution costs:				
Selling and marketing	13,298	10,846	27,848	20,449
Licensing fees	11,739	11,826	23,483	22,912
Gaming taxes	10,056	8,469	21,319	16,461
Processing fees	4,394	3,161	8,336	5,724
	39,487	34,302	80,986	65,546
Administrative costs:				
Compensation and benefits	8,108	8,016	16,828	16,091
Professional fees	811	797	2,100	2,005
General and administrative	2,497	2,440	4,697	4,621
Tangible asset depreciation	137	111	261	184
Intangible asset amortisation	15,498	16,300	30,937	29,976
	27,051	27,664	54,823	52,877

6. Interest income/expense

	Three months ended 30 June 2018 (£000's)	Three months ended 30 June 2017 (£000's)	Six months ended 30 June 2018 (£000's)	Six months ended 30 June 2017 (£000's)
Interest earned on cash held during the period	31	57	65	95
Interest earned on long-term loan receivable	54	—	105	—
Total interest income	85	57	170	95
Interest paid and accrued on long-term debt	4,947	7,702	9,883	15,627
Interest paid and accrued on convertible debentures	3	18	6	40
Total interest expense	4,950	7,720	9,889	15,667
Accretion of discount recognised on contingent consideration	32	2,365	1,055	4,468
Interest accretion recognised on convertible debentures	—	12	8	30
Debt issue costs and accretion recognised on long-term debt	143	777	282	1,560
Interest accretion recognised on other long-term liabilities	314	508	681	993
Total accretion on financial liabilities	489	3,662	2,026	7,051

7. Earnings per share

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

	Three months ended 30 June 2018 (£000's)	Three months ended 30 June 2017 (£000's)	Six months ended 30 June 2018 (£000's)	Six months ended 30 June 2017 (£000's)
Numerator:				
Net income/(loss) – basic	7,311	(4,772)	(436)	(20,073)
Net income/(loss) – diluted ¹	7,311	(4,772)	(436)	(20,073)
Denominator:				
Weighted average number of shares outstanding – basic	74,259	73,785	74,177	73,680
Weighted average number of shares outstanding – diluted ¹	74,992	73,785	74,177	73,680
Instruments, which are anti-dilutive:				
Weighted average effect of dilutive share options	—	401	740	391
Weighted average effect of convertible debentures ²	—	312	39	399
Net income/(loss) per share ^{3,4}				
Basic	£0.10	£(0.06)	£(0.01)	£(0.27)
Diluted ¹	£0.10	£(0.06)	£(0.01)	£(0.27)

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 six months ended 30 June 2018 and the three and six months ended 30 June 2017.

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

⁴ Diluted income per share is calculated by dividing the net income attributable to 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. Trade and other receivables

Trade and other receivables consist of the following items:

	30 June 2018 (£000's)	31 December 2017 (£000's)
Due from the Gamesys group	8,047	8,634
Due from the 888 group	1,739	3,101
B2B and affiliate revenue receivable	3,464	2,481
Receivable for intangible assets sold	—	1,450
Prepaid expenses	2,289	2,375
Other	561	1,338
	16,100	19,379

9. Other long-term receivables

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

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

In connection with this transaction, the Group recognised a long-term receivable of £3.5 million for the secured convertible loan, in accordance with IFRS 9, based on the calculation of fair value at 30 June 2018, as explained in note 15.

10. Interest rate swap

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

As at 30 June 2018, the fair value of the Interest Rate Swap was a £0.7 million payable (31 December 2017 – £nil). The Group has included £0.1 million of this payable in current liabilities, as shown in note 13 (31 December 2017 – £nil), with the value of the remaining balance, being £0.6 million (31 December 2017 – £nil), included in other long-term payables.

11. Intangible assets

As at 30 June 2018

	Gaming licences (£000's)	Customer relationships (£000's)	Software (£000's)	Brand (£000's)	Partnership agreements (£000's)	Non-compete clauses (£000's)	Goodwill (£000's)	Total (£000's)
Cost								
Balance, 1 January 2018	93	337,655	25,211	70,019	12,900	20,434	316,386	782,698
Additions	—	—	2,206	—	—	—	—	2,206
Translation	(5)	17	177	66	—	—	650	905
Balance, 30 June 2018	88	337,672	27,594	70,085	12,900	20,434	317,036	785,809
Accumulated amortisation/impairment								
Balance, 1 January 2018	81	139,333	12,551	10,005	4,458	7,661	19,605	193,694
Amortisation	22	20,651	2,599	1,747	811	5,107	—	30,937
Translation	(58)	42	7	19	—	—	455	465
Balance, 30 June 2018	45	160,026	15,157	11,771	5,269	12,768	20,060	225,096
Carrying value								
Balance, 30 June 2018	43	177,646	12,437	58,314	7,631	7,666	296,976	560,713

As at 31 December 2017

	Gaming licences (£000's)	Customer relationships (£000's)	Software (£000's)	Brand (£000's)	Partnership agreements (£000's)	Non-compete clauses (£000's)	Goodwill (£000's)	Total (£000's)
Cost								
Balance, 1 January 2017	94	340,927	21,670	70,054	12,900	20,434	317,829	783,908
Additions	—	—	2,708	—	—	—	—	2,708
Disposals	—	(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

12. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following items:

	30 June 2018 (£000's)	31 December 2017 (£000's)
Affiliate/marketing expenses payable	4,899	6,547
Payable to game suppliers	2,120	1,899
Compensation payable	4,046	4,868
Professional fees	995	875
Gaming tax payable	2,109	2,101
Other	477	1,531
	14,646	17,821

13. Other short-term payables

Other short-term payables consist of:

	30 June 2018 (£000's)	31 December 2017 (£000's)
Transaction related payables	1,237	3,484
Current portion of other long-term payables (note 16)	8,667	8,667
Interest Rate Swap (note 10)	144	—
	10,048	12,151

14. 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*	—	—	—	85	197	282
Foreign exchange translation	—	—	—	(250)	—	(250)
Balance, 30 June 2018	—	—	—	122,738	246,781	369,519
Current portion	—	—	—	—	—	—
Non-current portion	—	—	—	122,738	246,781	369,519

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

15. Financial instruments

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

Financial assets

	Financial assets as subsequently measured at amortised cost	
	30 June 2018 (£000's)	31 December 2017 (£000's)
Cash and restricted cash	29,657	59,241
Trade and other receivables	16,100	19,379
Other long-term receivables	1,614	2,104
Customer deposits	8,677	8,180
	56,048	88,904

Financial liabilities

	Financial liabilities as subsequently measured at amortised cost	
	30 June 2018 (£000's)	31 December 2017 (£000's)
Accounts payable and accrued liabilities	14,646	17,821
Other short-term payables	9,904	12,151
Other long-term payables	4,908	8,245
Interest payable	675	924
Payable to customers	8,677	8,180
Convertible debentures	—	254
Long-term debt	369,519	369,487
	408,329	417,062

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

Other financial instruments

	Financial instruments at fair value through profit or loss – assets/(liabilities)	
	30 June 2018 (£000's)	31 December 2017 (£000's)
Interest Rate Swap	(718)	—
Contingent consideration	(8,633)	(59,583)
Other long-term receivables	3,464	3,500
	(5,887)	(56,083)

Fair value hierarchy

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

	Level 2		Level 3	
	30 June 2018 (£000's)	31 December 2017 (£000's)	30 June 2018 (£000's)	31 December 2017 (£000's)
Interest Rate Swap	(718)	—	—	—
Other long-term receivables	3,464	3,500	—	—
Contingent consideration	—	—	(8,633)	(59,583)

The Interest Rate Swap balance represents the fair value of expected cash outflows under the Interest Rate Swap agreement.

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

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.

On 15 June 2018, JPJ Group plc made a final earn-out payment of £58.5 million for the Botemania brand, its Spanish business within the Jackpotjoy segment and a £5.0 million milestone payment related to certain performance achievements within the Jackpotjoy segment. This final payment was met using existing cash resources.

As at 30 June 2018, the contingent consideration balance related to the two remaining milestone payments for the Jackpotjoy segment. The value of these remaining milestone payments reflects the high likelihood of these amounts becoming payable by their respective due dates.

The movement in Level 3 financial instruments is detailed below:

	(£000's)
Contingent consideration, 1 January 2017	120,187
Fair value adjustments	27,562
Payments	(94,218)
Accretion of discount	6,052
Contingent consideration, 31 December 2017	59,583
Fair value adjustments	11,450
Payments	(63,455)
Accretion of discount	1,055
Contingent consideration, 30 June 2018	8,633
Current portion	4,463
Non-current portion	4,170

16. Other long-term payables

The Group is required to pay the Gamesys group £24.0 million in equal monthly instalments in arrears over the period from April 2017 to April 2020, for additional non-compete clauses that came into effect in April 2017 and that expire in March 2019. The Group has included £8.7 million of this payable in current liabilities, as shown in note 13 (31 December 2017 – £8.7 million), with the discounted value of the remaining balance, being £4.9 million (31 December 2017 – £8.2 million), included in other long-term payables. During the six months ended 30 June 2018, the Group has paid a total of £4.0 million (six months ended 30 June 2017 – £1.3 million) in relation to the additional non-compete clauses.

17. Share capital

As at 30 June 2018, JPJ Group plc's issued share capital consisted of 74,258,930 ordinary shares, each with a nominal value of £0.10. JPJ Group plc does not hold any shares in treasury and there are no shares in JPJ Group plc's issued share capital that do not represent capital.

	Ordinary shares of £0.10	
	(£000's)	#
Balance, 1 January 2017	7,298	72,983,277
Conversion of convertible debentures, net of costs	92	916,498
Exercise of options	17	165,156
Balance, 31 December 2017	7,407	74,064,931
Conversion of convertible debentures, net of costs	6	56,499
Exercise of options	14	137,500
Balance, 30 June 2018	7,427	74,258,930

Ordinary shares

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

Convertible debentures

During the six months ended 30 June 2018, debentures at an undiscounted value of £0.2 million were converted into 56,499 ordinary shares of JPJ Group plc. The remaining convertible debentures were redeemed in full to the value of £0.1 million on 1 June 2018.

Share options

During the six months ended 30 June 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 and six months ended 30 June 2018, the Group recorded £0.1 million and £0.2 million, respectively (2017 – £0.4 million and £0.9 million) in share-based compensation expense relating to the share option plan with a corresponding increase in share-based payment reserve.

Long-term incentive plan

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

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

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

18. Contingent liabilities

Indirect taxation

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

Where it is considered probable that a previously identified contingent liability will give rise to an actual outflow of funds, then a provision is made in respect of the relevant jurisdiction and period impacted. Where the likelihood of a liability arising is considered remote, or the possible contingency is not material to the financial position of the Group, the contingency is not recognised as a liability at the balance sheet date. As at 30 June 2018, the Group had recognised £nil liability (31 December 2017 – £nil) related to potential contingent indirect taxation liabilities.

19. Subsequent events

On 14 August 2018, the Group signed a share purchase agreement for the sale of its social business for a cash consideration of £18.1 million.